



NATIONAL POWER CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of NATIONAL POWER CORPORATION is responsible for all information and representations contained in the accompanying Statement of Financial Position as of 31 December 2016 and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with the Philippine Public Sector Accounting Standards and generally accepted state accounting principles, and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or dispositions and liabilities are recognized.

(Original Signed)
LORNA T. DY
VP – Administration & Finance

(Original Signed)
MA. GLADYS CRUZ-STA. RITA
President & CEO

14 February 2017



NATIONAL POWER CORPORATION

14 February 2017

Ms. EYREN MARANAN-YULDE

OIC – Supervising Auditor

Commission on Audit

This representation letter is provided in connection with your audit of the financial statements of NATIONAL POWER CORPORATION for the year ended December 31, 2016 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material aspects, (or give a true and fair view) in accordance with International Financial Reporting Standards.

We confirm that (to the best our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves):

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated January 2016 for the preparation of the financial statements in accordance with the International Financial Reporting Standards: in particular the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimated, including those measured at fair value, are reasonable. (ISA 540)
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. (ISA 550)
- All events subsequent to the date of the financial statements and for which International Financial Reporting Standards require adjustment or disclosure have been adjusted or disclosed. (ISA 560)

Information Provided

- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters.
 - Additional information that you have requested from us for the purpose of the audit; and



NATIONAL POWER CORPORATION

- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements. (ISA 240)
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others. (ISA 240)
- We have disclosed to you all instances of non compliance or suspected non compliance with laws and regulations whose effects should be considered when preparing financial statements. (ISA 250)
- We have disclosed to you the identity of the entity's related parties and all the related party relationship and transactions of which we are aware. (ISA 550)

(Original Signed)

LORNA T. DY

VP – Administration & Finance

(Original Signed)

MA. GLADYS CRUZ-STA. RITA

President & CEO



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

National Power Corporation
Diliman, Quezon City

Report on the Financial Statements

We have audited the accompanying financial statements of the National Power Corporation, which comprise the statement of financial position as at December 31, 2016 and 2015, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flows and Statement of Comparison of Budget and Actual Amount for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Public Sector Accounting Standards, , and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Basis for Qualified Opinion

The Trust Accounts (PSALM) totaling P4.892 billion and P6.396 billion as of December 31, 2016 and 2015, respectively was not reconciled against the Assets Held in Trust with NPC which has yearend balance of P8.573 billion and P6.585 billion for the same period. These accounts are reciprocal accounts, therefore, should always have the same balance.

Other Non-Current Asset pertaining to the Retained TransCo account was understated as of December 31, 2016 and 2015 both by P1.850 billion due to write-off of the accounts without authority from the Commission on Audit. Similarly, the Current Liabilities of the Retained TransCo account was also understated by P257.5 million for same period.

Current financial liabilities' totaling P5.886 billion and P5.793 billion as of December 31, 2016 and 2015, respectively, were doubtful due to the inclusion of various accounts with abnormal or debit balances totaling P391.581 million and the existence of accounts which did not reflect the name of creditors in the subsidiary ledgers amounting to P13.198 million.

In addition, Property, Plant and Equipment of P4.460 billion was not fairly valued due to (i) unreconciled difference in the amount of P2.215 billion obtaining between the general ledger and the physical inventory report; (ii) unserviceable assets costing P34.828 million that remain undisposed at year end, contrary to Section 79 of PD 1445 resulting in further decline in value; (iii) non-recognition of impairment loss on obsolete and unserviceable assets per PPSAS 21; and (iv) unaccounted inventory of P7.864 million.

Qualified Opinion

In our opinion, except for the effects and the possible effects of the matters discussed in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the National Power Corporation as at December 31, 2016 and 2015, and its financial performance and its cash flows for the year then ended in accordance with Philippine Public Sector Accounting Standards.

Emphasis of Matter

We draw attention to Note 30 of the Notes to Financial Statements which describes the uncertainty pertaining to the NPC-Driver's and Mechanics Association (NPC-DAMA) case filed against the Corporation which may cost approximately P62 billion. Our opinion is not qualified in respect of this matter.

Report on the Supplementary Information Required Under BIR Revenue Regulation 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of Management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


EYREN MARANAN-YULDE
OIC - Supervising Auditor

June 1, 2017

NATIONAL POWER CORPORATION
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016 and 2015

	Notes	2016	2015
ASSETS			
Current Assets			
Cash & cash equivalents	4	14,675,271,246	10,241,716,575
Receivables	5	5,241,214,966	10,977,036,888
Inventories	6	1,439,673,639	1,313,569,284
Other current assets	7	4,537,381,557	3,981,129,172
Total Current Assets		25,893,541,408	26,513,451,919
Non-Current Assets			
Property, plant and equipment	8	7,579,622,772	8,487,695,458
Construction in progress	9	3,397,837,384	2,479,879,185
Other non-current assets	10	6,994,691,125	9,104,440,361
Total Non-Current Assets		17,972,151,281	20,072,015,004
TOTAL ASSETS		43,865,692,689	46,585,466,923
LIABILITIES			
Current Liabilities			
Financial Liabilities	11	4,620,844,679	4,275,230,380
Inter-Agency Payables	12	945,782,975	1,420,927,571
Trust Liabilities	13	30,029,740	50,209,711
Other Payables	14	289,399,735	178,106,068
Total Current Liabilities		5,886,057,129	5,924,473,730
Non-Current Liabilities			
Financial Liabilities	15	604,907,507	644,125,723
Deferred Credits/Unearned Income	16	1,934,730,181	1,666,791,836
Provisions	17	572,648,304	576,002,226
Trust Liabilities (PSALM)	10	4,892,201,624	6,396,452,025
Total Non-Current Liabilities		8,004,487,616	9,283,371,810
TOTAL LIABILITIES		13,890,544,745	15,207,845,540
Total Assets Less Total Liabilities		29,975,147,944	31,377,621,383
NET ASSETS/EQUITY			
Capital Stock	18	27,048,870,789	27,048,870,789
Donated Capital	18	14,683,567	13,856,821
Appropriated Retained Earnings	18	349,691,637	349,691,637
Unappropriated Retained Earnings	18	366,336,203	1,772,471,059
Appraisal Capital	18	2,195,565,748	2,192,731,077
Total Net Assets/Equity		29,975,147,944	31,377,621,383

See accompanying Notes to Financial Statements

NATIONAL POWER CORPORATION
STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended December 31, 2016 and 2015

	Notes	2016	2015
Revenue			
Service and Business Income	19	3,828,917,044	3,894,919,982
Shares, Grants and Donations	20	1,987,124	2,375,558
Total Revenue		3,830,904,168	3,897,295,540
Less: Current Operating Expenses			
Personnel Services	21	802,100,259	737,564,916
Maintenance and Other Operating Expenses	22	4,263,392,942	5,416,909,984
Financial Expenses	23	9,213,126	10,831,171
Direct Materials (Fuel)	24	2,714,796,036	3,042,377,290
Direct Overhead	24	505,516,638	466,941,787
Non-Cash Expenses	25	1,276,585,193	1,029,025,773
Total Current Operating Expenses		9,571,604,194	10,703,650,921
Deficit from Current Operations		(5,740,700,026)	(6,806,355,381)
Financial Assistance/Subsidy	26	980,822,175	2,000,000,000
Share in Universal Charge	27	6,406,011,229	9,706,676,769
Gains	28	792,701	53,681,502
Losses	29	(71,542)	(30,531,007)
Surplus for the period		1,646,854,537	4,923,471,883

See accompanying Notes to Financial Statements

NATIONAL POWER CORPORATION
STATEMENT OF CHANGES IN NET ASSET/EQUITY

For the Year Ended December 31, 2016 and 2015

		2016	2015
Appropriated Retained Earnings			
	Note		
Balance beginning		349,691,637	349,691,637
Net income		0	0
Correction of Prior Years Income		0	0
Balance end	18	349,691,637	349,691,637
Unappropriated Retained Earnings			
Balance beginning		1,772,471,059	(2,720,771,200)
2015 Net income		0	4,903,358,182
Dividend declared		0	(300,000,000)
Adjustment 2015 Net Income		0	20,113,701
Correction of Prior Years Income		0	65,965,163
Other adjustments		0	(196,194,787)
Restated Balance		1,772,471,059	1,772,471,059
Changes in Net Assets/Equity for CY 2016		0	0
Add/(Deduct)		0	0
Surplus/(Deficit) for the period		1,646,854,537	0
Other adjustments		(3,052,989,393)	0
Balance end	18	366,336,203	1,772,471,059
Total Retained Earnings	18	716,027,840	2,122,162,696
Government Equity			
Balance beginning		27,048,870,789	27,048,870,789
Net income		0	0
Correction of Prior Years Income		0	0
Balance end	18	27,048,870,789	27,048,870,789
Other Equity Instruments (Donated Capital)			
Balance beginning		13,856,821	13,856,821
Adjustments		0	0
Restated Balance		13,856,821	13,856,821
Changes in Net Assets/Equity for CY 2016		0	0
Add/(Deduct)		0	0
Surplus/(Deficit) for the period		0	0
Other adjustments		826,746	0
Balance end	18	14,683,567	13,856,821
Revaluation Surplus (Appraisal Capital)			
Balance beginning		2,192,731,077	2,192,731,077
Adjustments		2,834,671	0
Balance end	18	2,195,565,748	2,192,731,077
EQUITY	18	29,975,147,944	31,377,621,383

See accompanying Notes to Financial Statements

NATIONAL POWER CORPORATION
CONDENSED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016 and 2015

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Cash collected from universal levy		11,191,361,682	10,820,404,330
Collections from power customers		2,031,396,940	1,810,699,892
Subsidies received from other govt agencies		980,822,175	615,042,606
Amount withheld from employees, suppliers and other creditors		723,284,054	708,428,902
Interest and dividends received		414,389,555	382,964,118
Deposits and trust funds received		7,091,647	6,101,088
Collections on deposits and advances		22,334,764	9,000
Collections of other receivables		83,489,387	156,061,670
Total Cash Inflows		15,454,170,204	14,499,711,606
Cash Outflows			
Purchase of fuel for generation		2,448,292,656	3,481,844,096
Genset rental		313,920,854	271,582,088
Statutory remittances		1,658,991,523	1,849,066,791
Taxes and duties		1,596,854,762	374,095,695
Other operating expenses		2,020,085,019	2,324,530,638
Other expenses		1,505,441,846	1,638,263,923
Personnel cost		387,555,499	340,714,587
Financial assistance		0	12,239,610
Refund of deposits and trust funds		27,790,348	5,407,558
Net funds transferred		46,586,837	85,275,866
Realty tax paid		747,289	903,253
Share of local government units in national wealth		0	1,534,128
Interest paid		0	64,587
Deposits and other advances		53,961,002	56,339,589
Total Cash Outflows		10,060,227,635	10,441,862,409
Net Cash Provided by Operating Activities		5,393,942,569	4,057,849,197
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Interest received from investments		132,818,732	53,516,403
Proceeds from sale of assets		716,232	8,357,759
Total Cash Inflows		133,534,964	61,874,162
Cash Outflows			
Capital expenditures		746,230,152	365,390,046
Total Cash Outflows		746,230,152	365,390,046
Net Cash Used in Investing Activities		(612,695,188)	(303,515,884)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows		0	0
Cash Outflows			
Transfer to restricted cash account		124,795	41,829
Dividend payment to Bureau of Treasury		300,000,000	150,000,000
Interest paid on loans		9,148,348	10,902,407
Payment of loans		41,884,559	40,474,560
Total Cash Outflows		351,157,702	201,418,796
Net Cash Used in Financing Activities		(351,157,702)	(201,418,796)
Net Increase (Decrease) in Cash and Cash Equivalents		4,430,089,679	3,552,914,517
Effect of Exchange Rate Changes on Cash and Cash Equivalents		3,464,992	1,188,240
Cash and Cash Equivalents, January 1		10,241,716,575	6,687,613,818
Cash and Cash Equivalents, December 31	4	14,675,271,246	10,241,716,575

See accompanying Notes to Financial Statements

NATIONAL POWER CORPORATION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
For the Year Ended December 31, 2016

Particulars	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
RECEIPTS				
Service and Business Income	14,083,042,560	13,621,485,374	13,222,758,622	398,726,752
Assistance and Subsidy	2,063,341,000	2,063,341,000	980,822,175	1,082,518,825
Shares, Grants and Donations	1,991,089,755	2,672,585,821	1,388,542,956	1,284,042,865
Total Receipts	18,137,473,315	18,357,412,195	15,592,123,753	2,765,288,442
PAYMENTS				
Personnel Services	941,106,038	1,291,880,327	387,498,627	904,381,700
Maintenance and Other Operating	15,535,054,137	15,831,116,385	9,590,012,190	6,241,104,195
Capital Outlay	4,073,612,472	3,701,120,009	746,230,152	2,954,889,857
Financial Expenses	51,124,768	651,124,768	351,157,702	299,967,066
Others	127,484,164	171,035,889	92,131,837	78,904,052
Total Payments	20,728,381,579	21,646,277,378	11,167,030,508	10,479,246,870
NET RECEIPTS/PAYMENTS	(2,590,908,264)	(3,288,865,183)	4,425,093,245	(7,713,958,428)

NATIONAL POWER CORPORATION
NOTES TO FINANCIAL STATEMENTS
(With Comparative Figures for CY 2015)

1. CORPORATE INFORMATION

The National Power Corporation (NPC) was established originally as a non-stock government corporation under Commonwealth Act No. 120 on November 3, 1936. It was later on converted to stock Corporation wholly owned by the government under Republic Act 2641 in 1960. Not for long in 1971, by virtue of Republic Act 6395, its charter was then revised as amended.

As mandated by the Revised NPC Charter, the Corporation shall undertake the development of hydroelectric generation of power and the production of electricity from nuclear, geothermal and other sources, as well as the transmission of electric power on a nationwide basis, shall continue to exist for fifty (50) years from and after expiration of its present corporate existence. It shall, as far as feasible spread the benefits of its projects and operations to the greatest number of the population possible, and the Corporation shall execute faithfully such projects as will promote total electrification of Luzon Islands, Visayan Islands, and Mindanao Islands.

NPC's Charter provides that it shall be non-profit and shall devote all its returns from its capital investment, as well as excess revenues from its operation, for expansion. To enable the Corporation to pay its indebtedness and obligations and, in furtherance and effective implementation of the government's policy of power generation, the Corporation, including its subsidiaries, is declared exempt from the payment of all forms of taxes, duties, fees, imposts as well as costs and service fees including filing fees, appeal bonds, supersede as bonds, in any court or administrative proceedings.

With the enactment of RA No. 9337, otherwise known as the Reformed Value-Added Tax (RVAT) Law of 2005, which took effect on November 1, 2005, NPC's purchases of fuel and purchased power as well as its sale of electricity are subjected to VAT, specifically stated under Sec. 24(A) of R.A. 9337 repealing Section 13 of R.A. No. 6395 on the Corporation's exemption from VAT. Moreover, with the enactment of EPIRA, NPC as power generation Corporation has been declassified from being a public utility to an ordinary business activity, hence subject to income tax.

The EPIRA

Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001", the "EPIRA", was enacted to institute reforms and provide framework for the restructuring of the electric power industry including, among others, the privatization of generation assets, real estate, other disposable assets, independent power plants and the liquidation of all liabilities and stranded contract cost of NPC.

The EPIRA organized the industry into four (4) sectors: generation, transmission, distribution and supply. The structural reforms resulted, among others, in the creation of two (2) Government Owned and Controlled Corporations (GOCC's), the National Transmission Corporation (TRANSCO) and the Power Sector Assets and Liabilities

Management Corporation (PSALM). NPC was retained as a GOCC to perform the missionary electrification function, through the Small Power Utilities Group (SPUG), watershed management and the operation and maintenance of all undisposed generation assets.

Separation of TRANSCO Books from NPC and the Transfer of Assets and Liabilities from NPC to PSALM

As mandated under the EPIRA and pursuant to the instructions from the respective Boards and Managements of NPC, PSALM and TRANSCO, the actual separation of books of TRANSCO from NPC and the asset-debt accounts transfer from NPC to PSALM was implemented on October 1, 2008 based on the balances of interim financial report (except for SPUG) as of September 30, 2008. Full implementation was effected on December 31, 2008. This momentous event significantly affected the current financial structure of NPC, as only the accounts pertaining to SPUG, watershed and other assets/facilities that are used and useful in the performance of its missionary function, watershed management and the operation of plants, under the Operation and Maintenance Agreement with PSALM, are retained in the books of NPC. Similar in 2008, NPC reported only the result of operation for SPUG and the financial condition of the residual NPC, consisting of accounts pertaining to SPUG and watershed and the retained PSALM.

Operation and Maintenance Agreement (OMA)

The Operation and Maintenance Agreement (OMA) is an agreement entered into by and between NPC and PSALM on February 17, 2009 wherein NPC will act as the Operator of the transferred generation and other assets/facilities owned by PSALM prior to privatization of such assets.

In 2015, PSALM and NPC executed a new OMA and made effective by both parties. NPC will continue its obligation as Operator of the undisposed generating plants of PSALM. Under the agreement, NPC will be paid by PSALM an administrative fee equivalent to five percent (5%) margin on top of the total approved budget for personnel services, maintenance and other operating expenses inclusive of 12% VAT.

The head office is located at the National Power Corporation, Building 1, BIR Road, corner Quezon Avenue, Diliman, Quezon City.

2. MAJOR ACCOMPLISHMENTS

Following are the highlights of accomplishments of SPUG and Watershed in CY 2016:

SPUG and WATERHED

FINANCIAL HIGHLIGHTS

- **Revenue**

NPC realized a revenue of P8.653 billion for CY 2016 which is lower by 26% or P3.102 billion over its actual revenue of P11.755 billion in CY 2015.

- **Net Operating Income**

NPC posted a Net Operating Income of P2.209 billion which is lower by 59% or P3.183 billion from its Net Operating Income of P5.392 billion in CY 2015.

- **Net Income**

NPC reported a Net Income of P1.647 billion compared with the previous year's Net Income of P4.903 billion. The significant decrease is attributed mainly to lower UCME due to adoption of Energy Regulation Commission's methodology in the computation of Universal Charge – Missionary Electrification (UCME) based on the revenue requirement to cover the operating expenses, New Power Plant (NPP) subsidy and 12% return on rate base.

OPERATIONAL HIGHLIGHTS

In furtherance of NPC's mandate to bring power as catalyst for development to the farthest, smallest and remotest areas and islands, the following are NPC's programs and project accomplishments in CY 2016:

SMALL POWER UTILITIES GROUP (SPUG)

Power Plants with increase in operating hours in CY 2016

NO.	SPUG POWER PLANTS	PROVINCE	OPERATING HOURS		DATE IMPLEMENTED
			From	To	
1	Itbayat DPP	Batanes	18	24	1-Dec-16
2	Sabtang DPP	Batanes	18	24	1-Dec-16
3	Jomalig DPP	Quezon	8	16	16-Nov-16
4	Patnanungan DPP	Quezon	8	16	1-Dec-16
5	Polilio DPP	Quezon	16	24	30-Apr-16
6	San Jose DPP	Romblon	12	16	1-Aug-16
7	Agutaya DPP	Palawan	8	16	15-Aug-16
8	Araceli DPP	Palawan	16	24	25-Jun-16
9	Balabac DPP	Palawan	8	16	5-Sep-16
10	Rizal DPP	Palawan	16	24	11-Jan-16
11	Rapu-Rapu DPP	Albay	12	16	26-Oct-16
12	Burias DPP	Masbate	12	16	20-Dec-16

13	Pilar DPP	Cebu	20	24	8-Oct-16
14	Limasawa DPP	Southern Leyte	12	16	20-Dec-16
15	Biri DPP	Northern Samar	12	16	20-Dec-16
16	San Antonio DPP	Northern Samar	18	24	23-Dec-16
17	Ninoy Aquino DPP	Sultan Kudarat	14	16	7-May-16
18	Palimbang DPP	Sultan Kudarat	8	10	26-Jul-16
			10	12	26-Oct-16
			12	16	26-Nov-16
19	Hikdop DPP	Surigao del Norte	7	10	16-Aug-16
			10	12	7-Nov-16
			12	16	26-Nov-16
20	Cagayan de Tawi2x	Tawi-Tawi	8	12	1-Oct-16
21	Sitangkay DPP	Tawi-Tawi	8	12	6-Jun-16

WATERSHED MANAGEMENT DEPARTMENT Accomplishment Report for CY 2016

The Watershed Management Department (WMD) continues to be relentless in sustaining its 11 luscious watersheds that support power generation through watershed protection, rehabilitation and resource development.

For CY 2016, at least 1,881 hectares of open and denuded areas were restored across the 11 watershed areas through reforestation (809 ha), agroforestry (588 ha) and other non-timber forest products (484 ha) such as bamboo, rubber, coffee, etc. Indigenous species of pioneer kind such as narra, molave, kalubkob, etc. dominate these reforestation areas. Likewise, fruit bearing seedlings such as mango, durian, and other non-timber forest products like rubber and coffee were intercropped in agroforestry areas to provide agricultural products as a sustainability mechanism. Similarly, bamboo, vetiver aside from soil/slope stabilization function will also provide alternative source of income for the stakeholders. Of the abovementioned Universal Charge-Environmental Charge (UC-EC) funded projects, ten percent (10%) or 190 hectares were planted thru the initiative of private sectors like the National Grid Corporation of the Philippines (NGCP) under the cooperative planting now dubbed as “**Goodness for Mother Earth (G4ME)**” program.

Another colossal task of WMD is the law enforcement and regulation efforts. With its present 75 organic personnel, WMD hired at least 71 Contract of service forest guards to complement its work force. It is even beefed up by institutionalized partnerships with different law enforcement agencies/units such as Local Government Unit (LGU), Philippine Army (PA), Philippine National Police (PNP), and Philippine Coast Guard (PCG). Complementing this partnership is the mobilization of at least 700 Bantay Watershed volunteers. These strengthened alliances resulted in confiscation of at least 24,686.95 bdft of lumber, 11 conveyances (truck, motorcycle, tricycle, motorized boats), 12 units of cutting tools/implements (chainsaw, etc) 172 sacks of charcoal and rattan. Aside from foot patrolling, periodic aerial surveillance were also conducted in Upper Agno, San Roque, Angat and Mak-ban.

From these confiscated lumbers, a total 263,511 bdft were donated to schools and LGUs which were used to construct arm chairs, tables, cabinets and refurbished barangay chapel and information center.

The mandate of NPC encompasses regulations including the granting of permits for any land-use activities inside the NPC-managed reservations. At least 22 permits, two watershed area clearances were issued in CY 2016. These incurred an income of P1.146 Million for NPC. Likewise, gratuitous permit to harvest minor forest products were granted to Dumagats. The Dumagats were also given gratuitous permit to catch fish in Angat Reservoir while residents in Brgy. Lumot, Cavinti, Laguna were also given permit to operate fish cages.

Watershed protection remains the ultimate measure of effective watershed management. Hence, it is important to involve all stakeholders in all NPC's efforts considering that the watershed protection is a shared responsibility. This can only be attained with an effective information, education and communication (IEC) to convey to the public, both young and old. NPC's mandated roles and policies from households thru stakeholders meeting schools thru lectures and the Community Relation Officers braved its way in all sorts of terrain and weather just to bridge the information from NPC to the stakeholders and vice versa. This year at least 9,000 pcs. of calendars, folders, posters were printed and distributed. At least 30 barangay meetings and stakeholders for school lectures and film showing were complementarily carried out to sound out NPC's call for a vibrant and healthy watershed.

Above mentioned efforts will be in vain without addressing the primordial cause of watershed destruction which is anchored on the marginalized socio-economic condition of the forest resources dependent communities. Thus, to veer away from destructive practices, alternative livelihood training or projects is of utmost importance. In CY 2016, at least 14 livelihood trainings were conducted which varies from nipa processing, handicrafts making, sinamay and abaca production, mushroom cultivation and soap making.

Most of these trainings benefitted partner indigenous people (IP) such as Igorots in Upper and Lower Agno, Agta (in Bicol), Dumagat (in Angat), and Talaandig (in Bukidnon).

Ecotourism continuously prosper in Angat Rainforest Ecopark. At least 19,067 visitors were recorded in our ecoparks, incurring P465,680.00 income for NPC. In Caliraya-Lumot Watershed Ecopark, a total of 62,465 visitors were recorded. Similarly, ecotourism program was launched in Upper Agno and San Roque Watershed last June 17, 2016 and November 26, 2016, respectively. Likewise, the ecotourism management plans of Tiwi, Buhi, and Mak-ban were also drafted.

POWER ENGINEERING SERVICES

Major Targets and Accomplishments as of December 31, 2016

Item No.	Project Title	Work Order No.	STATUS/ACCOMPLISHMENT
TRANSMISSION LINE PROJECTS			
1.	Mamburao-Sabluyan-Ligaya 69KV T/L Rehabilitation Project (87.00 kms.)	F302A01	100% completed. - On-going Project Close-out Report preparation.
2.	Emergency Restoration of Damaged Pole Structures along Mamburao-Calapan-Naujan 69kV T/L	E6PD1S1	100% completed. - Certificate of Provisional Acceptance already issued.
3.	Codon-Virac 69KV T/L Project (31.28 kms.)	I323A01	100% completed. - Punchlist items generated during the Joint Final Inspection already rectified. - For issuance of Certificate of Final Completion (Provisional Acceptance).
4.	Mobo-Aroroy "1" & "2" 69kV T/L Project (32.59 kms.)	1315A02	On-going implementation, 91.52% complete. - Per NP Board approved Completion Extension, the revised completion is 04 February 2016. - Delays attributed to Contractor's lacking manpower and equipment, late delivery of Concrete/ Steel poles and Anchor Blocks, and Remaining ROW issues under Expropriation Cases.
5.	Mobo-Cataingan "1" & "2" 69KV T/L Project, Schedule 1 (34.0 kms.)	1321A01	On-going implementation, 99.05% complete. - Joint Final Inspection conducted 22 - 25 November 2016. Insulation Resistance Test conducted 01 - 02 December 2016.
6.	Mobo-Cataingan "1" & "2" 69KV T/L Project, Schedule 2 (42.0 kms.)	1321A02	On-going implementation, 96.60% complete. - Delays due to late delivery of materials, ROW issues and late issuance of Cutting Permit from DENR.
7.	Bansud-Mansalay 69 kV T/L	F303A01	Under Contract Time Suspension, 80.09% complete. - NPC approved the Contract Time Suspension effective 09 November 2016, until the resolution of filed Expropriation Cases and delivery of the required additional concrete/ steel poles due to re-routing.

CAPACITY ADDITION PROJECTS			
1.	Supply , Delivery, Installation, Test and Commissioning for 3 x 1,000 KW and Below Genset for Various SPUG Areas	I800A01	100 % completed. - Commercial Operation date is 10 August 2016. - Project already turned-over to SPUG.
2.	Supply, Delivery, Installation, Test & Commissioning of 14 x 600 KW Gensets for Various SPUG Areas	E800A01	100% completed. - NPC is holding in abeyance the payment of billings/claims for the Contract unless all pending issues are resolved.
3.	Supply, Delivery, Installation, Test and Commissioning for 10 x 600 KW Modular Gensets for Various SPUG Areas	K606A01	Project under Suspension, 80.53% complete. - 7 out of 10 gensets already mounted/ installed. Test & Commissioning activities already conducted for 4 gensets (3 sites: El Nido DPP, Taytay DPP and Ticao DPP). For Rectification works of punchlisted items.
4.	Supply, Delivery, Installation, Test & Commissioning of 300 KW and Below Gensets for Various SPUG Areas	I601A01	On-going implementation, 93.90% complete. - 25 gensets already delivered at site. 21 out of 23 gensets already installed. - Letter dated 22 November 2016 forwarded to the Contractor, informing NPC's Take-over of the Contract. - 300 KW genset for Limasawa DPP Commercially operated on 21 Dec. 2016
5.	Supply, Delivery , Installation, Test and Commissioning of 13 x 600 KW Gensets for Various SPUG Areas	E810A08	On-going implementation, 70.04% complete. - All Gensets & transformers already manufactured. - 7 gensets and accessories already delivered at project site. - Contractor is requesting for Contract Time Extension. Request under review/evaluation.
6.	Supply, Delivery, Installation, Test & Commissioning of 15x600 kW Modular Diesel Generator sets & associated electrical equipment for various SPUG areas	F600A01	On-going implementation, 85.46% complete. - 15 genset units already delivered at project site. - 20 Calendar Days Contract Time Extension approved by NPC.
7.	Supply, Delivery, Installation, Test & Commissioning of 5x1 MW Modular Diesel Generator sets & associated electrical equipment for Boac DPP	E810A09	Under Contract Time Suspension, 33.13% complete. - Contract Time Suspension effective 12 October 2016 to 02 January 2017 approved by NPC. - Revised Contract expiry is on 24 March 2017.

8.	3 x 600 KW (Additional) Modular Generating Sets for SPUG Areas	K608A01	100% Completed. - Processing of Certificate of Acceptance, on-going.
9.	1 x 1.5 MW Modular Generating Sets for Dinagat DPP	K607A01	On-going implementation, 33.49% complete. - Contractor's request for Contract Time Extension due to additional works and delayed/re-scheduled conduct of FAT for gensets under review/ evaluation.
10.	3 x 600 KW D/G Sets for Power Barge-109 (1 Unit) and Power Barge-116 (2 Units)	E810A17	On-going implementation. - Kick-off Meeting conducted 21 December 2016. - Site Inspection/Verification conducted at PB-116 on 10 December 2016.
PLANT/FACILITIES BETTERMENT PROJECTS			
1.	Supply and Installation of Hoisting Structure at Agus 2 HEP Spillway Project	B110J28	100% completed. - Contractor's Final Billing Claim already paid. - 10% Retention Claim already paid.
2.	Construction of Upstream Barrier Protection for Agus 6 HEP	B150A92	100% completed. - Contractor's Final Billing Claim already paid. - 10% Retention Claim already paid.
3.	Rehabilitation of Palawan Warehouse, Elevated Water Tank and Field Office Including Miscellaneous Structures	L990M01	On-going implementation, 95.97% complete. - Joint Final Inspection (JFI) conducted 12-16 December 2016. - On-going correction/rectification of identified punchlists.
4.	Construction of New Mooring Facilities for PB-120 at Balanacan Port, Mogpog, Marinduque	E60G1S1	100% Completed. - Contractor's Final Billing already paid. - Project Close-out Report completed.
5.	Rehabilitation of Pulangi IV HEP Reservoir Project (Selective Dredging of Lower Reservoir)	B161I64	On-going implementation, 30.84% complete.

**DAMS MANAGEMENT DEPARTMENT
Major Targets and Accomplishments Report for FY 2016**

In CY 2016, Dams Management Department (DMD), as part of its mandate, implemented a dam safety program in accordance to the 2013 version of the NPC Dam Safety Program (DSP). The Program includes the recent international standards and practices on the ownership/operations/maintenance of large dams. The DSP aims at not only maintaining the structural integrity of the NPC operated and maintained dams and their

appurtenances for sustainable operation but also to ensure that communities immediately downstream of these structures will not be exposed to risks from their existence and operations.

Dams Integrity Surveillance

Among the 21 dams managed by NPC, DMD-DRWD conducted 10 mandatory safety inspections/assessments to confirm the satisfactory behavior and condition of Ambuklao, Binga, San Roque, Angat and Caliraya-Lumot Dams and their appurtenant structures. DMD-DRWD also conducted safety inspections for privatized smaller dams in Buhi-Barit and Cawayan Dams in Bicol Area and Amlan and Loboc Dams in the Visayas Area as initiated by the Power Sector Assets and Liabilities Management Corporation (PSALM).

These safety inspections/assessments were carried-out to ensure the dam's sustainability, safety and operability to effectively impound water needed for domestic water supply, irrigation and power generation and for flood control when required. Inspection observations/findings and recommendations were reported and conveyed to the concerned Plant Management/Operator. The compliance to the report recommendations was diligently being monitored.

Several emergency/monitoring inspections were also carried out in CY 2016 in San Roque Dam to assess the progression of the reported emergency situation at the Spillway/Flip Bucket/Plunge Pool Area and in Ambuklao HE Plant to monitor the implementation of the O and M special project.

Dam instrumentation monitoring to observe the behavior of a structure is a continuing activity for DMD-DRWD as part of a reliable and suitable scientific data gathering and surveillance to ensure the long term performance and safety of dam and its appurtenances. These data are used for systematic evaluation of its structural safety and serves as basis for decision making.

Geodetic deformation surveys were likewise conducted to monitor the horizontal and vertical deviations of the dam structure from the original design in Caliraya Dam.

Reservoir Water Utilization/Optimization

The efficient reservoir management in coordination with the stakeholders and regulatory body helped conserve water/stored energy to alleviate any impending water crisis for the incoming year 2017 and minimized dam spilling operations thus, effectively preventing an uncontrolled outflow to downstream communities. DMD was able to manage and conserve reservoir water resulting in optimization of reservoir water utilization and efficient spilling operations especially during the passage of Typhoons Lawin and Niña.

Public Information and Education Campaign

As a continuing commitment of NPC-DMD to keep the public especially the affected communities informed, DMD conducted a series of Public Information and Education Campaign (PIEC) in CY 2016 to impart and orient the communities with dam operations and their benefits. The campaign communicated the clear, complete and up-to-date

information regarding NPC operated and maintained dams and their appurtenances and the assurance that NPC is committed to implement activities compliant to the DSP.

This campaign, which is now a continual activity, opened the door towards better communication line between NPC and the downstream communities and other stakeholders and helped strengthen the capacity of the Local Government Units (LGUs) to deal/cope with flood-related hazards.

In CY 2016, DMD has conducted 20 PIEC sessions at the following communities downstream of: Ambuklao – Binga Dams (3), San Roque Dam (4), Angat Dam and Dykes (10) and Caliraya-Lumot Dams (3).

DMD also participated in the “NPC CARES” Program spearheaded by NPC President Ma. Gladys Cruz-Sta. Rita and the then Secretary of the Department Energy, Secretary Jericho Petilla.

Improvement of San Roque Flood Forecasting and Warning System for Dam Operation Project

DMD-Flood Forecasting and Warning System Division (FFWSD), on top of the regular preventive maintenance of warning vehicles and the telemetry and warning equipment and spillway gate testing, accomplished two projects for the San Roque Flood Forecasting and Warning System for Dam Operation in CY 2016, namely:

1. Improvement of the Warning System Project, wherein additional warning stations were installed in the four municipalities of Pangasinan: Sto. Tomas, Alcala, Bayambang and Bautista as part of the expansion of San Roque Flood Forecasting and Warning System for Dam Operation; and
2. Restoration of Hydrological Monitoring System Project which will provide the usual hydrological data being gathered in real time using telemetry equipment for use in the evaluation of water inflow to come up with a more reliable forecast necessary for dam discharge operations.

Other Relevant Activities

Ambuklao Dam

DMD-DRWD also initiated the geotechnical investigation of the impervious core of Ambuklao Dam to further assess the dam structural integrity which was implemented and completed by the operator, SN Aboitiz - Benguet, Inc. in July 2016.

To assess the effect of earthquakes/ground shakings at Ambuklao and Binga Dams, DMD-DRWD recommended the installation of strong motion accelerographs (SMAs). Procurement and installation of these SMAs are currently underway. Consequently, DMD-DRWD also successfully facilitated/negotiated with the 12 families/informal settlers that would be affected by the installation of SMA store locate from the area.

San Roque Dam

DMD-DRWD facilitated the implementation and the submission of final report in June 2016 of the Assessment Study of the Erosion at Base of the Spillway Flip Bucket of San Roque Multi-purpose Power Plant Complex by the Engineering and Development Corporation of the Philippines (EDCOP).

Angat Dam

As a member agency of the Angat Dam TWG, DMD-DRWD participated in the finalization of the Operation and Maintenance Manual of Angat Dam in July 2016. This O and M Manual would serve as the guide for the operator and the inspectors for use in the O and M audit.

DMD-DRWD participated in the identification of the 15 households informally settling at the downstream face of Angat Main Dyke, mostly indigenous people, who would be affected by the Angat Dam and Dykes Strengthening Project. DRWD also participated/attended the subsequent negotiation meetings with the Indigenous People (IP) as mediated by the National Commission on Indigenous Peoples (NCIP).

Caliraya Dam

DMD-DRWD participated in the finalization of payment of financial assistance and disturbance compensation of affected house owners by the raising of the Caliraya reservoir elevation to 288.5 meters.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Preparation

The accompanying financial statements of NPC are prepared and presented in accordance with the Philippine Public Sector Accounting Standards (PPSAS) issued by the Commission on Audit per COA Resolution No. 2014-003 dated 24 January 2014. The financial statements have been prepared under the historical cost basis, except for property, plant and equipment which are carried in the balance sheet at revalued amounts and the continuing adoption of capital approach under Paragraph 14 of PAS 20 for the donated power plants that expand the asset base regardless of whether from government or private entity for property, plant and equipment, which are carried in the balance sheet at revalued amounts.

Receivables and Allowance for Doubtful Accounts

Sales Contract Receivables are stated net of allowance for impairment. Allowances for impairment losses are determined through the specific identification of uncollectible accounts.

Time Deposit for Local and Foreign Currency as Temporary Investment

Local investments are recorded at face value. Investments in foreign currency are recorded using Bangko Sentral ng Pilipinas (BSP) Reference Exchange Rate Bulletin at the date of the transaction in compliance to PPSAS No. 4. The balances are reported using the closing rate at each Balance Sheet date.

Inventories for Operation

Inventory Held for Consumption for operation is categorized as Fuel, Oil and Lubricants (including its related products) and Other Supplies and Materials for non-fuel items. The Fuel, Oil and Lubricant are composed of the fuel oil, diesel and thermal chemical stocks used by NPC plants for power generation. These inventories are valued using the weighted average method under PPSAS No. 12.

The other Supplies and Materials (S and M) which are non-fuel items, are valued using the moving average method and can be further broken down into non-fuel S and M of NPC plants and areas and those non-fuel S and M assigned to private IPPs. The S and M of NPC plants and areas represent basically the materials, supplies and equipment received by NPC property custodian for use in operations; while non-fuel S and M assigned to private IPPs, which are included in the Asset in Trust account, includes spares, materials and supplies transferred to private contractors as stipulated in the individual contracts.

Infrastructure Assets Power Supply System (Utility Plant and Depreciation)

Power Supply System (Utility Plant) is carried in the books at appraised values except for additions during the year which are recorded at cost. These assets are revalued in consonance with NPC's loan covenants with creditor banks and in pursuance to PPSAS No. 17 paragraph 14 which permits revaluation of properties, plant and equipment. Land and landholdings, which include all the cost of land and land rights used in connection with power generation and transmission, are also included in the revaluation.

Regular annual maintenance, repairs and minor replacements are charged to expense as they are incurred, whereas major maintenance, which is done on periodic three-to-five-year intervals, is deferred, amortized and charged to operations over the number of years' interval. Rehabilitation expenditure which would result in improvement of the plant's efficiency beyond five years are capitalized and transferred to plant cost upon completion of work orders.

Depreciation of fixed assets is charged from the date of acquisition of the fixed assets or after the completion of works. Depreciation based on depreciable values is computed using the straight line (SL) method pursuant to NPC Board Resolution No. 94-58 effective 1994, based on estimated economic lives as shown below:

Type of Plant	Economic Life
1. Diesel Plants and Barges	20
2. Transmission Lines	30

Appraisal of Infrastructure Assets Power Supply System (Utility Plants)

The Power Supply System (Electric Plants in Service) is recorded at appraised values in pursuance to PPSAS No.17 paragraph 44 which permits the appraisal of property, plant and equipment.

An independent appraiser conducts the review and appraisal of NPC's assets once every four years. In the interim, NPC undertakes the internal revaluation which is adjusted when there are variances between the internally appraised figures and those arrived at by the independent appraisers. The last external revaluation of NPC assets was done by Resource Management International Inc. (RMII) in 1996. In 1997 and 1998, NPC applied six percent (6%) and eight percent (8%) trending factors respectively for the internal revaluation.

The difference between the new over the old appraised values is recorded under the Revaluation Surplus account. This account is treated as a permanent account and is not diminished by any depreciation charges.

Capitalization of Interest

Interests incurred on external borrowings which relate to capital projects in progress and prior to the commencement of operation are capitalized.

Taxes and Duties

With the enactment of R.A. 9337, otherwise known as the Reformed Value-Added Tax (RVAT) Law of 2005, which took effect on November 1, 2005, NPC's purchases of fuel and purchased power as well as its sale of electricity are subjected to VAT specifically stated under Section 24(A) of R.A. 9337 repealing Section 13 of R.A. No. 6395 on the exemption from VAT of the National Power Corporation. Effective February 1, 2006, the value-added tax rate increased from ten percent (10%) to twelve percent (12%) pursuant to Revenue Memorandum Circular No. 7-2006 dated January 1, 2006. Moreover, with the enactment of EPIRA, NPC as power generation corporation has been declassified from being a public utility to an ordinary business activity, hence, subject to income tax.

Accounting for Foreign Exchange Transactions

The transactions denominated in foreign currencies are recorded using the BSP Reference Exchange Rate at the date of the transaction pursuance to PPSAS No. 4. Foreign exchange differentials resulting from these transactions are recorded as project cost for projects under construction while differentials pertaining to operating plants are recorded as Gain/Loss on Foreign Exchange Fluctuations. Outstanding payable accounts are reported using the closing rate at each Balance Sheet date.

Accounting for Donated Assets

NPC adopts the capital approach under Paragraph 14 of PAS 20 – Accounting for Government Grants and Disclosure of Government Assistance in recognizing donated power plants that expand the asset base regardless of whether from government or private entity. The fair values of the plants are recorded as Donated Capital under Equity, which will

be reduced by annual depreciation. The PPSAS 23 recognition of revenue for non-exchange transaction was not applied.

Income Determination

The Corporation uses the accrual method of accounting for income and expenses and an all inclusive concept of income determination wherein all ordinary and extraordinary items pertaining to current period are considered in computing net income while items applicable to prior periods are recorded as adjustment of prior years' income and are reflected in the Statement of Changes in Net Asset/Equity.

Accounting for Taxes and Duties on Importation

Taxes and duties on imported materials and equipment intended for projects are recorded as part of project costs (PPSAS No. 17), while taxes and duties on materials and equipment for operation are expensed as incurred (PPSAS No. 12).

Composition of Rate Base

Rate Base is the average value of the net fixed assets in operation at the beginning and at the end of each year. The value of net fixed assets in operation equals the gross value of the operating assets less the amount of accumulated depreciation.

Plants undergoing major rehabilitation/repair and which are out of operation for less than one calendar year are included in the computation of Rate Base.

Accounting for Subsidy from National Government (Income Approach)

Adoption of Philippine Public Sector Accounting Standards (PPSAS) 23 – Revenue arising from non-exchange transactions derived from taxes or transfers whether cash or non cash, including grants, debt, forgiveness, fines, bequest, gifts, donations, goods and services in-kind, and the off-market portion of concessionary loans received.

For the NG subsidy i.e. SARO (Special Allotment Release Order) funds, income is recognized upon transfer of cash to NPC. The basis of cash transfer is based on the approved contracts/purchase orders and progress billings for CAPEX requirements of SPUG for the missionary electrification. While for Bataan Nuclear Power Plant (BNPP), cash transfer is based on its monthly disbursement plan.

Rental/Lease of Generating Set

Payment for lease of generating sets to suppliers/contractors that augment the existing power plant capacity and sustain the demands of power customers.

In case of the undelivered portion of the net generating capacity under the terms of the generating set lease contract the supplier/contractor shall be subjected to penalties for capacity shortfall. Likewise over-consumption of fuel based on agreed fuel cap curve limit shall also be subjected to penalties for excess fuel rate.

4. CASH AND CASH EQUIVALENTS

This account composed of the following:

	2016	2015
Cash in Bank-Local Currency, Current Account	189,290,364	617,439,670
Investment in Time Deposit - Local Currency	14,456,992,461	9,334,414,769
Cash in Bank-Foreign Currency, Current Acct.	28,988,421	289,862,136
	14,675,271,246	10,241,716,575

The **increase in Cash and Cash Equivalent** is attributed to the collections of receivables from power customers and the remittance of UCME from PSALM. Pending utilization of the said funds, they are placed on a short term investments to maximize interest earnings.

5. RECEIVABLES

This account consists of the following:

	2016	2015
Sales Contract Receivables	5,566,620,689	5,156,665,933
Allowance for Impairment- Sales Contract Receivables	(3,621,152,205)	(2,686,818,405)
	1,945,468,484	2,469,847,528
Interest Receivables	1,183,812,505	976,665,124
Operating Lease Receivables	315,476	389,881
Due from National Agencies	48,422,503	48,422,503
Due from Government Corporations	378,093	378,093
Due from Officers and Employees	6,893,081	7,146,736
Universal Charge Receivables	0	3,459,341,533
Other Receivables	2,058,282,188	4,017,202,854
Allowance for Impairment-Other Receivables	(2,357,364)	(2,357,364)
	3,295,746,482	8,507,189,360
	5,241,214,966	10,977,036,888

The **increase in Sales Contract Receivables** was due to build-up of accounts of BASELCO, SULECO, CASELCO & TAWELCO (BASULTA), Masbate PRES and Catbalogan Mini Grid.

Increase in Allowance for Impairment - Sales Contract Receivables is due to accumulated overdue power accounts of six power customers namely: BASELCO,

SULECO, CASELCO and TAWELCO (BASULTA), Masbate PRES and Catbalogan Mini Grid.

The decrease in Accounts Receivable - Others account is mainly attributed to the adjustment made as a result of the adoption of PPSAS 23 (see Note 26) and no outstanding receivables of Universal Charge in CY 2016. This account also includes the Output Tax Receivables amounting to P789.779 million composed of Output VAT from power and non-power related receivables of 97% and 3% respectively the details are as follows:

	2016	2015
Output Vat (Power Related)		
Regular	281,078,518	215,753,160
Deferred VAT	482,326,491	485,469,051
Output Vat (Non-Power Related)	26,373,797	21,348,600
	789,778,806	722,570,811

Out of the total output VAT from power receivables, 63% or P482.326 million pertains to Deferred VAT of the following power customers:

Customer		2016	2015
Luzon Area			
1. Cagayan Electric Cooperative, Inc.	CAGELCO	536,948	536,948
2. Busuanga Electric Cooperative, Inc.	BISELCO	478,291	478,291
3. Marinduque Electric Cooperative, Inc.	MARELCO	66,795,031	66,795,031
4. Masbate Electric Cooperative, Inc.	MASELCO	72,711,733	72,711,733
5. Occidental Mindoro Electric Cooperative, Inc.	OMECCO	108,668,278	108,668,278
6. Oriental Mindoro Electric Cooperative, Inc.	ORMECCO	21,222,033	23,514,157
7. Romblon Electric Cooperative, Inc.	ROMECCO	23,362,210	23,362,210
8. Ticao Island Electric Cooperative, Inc.	TISELCO	5,056,135	5,056,135
Visayas Area			
1. Bantayan Electric Cooperative, Inc.	BANELCO	0	75,494
2. Camotes Electric Cooperative, Inc.	CELCO	4,617,059	4,617,059
3. Samar Electric Cooperative, Inc.	SAMELCO1	0	774,942
Mindanao Area			
1. Basilan Electric Cooperative, Inc.	BASELCO	48,201,765	48,201,765
2. Cagayan De Sulu Electric Cooperative, Inc.	CASELCO	1,705,941	1,705,941
3. Siasi Electric Cooperative, Inc.	SIASELCO	2,623,134	2,623,134
4. Sulu Electric Cooperative, Inc.	SULECO)	85,720,575	85,720,575
5. Tawi-Tawi Electric Cooperative, Inc.	TAWELCO	40,627,358	40,627,358
		482,326,491	485,469,051

Deferred VAT consists of overdue Output VAT Receivables from the above listed power customers (DU/ECs) of NPC as of August 25, 2012. According to BIR RMC No. 71-2012, the concerned DUs/ECs shall directly remit the Deferred VAT to the Bureau of Internal Revenue (BIR) in behalf of NPC. The DUs/ECs shall provide a copy of proof of remittance for offsetting from the outstanding balance of Deferred VAT

6. INVENTORY HELD FOR CONSUMPTION

This account consists of the following:

	2016	2015
Fuel, Oil and Lubricant Inventory	492,168,239	402,278,356
Other Supplies & Materials Inventory	947,505,400	911,290,928
	1,439,673,639	1,313,569,284

Other Supplies and Materials Inventory account includes materials in trust with CBK Power Ltd.

7. OTHER CURRENT ASSETS

ADVANCES AND PREPAYMENTS AND DEPOSITS

This account consists of the following:

	2016	2015
Advances and Prepayments		
Advances for Special Disbursing Officer	18,321,726	10,386,737
Advances to Officers and Employees	525,446	153,250
Advances to Contractors	121,468,145	95,857,005
Creditable Input Tax	4,320,317,752	3,821,611,059
Other Prepayments	75,859,309	52,248,054
	4,536,492,378	3,980,256,105
Deposits		
Guaranty Deposits	889,179	873,067
	889,179	873,067
	4,537,381,557	3,981,129,172

Advances for Special Disbursing Officer pertains to cash advances to Disbursing Officers in Head Office, Field Offices and others as working fund for minor operating expenses and disbursement.

The **increase in Advances to Contractors** was attributed to the payment of mobilization for various approved supply/construction contracts, works orders with contractors (Ambit Trading & Technical Service, Dhayang Construction, SL Development & Construction Corp. and Sunwest Construction and Dev. Corp.

The **increase in Other Prepayments** pertains to the payment of insurance premiums for Motor Vehicles, Marine Cargo and Marine Hull and Industrial All Risk Insurance Policy with GSIS and cash advances of officers and employees for their official travel abroad which are not yet liquidated.

8. PROPERTY PLANT AND EQUIPMENT (PPE)

This account consists of the following:

	2016	2015
Utility Plant (Net)	7,019,996,401	8,209,029,711
Non Utility Plant (Net)	559,626,371	278,665,747
	7,579,622,772	8,487,695,458

The **decrease in Utility Property** is attributed by the reclassification of the Power Supply Systems (Electric Plant in Service) to Non-Utility Property (Power Supply Systems) particularly the generating sets from various SPUG areas, Catanduanes Grid and Roxas Substation and the transfer of Other Property Plant and Equipment to PSALM account as part of the cleaning of the assets accounts under the Temporary Registry Accounts (TRA) as agreed between PSALM and NPC.

Likewise, the decrease was partly offset by the completion of the rehabilitation of Power Barge 106 and 109, completion of fuel oil storage tanks of various SPUG Luzon areas (Boac, Peña, Chico, Lahuy, Quinalsag, Gilotongan, Nabuctor and San Pascual DPPs) SPUG Visayas areas (Gigantes, Caluya, and Pilar DPPs) SPUG Mindanao areas (Siasi, Sitangkay and Tandubas DPPs, unitization of Taguilan, Colonia and San Agustin Transmission Line projects and the transfer of title of ownership of the Camarin Lake Resort and its facilities to NPC.

The **Non-Utility Property** pertains to other properties and equipments owned by the Corporation but are not used in utility operations. The **increase** pertains to non operating generating sets from various SPUG areas.

UTILITY PROPERTY

	Land	Land Improvements	Infrastructure Assets	Buildings and Other Structures	Machinery & Equipment	TOTAL
Carrying Amounts						
January 1, 2016	256,368,934	-	5,792,444,806	671,741,777	1,488,474,194	8,209,029,711
Additions	4,896,276		26,798,381		9,606,495	41,301,152

Adjustments		(2,142,421,259)	7,755,945	(275,471,698)	(2,410,137,012)
Depreciation Expense		(276,787,993)		(39,770,528)	(316,558,521)
Adjustments of					
Accum. Dep.		1,420,536,946		75,824,125	1,496,361,071

Carrying Amounts					
December 31,					
2016	261,265,210	-	4,820,570,881	679,497,722	1,258,662,588
					7,019,996,401

	Land	Land Improvements	Infrastructure Assets	Buildings and Other Structures	Machinery & Equipment	TOTAL
Gross Cost (Assets Accounts)						
	261,265,210	-	14,317,413,463	1,343,633,211	2,879,409,636	18,801,721,520
Less Accumulated						
Depreciations			(9,496,842,582)	(664,135,489)	(1,620,747,048)	(11,781,725,119)
Carrying Amounts						
Dec. 31, 2016	261,265,210		4,820,570,881	679,497,722	1,258,662,588	7,019,996,401

NON- UTILITY PLANT

NET OF ACCUMULATED DEPRECIATION BEGINNING BALANCE OF THE YEAR

	Land	Land Improvements	Infrastructure Assets	Buildings and Other Structures	Machinery & Equipment	TOTAL
Carrying Amounts						
January 1, 2016			278,665,747			278,665,747
Adjustments						
carrying value			1,053,774,942			1,053,774,942
Depreciation Exp.			(28,476,000)			(28,476,000)
Adjustments of						
Accum. Dep.			(744,338,318)			(744,338,318)
Carrying Amounts						
Dec. 31, 2016	-	-	559,626,371			559,626,371

GROSS COST ASSETS

	Land	Land Improvements	Infrastructure Assets	Buildings and Other Structures	Machinery & Equipment	TOTAL
Gross Cost (Assets Accounts)						
			2,209,691,823			2,209,691,823
Less Accumulated						
Depreciations			(1,650,065,452)			(1,650,065,452)
Carrying Amounts						
Dec. 31, 2016	0		559,626,371	0	0	559,626,371

9. CONSTRUCTION IN PROGRESS

This account consists of the following:

	2016	2015
Construction In Progress (CIP)	3,397,837,384	2,479,879,185
	3,397,837,384	2,479,879,185

CIP – refers to the costs of projects under construction. The **increase** pertains to work orders and contracts for various on-going projects for the additional rated capacity and construction of transmission line projects, replacement of non-operating generator sets and construction of power facilities necessary for the continuous operation of SPUG power plants.

10. OTHER NON-CURRENT RECEIVABLES

This account consists of the following:

	2016	2015
Non Current Sales Contract Receivables (Net)	1,518,593,161	1,664,882,928
Other Receivables	0	1,000,000,000
Restricted Fund	4,205,474	4,023,032
Abandoned/Surrendered Property/Assets	3,337,669	6,190,295
Deferred Charges	576,353,197	32,892,081
Other Assets		
Trust Assets PSALM	4,892,201,624	4,547,950,367
Temporary Registry Accounts	0	1,848,501,658
	6,994,691,125	9,104,440,361

The **Non-Current Sales Contract Receivables** account represents the long-term portion of the restructured accounts of power customers in accordance with memorandum of agreements executed by and between NPC and the power customers. The **decrease** was due to reclassification of the account to current Sales Contract Receivables (Accrued Utility Revenue account) and collections from power customers.

The **Non-Current Other Receivables** in CY 2015 of P1 billion represents the balance on the approved P2 billion NG subsidy per SARO No. BMB-F-15-0001471 dated February 20, 2015 (see Note 26).

The **Restricted Fund** account pertains to the funds intended for purposes other than current operations and therefore, not immediately available to Management for any disbursement transactions other than its specified purpose.

The **Abandoned/Surrendered Property/Assets** pertains to Other Non Utility Plants items which are transferred to stock for disposal.

Deferred Charge pertains to expenditures related to preliminary surveys, studies, investigations and other related undertakings to determine the feasibility of a project for development by the Corporation. The account composed of the parcellary survey of lots affected by existing Narra-Brooke's Point 69 Kv Transmission Line(T/L) Project, Puerto Princesa-Narra 69 kv T/L Project, survey for the proposed 70 kms Tay-Tay-El Nido 69 kv/T/L Project, geological and geotechnical investigation for the proposed Roxas-Taytay 69 kv T/L and Taytay Substation Project, Abo-Abo-Quezon-Rizal 69 kv T/L and substations project in Palawan and Virac-San Miguel 69 kv T/L. Also included are tax credits from BIR amounting to P542 million as a result of the application of ERC methodology in the computation of UCME.

Other assets consist of the following:

	2016	2015
Net Utility Plant	0	2,722,142
Total Investments & Other Assets	1,372,283,408	1,365,475,022
Cash and Cash Equivalents	1,726,529,404	1,124,186,959
Materials and Supplies for Operation	1,788,246,265	2,049,920,299
Prepayments	408,798	466,439
Court and Other Deposits	516,249	846,420
Cash Advances - Officers and Employees	34,133	0
Other Receivables	4,183,367	4,333,086
Trust Assets PSALM	4,892,201,624	4,547,950,367
Temporary Registry Accounts	0	1,848,501,658
	4,892,201,624	6,396,452,025

Trust Assets (PSALM) pertain to balances of accounts set-up as working capital for the operation, maintenance and management of the facilities and generation plants of the main grid under the OMA.

Trust Liability (PSALM) represents the corresponding liability to PSALM for the Trust Assets.

11. FINANCIAL LIABILITIES

This account consists of the following:

	2016	2015
Accounts Payable	4,322,439,678	3,953,443,770
Due to Officers and Employees	194,116,692	218,490,163

Interest Payable	201,485	292,072
Accrued Benefits Payable	63,632,420	62,627,461
Insurance/Reinsurance Premiums Payable	0	0
Loans Payable – Foreign Current Portion	40,454,404	40,376,914
	4,620,844,679	4,275,230,380

Loans Payable pertains to the repayment of principal for Natixis will start on September 30, 2017 (see Note 15).

12. INTER-AGENCY PAYABLES

This account consists of the following:

	2016	2015
Due to GSIS	15,763,295	12,232,460
Due to Phil-Health	495,839	473,175
Due to PAG-IBIG	1,461,325	1,641,386
Due to BIR-Income Tax/Value Added Tax	908,529,251	1,391,365,168
Due to Government Corporation	9,524,400	9,351,799
Due to LGUs	10,008,865	5,863,583
	945,782,975	1,420,927,571

13. TRUST LIABILITIES

This account consists of the following:

	2016	2015
Bail Bonds Payable	28,437,401	48,617,372
Customer's Deposits Payable	1,592,339	1,592,339
	30,029,740	50,209,711

The account mainly includes amounts received and segregated for the execution of specific project or contract. It also includes the amounts deposited/advanced by suppliers, contractors and power customers to the Corporation.

14. OTHER PAYABLES

This account consists of the following:

	2016	2015
Other Payables	289,399,735	178,106,068
	289,399,735	178,106,068

The account pertains to 10% retention for various work orders/purchase orders/contracts due to suppliers and contractors.

15. FINANCIAL LIABILITIES

LOANS PAYABLE-FOREIGN LONG-TERM DEBTS/ NON-CURRENT PORTION

This account consists of the outstanding foreign borrowings as follows:

CREDITOR/PROJECT	Maturities	Interest Rates	2016	2015
Natixis / Credit National				
Project-PRES Proj. of SPUG	2016 to 2031	Fixed at 0.40%	544,225,912	543,183,450
Banque Paribas				
Project-PRES Proj. of SPUG	2009 to 2019	Fixed at 5.09%	60,681,595	100,942,273
			604,907,507	644,125,723

Repayment of principal for Natixis will start on September 30, 2017.

Year-end BSP Reference Exchange Rate used in compliance to PPSAS 4:

		December 31, 2016	December 31, 2015
Dollar	USD 1	49.8130	47.1660
Euro	EUR 1	51.8404	51.7411

16. UNEARNED REVENUE/INCOME

	2016	2015
Unearned Income (Revenue)	1,332,905,524	1,006,982,716
Unearned Income (Interest)	601,824,657	659,809,120
	1,934,730,181	1,666,791,836

Decrease in Unearned Income (Interest) was due to realized interest income on the restructured power receivables account of cooperatives namely: MASELCO, TICELCO, OMECO, SIASELCO and LGU CALAYAN.

Increase in Unearned Income (Revenues) mainly pertains to UCME amounting to P1.326 billion which will be considered as part of revenue in 2017.

17. PROVISIONS

This account consists of the following:

	2016	2015
Leave Benefits Payable	572,648,304	576,002,226

Provision for Vacation and Sick Leave pertains mainly to accrued leave benefits of employees in compliance with PPSAS No.19 which requires that short term employee benefits, including paid annual vacation leave and sick leave, be recognized as either a liability or expense on the period they were incurred.

18. EQUITY

This account consists of the following:

	2016	2015
Share Capital	27,048,870,789	27,048,870,789
Appraisal Capital	2,195,565,748	2,192,731,077
Other Equity Instruments	14,683,567	13,856,821
Retained Earnings	716,027,840	2,122,162,696
	29,975,147,944	31,377,621,383

The **increase in Appraisal Capital** pertains only to the adjustment of the account.

The **increase in Other Equity Instruments** pertains to donated land to NPC's Concepcion DPP in Romblon and Kabugao in Apayao DPP based on tax declaration.

The **accumulated Retained Earnings** remained in positive amounting to P716.028 million while it significantly reduced as compared in CY 2015 by P1.406 billion due to the adoption of ERC methodology in the computation of the UCME and the net effect of the adjustment of the outstanding Accounts Receivable-Others amounting to P2.143 billion pertaining to the approved SARO in CYs 2014 and 2015. The actual cash transfers were recognized as other income in compliance to PPSAS 23 effective January 2016.

NPC remitted to the National Government the amount P300 million which represents around ten percent (10%) of the CY 2015 net income of P2.903 billion (exclusive of NG subsidy reported as other income). NPC requested the Department of Finance for a relaxed application of the Dividend Law.

As provided for in Section 8, item (a) of NPC Charter (R.A. 6395 as amended), the Corporation shall set aside five percent (5%) of its annual net operating revenue before interest as reserve or Sinking Fund to answer for amount advanced to it by the National Government for any loan, credit and indebtedness contracted by the former the latter shall

be held answerable as primary obligor or guarantor. The sinking fund reported for CY 2016 amounting to P619.270 million represents the five percent (5%) of the net operating income of CY 2015 (P269.579 million), CY 2014 (P162.496 million), CY 2013 (P120.958 million) and CY 2012 (P66.237 million).

Correction of prior year earnings is mainly attributed to adjustment made on the depreciation in CY 2015 of electric plant in service of SPUG plants in Luzon, Visayas and Mindanao.

19. SERVICE AND BUSINESS INCOME

This account consists of the following:

	2016	2015
Power Supply System Fees	2,247,502,368	2,049,960,264
Interest Income	910,569,375	582,913,444
Management Fees	41,398,984	68,340,179
Fines and Penalties-Business Income	25,658,132	14,809,470
Lease Income	8,477,104	8,564,178
Miscellaneous Income	595,311,081	1,170,332,447
	3,828,917,044	3,894,919,982

The **increase of Power Supply System Fees** is due to higher energy sales.

The **increase in Interest Income** is attributed to substantial increase in volume of temporary investment and interest earned from overdue accounts of Western Mindanao power customers which compose of BASILAN, SULU and TAWI-TAWI Electric Cooperatives.

The **Management Fee and Miscellaneous Income** include MOOE fee corresponding to the actual approved MOOE budget for the operation and maintenance of the undisposed assets of the main grid and a reasonable administrative fee based on the O and M Agreement between NPC and PSALM. For CY 2016 the income was decreased due to lower budget provision.

20. INCOME FROM GRANTS AND DONATIONS IN KIND

	2016	2015
Income from Grants and Donations in Kind	1,987,124	2,375,558

The income from grants and donation pertains to donated fuel oil from various Local Government Units in SPUG Visayas areas namely: Sto Nino, Caluya, Almagro, Capul, Limasawa, Bagonbanwa, Coincorama, Mantatao, Pamilacan, Ubay, San Vicente, Mountain Studio, Bilangbilang and Mocaboc.

21. PERSONNEL

This account consists of the following expenses:

	2016	2015
Salaries - Regular	446,828,347	427,220,142
Year End Bonus	83,054,504	42,306,536
Productivity Incentive Allowance	62,033,941	60,167,216
Retirement and Life Insurance Premium	55,062,311	52,154,579
Terminal Leave Benefits	42,902,609	56,832,257
Overtime and Night Pay	40,299,824	38,803,574
Personnel Economic Relief Allowance (PERA)	15,325,000	14,538,818
Wages - Casual/Contractual	13,631,761	8,801,688
Representation and Transportation Allowance	12,379,137	12,688,636
Clothing /Uniform Allowance	6,390,000	6,394,035
Phil-health Contributions	5,061,862	4,768,700
Honoraria	4,141,177	2,753,806
Pag-ibig Contributions	1,534,500	1,455,800
Employees Compensation Insurance Premiums	1,532,218	1,452,573
Retirement Gratuity	0	3,736
Other Personnel Benefits	8,224,068	7,222,820
Other Bonuses and Allowance	3,699,000	0
	802,100,259	737,564,916

The **increase in Salaries and Wages** is due to filled-up vacant positions and additional hiring of employees for various SPUG projects.

The **increase in Year-End Bonus** includes the grant of one month mid-year bonus to regular employees.

The **Other Bonuses and Allowance** pertains to NPC's anniversary bonus to regular employees.

The **increase** in other Personnel Benefit is due to filled-up vacant positions.

22. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account consists of the following;

	2016	2015
Subsidy to Operating Units	2,020,644,334	1,985,640,201
Rent/Lease Expenses	643,874,876	576,602,651
Income Tax Expenses	512,636,135	1,425,114,457
Other General Services	122,290,713	94,653,654

Security Services	101,340,577	88,502,020
Awards/Rewards Expenses	51,950,505	102,400,630
Travelling Expenses - Local	51,542,204	48,476,311
Janitorial Services	44,723,048	48,042,243
Taxes, Duties and Licenses	37,846,005	19,075,660
Insurance Expenses	27,371,173	48,569,297
Water and Electricity Expenses	26,494,252	27,421,283
Semi-Expendable Machinery & Equipment	22,453,931	10,442,259
Auditing Services	18,286,806	20,943,198
Repairs and Maintenance-Buildings and Other Structure	13,053,284	7,628,035
Repairs and Maintenance-Machinery and Equipment	12,855,066	14,794,117
Postage and Telephone Expenses	11,279,299	12,266,128
Training Expenses	10,513,034	7,672,666
Consultancy Services	10,168,778	4,395,444
Fuel, Oil and Lubricant Expenses	6,579,018	10,367,165
Office Supplies Expenses	6,518,749	7,164,305
Advertising, Promotional and Marketing Expenses	6,085,922	5,175,800
Transportation and Delivery Expenses	5,546,691	7,299,400
Financial Assistance to Local Government Units	4,145,282	4,060,378
Travelling Expenses - Foreign	3,334,063	1,186,883
Charity Expenses	807,358	207,815
Extraordinary and Miscellaneous Expenses	709,200	666,133
Representation Expenses	663,822	0
Repairs and Maintenance- Land	231,472	0
Director's and Committee Member's Fee	18,750	184,681
Printing and Publication Expenses	0	89,100
Other Maintenance and Operating Expenses	489,428,595	837,868,070
	4,263,392,942	5,416,909,984

The **increase in Travelling expenses** is due to ISO certification related surveillance audit and factory acceptance tests for equipments purchased from abroad.

The **increase in Training expenses** was due to compliance of ISO 9001-2008 and Competency Enhancement Action Plan (CEAP).

The Electricity expenses includes the water expenses, the **decrease** is due to cost-cutting measures.

The **increase in Consultancy services** is due to hiring of SPUG technical consultant and consultancy services of Towers Watson Philippines, Inc.

Increase in Repair and maintenance expenses of SPUG plants and substations.

The **increase in Subsidy to operating units** (New Power Providers) is due to long duration of operations of SI Power Corporation in CY 2016 compared to CY 2015. The

subsidy to New Power Providers (NPP) of Missionary Electrification Areas (MEA) is approved by the Energy Regulatory Commission (ERC).

The **increase in rent/lease expense** is due to new rental of generating sets for Polilio, Ninoy Aquino DPPs and additional capacity for Mamburao, El Nido, Kalamansig, Bongao and Dinagat DPPs.

The **decrease in Other maintenance and operating expenses** is mainly due to lower budget for the OMA-MOOE of PSALM.

23. FINANCIAL EXPENSES

This account consists of the following:

	2016	2015
Interest Expenses	9,057,761	10,787,200
Bank Charges	155,365	43,971
	9,213,126	10,831,171

The interest expense pertains to outstanding foreign loans with BNP Paribas and Natixis.

24. DIRECT COST

MATERIALS

This account consists of the following:

	2016	2015
Materials - Fuel	2,714,796,036	3,042,377,290

The **decrease in fuel cost** was attributed to substantial decrease in the average fuel price per liter from P26.69 to P21.89.

OVER HEAD

This account consists of the following:

	2016	2015
Generation, Transmission & Distribution Expenses	294,258,426	348,771,936
Repair and Maintenance Infrastructure Assets (Power System)	211,258,212	118,169,851
	505,516,638	466,941,787

25. NON-CASH EXPENSES

This account consists of the following expenses:

	2016	2015
Impairment Loss - Loans and Receivables	934,333,800	626,578,479
Depreciation Expenses - Infrastructure Assets	276,689,993	331,495,000
Depreciation Expenses - Other PPE	65,561,400	70,952,294
	1,276,585,193	1,029,025,773

26. FINANCIAL ASSISTANCE/SUBSIDY FROM NGA, LGU, GOCC

	2016	2015
Subsidy from National Government	980,822,175	2,000,000,000
	980,822,175	2,000,000,000

The subsidy from NG is intended for CAPEX utilization for missionary electrification and BNPP maintenance.

For the CYs 2013 to 2015, the approved SARO amount was reported as other income. With the adoption of PPSAS No. 23 in CY 2016, the cash transfers were recognized as outright income.

The affected accounts such as Accounts Receivable – Others, Non-Current Receivables and Unearned Revenue/Income were adjusted accordingly. The cash transfers for CY 2016 amounting to P980.822 million is composed of P580.388 million (CY 2014 SARO), P376.871 million (CY 2015 SARO) and P23.563 million (CY 2016 SARO).

The unreleased cash allocation as of December 2016 amounted to P4.225 billion.

CY 2014 SARO	604,471,577
CY 2015 SARO	1,580,943,425
CY 2016 SARO	2,039,778,000
	4,225,193,002

27. SHARE IN UNIVERSAL CHARGE

This account consists of the following:

	2016	2015
Share in Universal Charge	6,406,011,229	9,706,676,769
	6,406,011,229	9,706,676,769

The **decrease in Universal Charge for Missionary Electrification** (UCME) from P9.707 billion to P6.406 billion is attributed to the application of the ERC methodology in the computation of the revenue requirement to cover the total operating expenses, NPP subsidy and return on rate base of 12%.

Section 34 of the EPIRA provides that a Universal Charge (UC) to be determined, fixed and approved by the Energy Regulatory Commission (ERC) shall be imposed on all end – users for the (a) payment of stranded debts and contract costs; (b) missionary electrification; (c) equalization of taxes and royalties; (d) environmental charge; and (e) cross subsidies.

The UC shall be a non–bypassable charge which shall be passed on and collected from end users on a monthly basis by the distribution utilities to be remitted to PSALM, the administrator of the fund.

The UC for missionary electrification shall provide funds for the operation of the NPC SPUG, together with the sales from the missionary areas. On the other hand, the UC for environmental charge, which is equivalent to one–fourth of one centavo per kilowatt hour (P0.0025/kwh), shall accrue to an environmental fund to be used solely for watershed rehabilitation and management and shall be managed by NPC under existing agreements.

28. GAINS

This account consists of the following:

	2016	2015
Gain on Foreign Exchange (FOREX)	792,701	53,481,476
Gain on sales of Property, Plant & Equipment	0	200,026
	792,701	53,681,502

The gains on foreign exchange from debt service is reported under Effect of Exchange Rate on Cash and Cash Equivalents of the Statement of Cash Flows per PPSAS No. 4

29. LOSSES

This account consists of the following:

	2016	2015
Loss on Foreign Exchange (FOREX)	71,542	0
Loss on sales of Property, Plant and Equipment	0	144,885
Other Losses	0	30,386,122
	71,542	30,531,007

The loss on foreign exchange is from the revaluation of outstanding foreign loans as the results of the depreciation of Philippine Peso against US Dollar.

30. PROVISION FOR PRESENT OBLIGATIONS PURSUANT TO COURT RULINGS/DECISIONS

EXECUTIVE BRIEF re NPC DAMA, ET AL. VS. NPC, ET AL. G.R. No. 156208 – Third Division, Supreme Court

- Section 63 (Separation Benefits of Officials and Employees of Affected Agencies) of EPIRA provides, among others, that (i). employees displaced or separated from service as a result of restructuring of the electricity industry and privatization of NPC assets ***shall be entitled either to a separation pay and other benefits*** in accordance with existing laws, rules or regulations ***or be entitled to avail of the privileges provided under a separation plan which shall be 1.5 month salary for every year of service in the government*** and (ii). those who avail of such privileges shall start their government service anew if absorbed by any government-owned successor company and that there shall no diminution of benefits under the separation plan until the full implementation of the restructuring and privatization.
- On **12 December 2002**, petitioners (NPC DAMA, et al.) filed a petition before the Supreme Court questioning the authority of the NP Board in passing NPB Resolutions No. 2002-124 and No. 2002-125 on the ground that these were not passed and issued by the majority of the members of the duly constituted Board of Directors since only three of its members were present.
- NPC basically argued that the said Resolutions are valid because the Directors were ably represented by their respective alternates.
- On **26 September 2006**, the Supreme Court ruled that National Power Board Resolutions No. 2002-124 and No. 2002-125 are “**VOID and WITHOUT LEGAL EFFECT**” on the ground that “***department secretaries cannot delegate their duties as members of NPB***, much less their power to vote and approve board resolutions, because it is their personal judgment that must be exercised in the fulfillment of such responsibility”.
- On **14 September 2007**, NP Board issued Board Resolution No. 2007-55 that “**ratifies and confirms** NP Board Resolution Nos. 2003-01, 2003-11, 2003-12, 2003-15 and all other Board Resolutions related to the approval of the present Table of Organization of the National Power Corporation (NPC)”.
- Supreme Court issued its Resolution dated **17 September 2008** clarifying the legal effects of the 26 September 2006 Decision that is, the right to reinstatement or separation pay in lieu of reinstatement plus backwages, wages adjustment and other benefits.
- On **27 October 2008**, an Entry of Judgment was issued. On 14 November 2008, an Urgent Motion for Execution was filed by petitioner NPC DAMA.
- The Supreme Court promulgated its Resolution on **10 December 2008** ordering the Chairman and Members of the NPC Board and the President of NPC to **cause the**

preparation of a list, under oath, of the names of NPC employees and amounts due to each and directed the payment.

- On **09 March 2009**, the OSG filed the Compliance to the December 10, 2008 Supreme Court Resolution wherein it manifested that:
 - 1) Only the top level employees were terminated on January 31, 2003 pursuant to the nullified NPB Resolution Nos. 2002-124 and 2002-125;
 - 2) These top level employees were also rehired the day after their termination and as such any additional payment of separation pay, backwages and other benefits would be unjust; and
 - 3) The NP Board adopted Resolution No. 2007-55 ratifying and confirming Resolution Nos. 2002-124 and 2002-125 and other Board Resolutions for the reorganization. Resolution No. 2007-55 was not “made subject of” the DAMA Petition.

- The Supreme Court promulgated on **02 December 2009** a Resolution which GRANTED Petitioners (NPC DAMA) Manifestation in the Urgent Omnibus Motion dated 09 February 2009. The following are the salient points of the said resolution:
 - 1) Ordering NP Board and its President to SHOW CAUSE why they should not be held for contempt for failure to comply with the SC Resolution dated 10 December 2008;
 - 2) Ordering the Clerk of Court of the Third Division to IMPLEAD or JOIN PSALM as party-respondent to the case;
 - 3) Ordering NP Board and President of NPC to comply with the SC Resolution dated 10 December 2008; and
 - 4) Directing the Clerk of Court of the Regional Trial Court and Ex-Officio Sheriff of Quezon City to immediately execute the SC decision and for the Clerk of Court to submit compliance within thirty (30) days from receipt of the Resolution.

- In promulgating the said resolution, the Supreme Court reasoned that:
 - 1) The SC Resolutions dated 26 September 2006, 24 January 2007, 17 September 2008 and 10 December 2008 were referring to all employees of NPC and not only to the sixteen (16) top-level employees.
 - 2) It is only after the decisions/resolutions became final and executory when NPC revealed that only 16 top-level employees were terminated on 31 January 2003.
 - 3) The approval of NP Board Resolution No. 2007-55 that adopted, confirmed and approved the contents of NP Board Resolution Nos. 2002-124 and 2002-125 only have prospective effect, not a retroactive effect.
 - 4) The approval cannot ratify and validate the voided NP Board Resolutions.
 - 5) The approval of NP Board Resolution No. 2007-55 on 14 September 2007 means that the services of all NPC employees have been legally terminated on said date.

- The OSG filed Urgent Plea to Defer Execution of the 02 December 2009 Resolution.

- A Status Quo Order was issued on **7 January 2010** such that no NPC assets/deposits will be garnished and at the same time, setting the case for oral arguments initially on 13 January 2010.

- Hearing on the oral arguments was actually held on **20 January 2010** and the following issues were discussed that are still pending resolution:
 - 1) Who are the NPC personnel that were actually separated from the service as a result of the implementation of NP Board Resolution Nos. 2002-124 and 125;
 - 2) Whether the 17 September 2008 Resolution granted relief not sought in the 26 September 2006 Decision;
 - 3) Whether the 10 December 2008 Resolution exceeded the terms of the 17 September 2008 Resolution sought to be executed;
 - 4) What was the effect, if any, of NP Board Resolution No. 2007-55 on the nullified NP Board Resolution Nos. 2002-124 and 125; and
 - 5) What is the extent of PSALM's liability for NPC's liabilities in this case
- On the offer of settlement of all pending monetary claims, OSG opined in its letter dated **17 February 2012** that *"(i)t would be proper and prudent to await the resolution thereof before any action is undertaken in relation thereto. This is to ensure that justice is served and that disbursement of government funds is made only to legitimate and valid claims"*.
- In a meeting held on 12 July 2012, the NP Board confirmed that NPC Management has no authority to start negotiation and placed on record its position to await the SC resolution.
- NPC through OSG filed an Urgent Motion to Resolve dated **08 April 2013**.
- The Supreme Court in its Resolution dated **30 June 2014** ruled on the five (5) pending issues and concluded that:
 1. The finalities of the 26 September 2006 Decision and 17 September 2008 Resolution contemplate and cover all the NPC employees whose illegal termination from employment stemmed from NP Board Resolution Nos. 2002-124 and 2002-125, hence, NPC is barred from estoppel from raising arguments aimed at modifying the final rulings;
 2. The 17 September 2008 Resolution did not grant additional reliefs as it merely clarified the consequences of the 17 September 2006 Decision;
 3. The dispositive portion of the 10 December 2008 Resolution did not exceed the terms of the final 17 September 2008 Resolution;
 4. The final rulings declared the nullified NP Board Resolutions as void and without legal effects and as such, cannot be ratified and the issuance of NP Board Resolution No. 2007-55 did not affect its final rulings; and
 5. PSALM assumed NPC's liabilities existing at the time of the EPIRA's effectivity including the separation benefits due to the petitioners. PSALM is considered as a necessary party to the case.

The Supreme Court likewise concluded that the refusal of NPC to comply with the 10 December 2008 Resolution and 2 December 2009 Resolution constitutes contumacious conduct for being unjustified and without legal and factual basis.

In effect, the Supreme Court denied, among others, the Motions for Reconsideration filed by NPC and PSALM and cited NPC and the Office of the Solicitor General for indirect contempt with fine of P30,000.00 each for non-compliance to final orders.

- The Clerk of Court and Executing Sheriffs issued a **Demand for Immediate Payment** in relation to the said Resolution of the Supreme Court addressed to the NP Board and NPC and the same was served upon NPC on **28 July 2014** involving the amounts of:
 1. P60,244,316,841.88 less ten percent (10%) corresponding to the charging lien of DAMA, et al. counsels;
 2. P6,024,431,684.18 which represents the attorney's liens; and
 3. P1,807,329,725.25 as lawful fees and costs for the execution.
- On **5 August 2014**, NPC wrote PSALM formally informing it of the said Resolution considering the conclusion of the Supreme Court that the judgment obligation is part of PSALM's assumed liability. NPC likewise wrote the Clerk of Court and Executing Sheriffs of RTC-QC with information that the Demand for Immediate Payment was referred to PSALM and its principal.
- Beginning **14 August 2014**, notices of garnishment issued by the Executing Sheriffs of RTC, Quezon City were served upon Land Bank of The Philippines, National Transmission Corporation, STEAG State Power, customers and other energy industry partners against NPC and PSALM properties.
- NPC, through the OSG, filed a Manifestation and Motion on **22 August 2014** before the Supreme Court praying, among others, to declare the case as an en banc case and restrain the execution of the judgment obligation.
- PSALM, through the OGCC, likewise filed its Omnibus Motion (Second Motion for Reconsideration) dated **22 August 2014**.
- On **09 September 2014**, the Supreme Court issued a Resolution **deferring** the implementation of the Decision dated 26 September 2006 and Resolutions dated 17 September 2008, 02 December 2009 and 30 June 2014 until further notice and lifting the Notice of Garnishment dated 14 August 2014. The court likewise directed the parties to submit within 45 days the lists of NPC employees as of 31 January 2002. The required lists of the Supreme Court should include the data on the following:
 1. full name;
 2. date of hiring;
 3. last date of uninterrupted service after date of hire;
 4. position and salary as of last date of service; and
 5. if termination or separation pay has been received at anytime from NPC, the amount of termination or separation pay received and date of receipt.
- NPC and PSALM were likewise required to comment within 10 days on the (i) letter of 31 July 2014 of Atty. Perlita V. Ele and the letter of 05 August 2014 of Attys. Orcio and Aldon; (ii) Motion to Expunge filed by NPC-DAMA; and (iii) Special Appearance of MERALCO.
- NPC, through OSG, filed its Comment dated **7 October 2014** and prayed for the denial of petitioner's Motion to Expunge and Meralco's Special Appearance on the

ground that the same were superseded by the 9 September 2014 Resolution. The OSG merely noted the letters of Attys. Ele, Orocio and Aldon.

- Attys. Orocio and Aldon, in a letter dated **16 October 2014**, wrote National Power Corporation that the “ xxx the rate of interest on the principal amount of the award was not correct as it was done on a straight basis, and not compounded as should have been the case xxx ”. It advised NPC that “in the event the pending incidents of the case in the Supreme Court are disposed of and the decision/resolution is ultimately implemented, a re-computation be made to arrive at the proper and correct amount of interests on the principal amounts of the award due our clients, the petitioners.” NPC referred the same to OSG per letter dated 4 November 2014.
- NPC through OSG filed its Compliance Ad Cautelam on **24 November 2014**, within the extendible period to comply with the 09 September 2014 Resolution to submit the required list.
- NPC received on 27 November 2014 the Resolution dated **20 October 2014** of the Supreme Court modifying its 09 September 2014 Resolution by requiring the submission of list of NPC employees as of 26 June 2001 with additional information on the DAMA-affected employees’ separation pay; wage adjustments; date of rehire by NPC/PSALM/TRANSCO and their subsequent positions and salaries; subsequent termination and amount of separation pay received.
- NPC complied the same on 16 March 2015.
- To date, the Supreme Court has yet to resolve the issues. Recently, a number of claimants are seeking Malacañang’s intercession for the payment of DAMA claims.
- The Status of Pending Case as of December 31, 2016 showed that the estimated cost is approximately P62 billion.

EXECUTIVE BRIEF
re NPC AND NP BOARD vs. Hon. RALPH LEE and
EMMA Y. BAYSIC and NARCISA G. SANTIAGO
G.R. No. 213893 – Supreme Court
(CA-G.R. SP No. 115773 – Court of Appeals)

- Petitioners Baysic, et al. filed on 12 July 2007 a case for Mandamus with Prayer for Accounting and Motion for Evidentiary Hearing. Petitioners are retirees of NPC from 1998 to 2001. They are claiming full amount of financial assistance provided for under the Special Early Disengagement Plan (SEPD). The said plan was authorized under NP Board Resolution No. 98-130.
- Petitioners claim that the financial assistance provided for under said Board Resolution was fixed at 1.5 months salary for every year of government service computed as:
 - a) the *difference* between the lump sum gratuity benefits under R.A. 1616 multiplied by 1.5; and the present value of the 5 years lump sum benefit under

- PD 1146 as amended by R.A. 8291 or R.A. 660, for those qualified to retire under both R.A. 1616 and either PD 1146 or R.A. 660; and
- b) for those not qualified to retire under any of the retirement plans or those who have not yet reached 60 years old, a lump sum benefit equivalent to 1.5 months salary for every year of government service.”

Further, they claim that they did not receive financial assistance equivalent to 1.5 months salary for every year of government service because the amount of retirement pay they received from GSIS was deducted from the gross financial benefits.

When the EPIRA took effect in 2003, separation pay in the amount of 1.5 months for every year of government service was granted to legally terminated employees (as of 2003) without deducting gratuity/retirement pay received from GSIS.

- NPC filed its Answer dated 17 October 2008 alleging the following:
 - a) Petitioners Baysic, et al. should have first raised their issues before the Civil Service Commission as part of the exhaustion of administrative remedies;
 - b) Petitioners have no clear right because they are fully aware of the guidelines of retirement under NP Board Resolution No. 98-130 when they availed of it; and
 - c) The EPIRA provisions on separation/retirement cannot retroactively apply to the petitioners.
- A motion to strike out NPC’s Answer was filed by petitioners which questioned the Verification/Certification of NPC and which the court immediately granted. NPC moved for the reconsideration but was denied.
- On 6 September 2010, NPC through the OSG filed a petition for certiorari and prohibition before the Court of Appeals based on the following:
 - a) NPC complied with the Rules on Verification;
 - b) NPC’s Answer dated 17 October 2008 does not actually require Verification; and
 - c) The trial court committed grave abuse of discretion in issuing the Order of Default.
- On the same date (6 September 2010), NPC received a copy of the 16 August 2010 Decision of the trial court ordering it to pay petitioners the aggregate sum of P301.50 million plus interest at six percent (6%) per annum, P1 million as exemplary damages and ten percent (10%) of the total amount as attorney’s fees.
- Subsequently, OSG filed an Amended Petition on 16 September 2010 to include the 16 August 2010 Decision of the trial court.
- In a letter dated 14 February 2011, the petitioners offered to compromise certain components of the RTC decision. Petitioners are waiving portion of their separation pay under the EPIRA though this was not included in their original claim nor included in the Decision of the RTC. In addition, they are also proposing to waive the award of exemplary damages and one-half (1/2) of the award of legal interest.

- The initial proposal for settlement by petitioners was denied by the NP Board Review Committee in its 17 February 2011 meeting.
- Another proposal was received from the petitioners reducing by five percent (5%) the actual damages and waiving all its interest and P1 million exemplary damages.
- As of June 2011, the reduced total amount claimed by petitioners is P315.105 million with the waived components amounting to P97.30 million.
- After evaluation of the proposal, the OSG opined in its letter dated 21 February 2012 that “*accepting the compromise agreement was not sound and will not serve the best interest of NPC*”. Hence, it recommended that the petition for certiorari pending before the Court of Appeals be pursued.
- The proposal for settlement was again presented to the Board Review Committee in its 5 July 2012 meeting. In the said meeting, the BRC endorsed the matter to the NP Board.
- On various dates of October and November 2012, some of the individual claimants/petitioners wrote to the members of the NP Board seeking their assistance in the payment of their claims.
- During the BRC meeting held on May 2013, it confirmed that the issue will be decided upon by its principal. Subsequently, on the Special NP Board Meeting held on 31 July 2013, the Board decided to write the OSG on the matter of entering into Compromise Agreement with the claimants. As of July 2013, the judgment obligation is computed at P452.197 million with petitioners offering to settle at P315.015 million.
- In a letter dated 13 September 2013, DOF Undersecretary John P. Sevilla (as Alternate Chairman) and NPC President Ma. Gladys Cruz-Sta. Rita wrote OSG seeking clarification on the effect of the Beto Case and sworn statements of Messrs. Delgado and Viray and an opinion on the legality of entering into settlement with the claimants taking into consideration the supervening circumstances surrounding the case.
- On 04 March 2014, the Court of Appeals issued a Resolution dismissing the Amended Petition for Certiorari and Prohibition for being an improper remedy. The Court of Appeals ruled that the proper remedy in case of default judgment is an Appeal, a remedy available to NPC when it filed its Amended Petition. As of 31 March 2014, the total judgment obligation based on the RTC Decision amounts to P467.123 million.
- NPC retirees through Ms. Emma Baysic wrote the NPC President on 13 March 2014 furnishing the latter with a copy of the said 04 March 2014 Resolution of the Court of Appeals and soliciting the kind assistance to facilitate the immediate resolution of the retirees’ financial claim.
- A Motion for Reconsideration dated 24 March 2014 was filed by OSG arguing that the certiorari will correct an invalid order and an order issued without jurisdiction. That jurisprudence does not prohibit the petition for certiorari if the order of default is being assailed, even if appeal is an available remedy. Hence, it stated that “*the resort to*

certiorari by herein petitioners is justified because the default judgment is being assailed on the ground that it is intrinsically void for having been rendered pursuant to a patently invalid order of default”.

- The Court of Appeals issued a Resolution on 11 August 2014 denying the Motion for Reconsideration, there being no cogent and compelling reasons found to justify the modification or reversal of its 04 March 2014 Resolution.
- On 10 October 2014, NPC through the OSG filed a petition for review on certiorari before the Supreme Court.

**EXECUTIVE BRIEF
NEWU VS. DEL CALLAR (as NPC President)
CA-GR S.P. No. 113743**

- A Petition for mandamus with prayer for a temporary restraining order and preliminary injunction was filed on 19 October 2007 by NEWU and 21 other NPC employees seeking the release of the so-called “net increase adjustment” which was purportedly withheld from them. NEWU also claims to represent other NPC employees similarly situated.
- Pursuant to NPC Circular No. 2003-09, a Step Increase Adjustment was given to employees. The said adjustment is a consequence of the step increment, a salary increase based on the number of years of service in the same position starting 1 January 1994.
- NPC discontinued the Step Increment because of the issue of Disallowance and that the EPIRA required the downsizing of personnel as a consequence of privatization. NPC employees were eventually terminated in January to February 2003.
- The issue arose on which amount of basic salary will be used in the computation of separation benefits. Some argued that it should be the “**pre-rollback rate**” or the highest monthly salary of the employee while in government service. Others argued that it should be the “**rollback rate**” or the basic monthly salary net of the total salary adjustments including additional bonus. This issue was brought before the court for adjudication.
- Pending resolution of the case, NPC deposited on escrow the amount corresponding to the difference between “pre-rollback rate” and “rollback rate”. The difference is the ***step increment adjustment***.
- A substantial number of NPC employees voluntarily signed waivers losing their right to claim the difference. (They are now the petitioners in this case.)
- The step increment adjustment was intended for those NPC employees, whether rehired or not after legal termination, but did not waive their additional separation benefits.

- Petitioners filed the instant case seeking the release of the “net increase adjustment”. NPC posited that there was no “net increase adjustment”, only a “step increase adjustment”.
- On 31 August 2008, NPC moved for the dismissal of the case based on the following grounds:
 1. Petitioner NEWU has no legal standing on behalf of all NPC employees before the court;
 2. The payment of Step Increment Adjustment to petitioners is not a ministerial duty of NPC;
 3. Petitioners have no cause of action against NPC; and
 4. Petitioners failed to exhaust all administrative remedies.
- NPC’s motion to dismiss was denied by the court on 25 June 2008.
- NPC filed its Memorandum on 11 February 2009.
- The trial court in its decision dated 9 June 2009 denied the petition of NEWU for injunction but ordered NPC to pay the employees of the so-called net increase adjustment.
- NPC filed a Motion for Partial Reconsideration which was denied by the trial court in an Order dated 27 November 2009.
- NPC, through the OSG, filed a petition before the Court of Appeals and was submitted for decision as of 27 July 2010.
- On the offer of settlement of all pending monetary claims including the step increment (P549.408 Million per claimants’ proposal), OSG opined in its letter dated 05 March 2012 that *“considering the merits of the NPC’s appeal which is anchored on the ground that NPC Circular No. 2001-51 is invalid, it having been repealed and superseded by NPC Board Resolution No. 2002-81, and considering further that a resolution of the appeal may already be forthcoming, it would be more prudent to await the same. It must be emphasized that NPC has raised meritorious grounds and thus its appeal must be pursued until the very end”*.
- On 23 October 2013, the Court of Appeals rendered a Decision granting the appeal of NPC such that the 9 June 2009 Decision of the trial court was reversed and set aside insofar as it directed the NPC President to pay its employees covered under NPC Circular No. 2001-51. The denial of the prayer for injunction was sustained.
- In granting NPC’s appeal, the Court of Appeals noted that the issue raised by appellees’ NEWU was already decided in the case of Boncodin vs. NECU where the Supreme Court stated that “the step increments enjoyed by the NAPOCOR employees could not have ripened into vested rights. In brief, it is seriously contended that because they were granted without the required DBM approval, no vested rights to the step increments could have been acquired.”
- The 23 October 2013 Decision has become final and executory on 02 October 2014 as per Entry of Judgment received by the OSG on 03 February 2015.

EXECUTIVE BRIEF
re RP, ET AL. VS. CORTEZ, NEWU/NECU (COLA/AA)
G.R. No. 187257 – Supreme Court

- **January 3, 2008** – Petitioners Abner Eleria and Melito Lupangco filed their Petition for Mandamus before the Regional Trial Court of Quezon City, Branch 84. In the said petition, NECU/NEWU pray for the Court to order NPC and the NP Board to immediately **release and pay the COLA and AA** on the bases of:
 1. *De Jesus vs. COA (294 SCRA 152 [1998])* which invalidated **DBM CCC No. 10** on the basis of its non-publication as required by law;
 2. *PPA vs. PPA Employees Hired After July 1, 1989 (469 SCRA 397 [2005])* which declared that all and not only incumbents as of July 1, 1989 should be allowed to receive back pay corresponding to the said benefits from July 1, 1989 to March 16, 1999; and
 3. *MWSS vs. Bautista, et al. (G.R. No. 171351, March 14, 2008)* reiterated the Supreme Court’s pronouncements in the De Jesus and PPA cases.

- **February 18, 2008** – NECU and NEWU filed its Petition-in-Intervention supporting the release of the COLA/AA.

- **May 30, 2008** – The OSG filed its Omnibus Motion praying that: (1) it be allowed to withdraw its appearance as counsel for NPC and the NP Board; (2) it be allowed to intervene as the People’s Tribune; and (3) the petition be dismissed. The Regional Trial Court of Quezon City, Branch 84 promulgated its **Decision** in favor of the Petitioners on **November 28, 2008**. The Decision orders the NPC and the NP Board to:
 1. Release and pay the petitioners/intervenors/other non-union employees within 30 days from finality of the Decision, the amount of P6,496,055,339.98 representing the COLA and AA and P704,777,508.60 representing **interest** computed from December 28, 2007. The monetary judgment shall earn interest of 12 percent (12%) per annum from finality of the Decision until its full satisfaction;
 2. Pay Attorney’s fees in the amount of P100,000.00 in favor of Petitioners and P200,000.00 in favor of intervenors NECU and NEWU;
 3. Deduct the amount of P145,464,872.55 representing deficiency payment of docket and other legal fees from the NPC officials/workers/employees including non-union beneficiaries similarly situated, and Remit and Pay the same to the Clerk of Court of RTC of Quezon City, Branch 84. The amount is subject to final computation and assessment of the Clerk of Court; and
 4. Deduct five percent (5%) of the amount payable to each NPC employee, including non-union beneficiaries similarly situated, for the said Attorney’s Fees pro-rata and to Pay the amount deducted to Attys. Galit and Presquito, after deducting the appropriate taxes.

- A Motion for Execution against the Respondent NPC was filed by the Petitioners and Petitioners-Intervenors on **December 5, 2008**. A Notice of Appeal was filed by the OSG on **December 5, 2008**.
- A Motion for Reconsideration of the RTC Decision was filed by Secretary Andaya (as member of the NP Board) on **December 18, 2008**. On the other hand, NPC-OGC filed a Manifestation in behalf of NPC Management on December 16, 2008 stating that the authority to decide upon the issue at hand rests with the NP Board, although it was likewise reiterated that NPC Management, consistent with its previous position, supports the release of the COLA and AA.
- **March 20, 2009** – The Court promulgated its **Joint Order** with the following directive:
 1. The Motion for Execution is granted. The Branch Clerk of Court is directed to issue the Certificate of Finality of Judgment and the Writ of Execution;
 2. The Motion to Deposit the Amount Equivalent to the Judgment Award is granted. The NPC Management through its President, the NP Board and Treasurer are ordered to deposit the amount of P6,496,055,339.98 representing COLA and AA and P704,777,508.60 representing interest, with the Land Bank of the Philippines, with high yielding bearing interest, within 30 days from receipt of the order;
 3. The Notice of Appeal filed by the OSG is denied and dismissed; and
 4. The Motion for Reconsideration filed by Secretary Andaya is denied with finality.
- **March 23, 2009** – Finality of Judgment, Writ of Execution and Notice of Garnishment issued by the RTC
- **March 27, 2009** – Letter of the OSG advising NPC to write its banks that the notice of garnishment as well as the writ of execution cannot be implemented.
- **April 15, 2009** - The SC issued a **TRO/Injunction** on the March 20, 2009 Decision and March 23, 2009 Writ of Execution issued by the RTC.
- **May 27, 2009** - DBM filed a separate Petition for Certiorari with the SC questioning the RTC's Decision, Joint Order and Writ of Execution.
- **9 September 2009** – The Supreme Court issued a Resolution directing that:
 1. G.R. No. 187359 (NEWU and NECU, etc. vs. NPC, etc. et al.) be consolidated with G.R. 187257;
 2. G.R. 187776 (Andaya, etc., et al. vs. Hon. Cortez, etc., et al.) and G.R. 187420 (PGEA, etc. et al. vs. NPC, et al) be transferred to the First Division where G.R. 187257 and the two consolidated cases are assigned, to avoid conflicting decisions; and
 3. Note: G.R. 187359 and G.R. 187420 involve a common question of law – the validity of the Operations and Maintenance Agreement (OMA) dated 30 January 2009 in relation to the EPIRA.

- As of date, all the cases cited above are still pending resolution by the Supreme Court.
- On the offer of settlement of all pending monetary claims, OSG opined in its letter dated 17 February 2012 that *“(i)t would be proper and prudent to await the resolution thereof before any action is undertaken in relation thereto. This is to ensure that justice is served and that disbursement of government funds is made only to legitimate and valid claims”*.
- In a meeting held on 12 July 2012, the NP Board confirmed that NPC management has no authority to start negotiation and placed on record its position to await the SC resolution.
- On 03 May 2013, the Officers and Members of PGEA-NPC wrote the NP Board and NPC Management requesting the release of COLA and AA. It is the group’s contention that the disallowance of COLA and AA provided under the Salary Standardization Law does not cover the NPC and as such, its employees are long deprived of its rightful claim over the said allowances. The letter did not provide any terms except their willingness to execute a “Release, Waiver and Quitclaim”.

The Department of Budget and Management, thru Director Lorenzo C. Drapete, in a letter dated 15 May 2013 referring to National Power the subject letter of NPC-PGEA, stated that *“(t)he Supreme Court under G.R. No. 157492 dated March 10, 2006 (copy attached) denied the petition of Napocor Employees Consolidated Union, et. al. for Employee Welfare Allowance equivalent to 10% of employees basic salary since the subject allowance, like COLA and AA, are among the allowances actually integrated into the basic monthly salary of employees”*.

- Several letters to NPC was submitted by petitioners claiming payment of the COLA/AA. The latest of said letters were on 18 and 28 August 2014 from petitioners’ counsel offering the settlement of the claims. The said letters were referred to the NP Board for its information and consideration.
- More recently on 11 June 2015, the National Power People (NPP) requested the payment of COLA and AA with manifestation of their willingness to receive only the principal amounts of such claims which shall constitute full and final settlement thereof. Similar to DAMA claims, a number of claimants are seeking Malacañang’s intercession for the payment of COLA claims.

STATUS OF PENDING CASES
SUMMARY OF CONTINGENT CLAIMS AND LIABILITIES
As of 31 December 2016

NATURE	NO. OF CASES WITHOUT AMOUNT INVOLVED / NO BASIS / TO BE DETERMINED	CONTINGENT CLAIMS * (ESTIMATED AMOUNT INVOLVED)		CONTINGENT LIABILITIES *			
		Number of Cases	Total Amount (Php)	Number of Cases	Total Amount (Php)	Number of Cases	Total Amount (\$ US Dollars)
EXPROPRIATION (Plant Related/SPUG)	50			9	2,297,426.75		
Land Registration Cases	2						
ERC	34						
TAX							
<i>Real Property Cases (IPP)</i>							
<i>Real Property Cases (NPC)</i>							
<i>Local Tax</i>				1	9,699,313,855.93		
<i>Franchise Tax Cases</i>	2						
OTHER CIVIL CASES	9			1	41,656,184.41		
EJECTMENT/RECOVERY OF POSSESSION/DAMAGES/JUST COMPENSATION	9			3	6,738,800.00		
LABOR CASES					0		
CRIMINAL CASES							
ADMINISTRATIVE CASES	8						
TOTAL NUMBER OF CASES	114			14	9,750,006,267.09		
TOTAL ESTIMATED AMOUNT (Php & \$)							

NOTE: * *Claims and Liabilities of NPC are subject to change because the amounts among others are one of the areas under court litigation.*

Cases decided in favor of NPC are still reflected in the Summary of Claims and Liabilities. The amount involved in the DAMA Case is not included.

31. TARIFF DEVELOPMENT IN THE YEAR 2016

The following are the developments in Tariff for the Year 2016

CY 2016 BASIC UCME

- The National Power Corporation (NPC) implemented the Basic Universal Charge for Missionary Electrification (UCME) for CY 2016 of P927 million per month or equivalent to P0.1544/kWh (P0.1163/kWh regular UCME and P0.0381/kWh True-up intended for CY 2012). The said recovery was based on the extension of Provisional Authority (PA) granted by the Energy Regulatory Commission (ERC) on ERC Case No. 2014-135 RC.

CY 2014 True-up

- On 26 January 2016, NPC filed its application for the recovery of revenue shortfall from UCME for CY 2014 before the ERC and docketed under ERC Case No. 2016-008 RC. The proposed recovery of CY 2014 True-up adjustment amounted to **P5.895 billion**, or equivalent to **P0.0788/kWh** is in compliance with ERC Resolution No. 21, Series of 2011 and ERC Resolution No. 22, Series of 2006, respectively.

CY 2017 BASIC UCME

- NPC filed its application of Basic UCME for CY 2017 before the ERC and docketed under ERC Case No. 2016-134 RC on 26 May 2016. In the said filing NPC prays for the adoption of the Proposed UCME for CY 2017 of **P10.324 billion**, or equivalent to **P0.1248/kWh**.

14th GRAM

- On 28 June 2016, NPC filed its application for the 14th Generation Rate Adjustment Mechanism (GRAM) before the ERC as part of its compliance to the directives of the power rate regulator and docketed under ERC Case Nos. 2016-144 RC. Adjustments corresponding to this filing covering the billing period July to December 2014 are referred to as Deferred Accounting Adjustment or DAA which are pass-thru costs in NPC's rates. The proposed recovery amounted to **P1.653 billion** if approved would translate into upward adjustments of rates in Luzon, Visayas and Mindanao grids amounting to P1.5594/kWh, P2.0170/kWh and P1.2921/kWh respectively, or an average increase of **P1.4941/kWh** and will also have a corresponding reduction in the UCME True-up Recovery for the same year. The proposed recovery for the 14th GRAM are spread into 24 months.

CY 2015 True-up

- On 22 September 2016, NPC Management and NP Board members approved the filing for the recovery of revenue shortfall from UCME for CY 2015 before the ERC. The proposed recovery of CY 2015 True-up adjustment amounted to **P1.112Bn**, or equivalent to **P0.0134/kWh**.

13th GRAM and 13th ICERA

- NPC also conducted the ERC public hearing on the 13th GRAM and 13th Incremental Currency Exchange Rate Adjustment (ICERA) in the last quarter of 2016 for Luzon, Visayas and Mindanao.

32. SUPPLEMENTARY INFORMATION REQUIRED UNDER RR No. 15-2010

In compliance with the requirements set forth by Revenue Regulations No. 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

The Corporation is a VAT - registered company with VAT output tax declaration of P300,610,167 during the year based on the amount reflected in the Sales Account of P2,505,084,721.

The Corporation has zero-rated/exempt sales amounting to P14,468,965 pursuant to the provisions of Sections 106 (A)(2) and 108 (B) of the National Internal Revenue Code, as amended.

The amount of VAT Input taxes claimed are broken down as follows:

Beginning Balance, January 2016	5,257,170,908
Current year's purchases:	
I. Non-Capital Goods (fuel, materials, equipment & spares)	333,957,700
II. Capital Goods	31,143,940
III. Services	466,786,144
	<u>831,887,784</u>
Claims for tax credit/refund and other adjustment	<u>0</u>
Ending Balance December 2016	<u>6,089,058,692</u>

Other taxes and licenses pertain to:
Nature

Realty Tax	770,892
	<u>770,892</u>

The amount of withholding taxes paid/occurred for the year amounted to:

Nature	
I. Tax on compensation and benefits	149,700,390
II. Creditable withholding taxes	126,576,251
III. Final VAT/Final withholding taxes	345,658,995
	<u>621,935,636</u>