



INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

National Power Corporation
Power Center
BIR Road corner Quezon Avenue
Diliman, Quezon City

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the National Power Corporation (NPC), which comprise the statements of financial position as of December 31, 2018 and 2017, and the statements of financial performance, statements of changes in net assets/equity, statements of cash flows for the years then ended and statement of comparison of budget and actual amount for the year ended December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the NPC, as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Public Sector Accounting Standards (PPSAS).

Bases for Qualified Opinion

The Trust Accounts-PSALM account in the amount of P3.577 billion may not be accurately presented in the Statement of Financial Position due to (i) reporting difference in the amount of P1.048 billion between the various liabilities as confirmed by PSALM and recorded in the books of NPC; (ii) recording of obligations in the amount of P410.040 million at gross or net applicable withholding taxes contrary to Section 4 of the Revenue Regulation (RR) No. 12-2001 and Revenue Memorandum Circular (RMC) 10-2018 which may result to the understatement of the reported obligation and its related expense/asset account; (iii) inclusion of obligation amounting to P52.868 million that did not meet the recognition criteria under PPSAS 19, Section 46 of P.D. 1177 and COA-DBM Joint Circular 2013-1; and (iv) recording of obligations for expenses in the amount of P0.389 million that were incurred prior to CY 2018 are contrary to Section 119 of P.D. No. 1445.

The reliability and correctness of the various inventory accounts in the amount of P3.073 billion is doubtful due to the (i) unreconciled difference between the book balance and balance per physical inventory report of various inventory accounts in the amount of P281.076 million; (ii) unaccounted materials in transit for the last six years in the amount of

P637.981 million; and (iii) existence of subsidiary ledger with abnormal/credit balances in the amount of P103.735 million.

The Deferred Tax Asset account with an outstanding balance of P310.900 million and Retained Earnings with balance of P2.098 billion were both understated by P1.057 billion due to (i) unadjusted Deferred Tax Asset and Retained Earnings arising from Taxable Temporary Difference from previous years; (ii) non-deduction of the current Taxable Temporary Difference; and (iii) improper year-end accounting entry that affects the balance of Deferred Tax Assets and Retained Earnings.

The existence of Various Temporary Registry Accounts - TransCo amounting to P1.843 billion could not be ascertained due to the absence of relevant supporting documents thus, affecting the fair presentation of NPC's assets in the financial statements which is required under paragraph 27 of PPSAS 1.

The existence of unreconciled balances of P1.065 billion, misclassified accounts of P97.430 million and the non-accrual of Tax Refunds Payable in the amount of P4.266 million affects the reliability of various tax liability accounts which is not consistent with the Conceptual Framework on fair presentation of Financial Statements.

Dormant payable accounts totaling P3.250 billion which are outstanding for more than two years were not reverted to Retained Earnings contrary to Section 98 of P.D. No. 1445.

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the NPC in accordance with the Code of Ethics for Government Auditors (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PPSAS, 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.

In preparing the financial statements, management is responsible for assessing the NPC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the NPC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the NPC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 NPC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NPC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NPC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

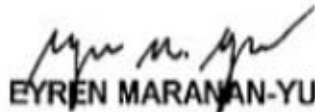
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Bureau of Internal Revenue (BIR) Revenue Regulations 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 33 to the financial statements is presented for purposes of filing with the BIR 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

By:



EYREN MARANAN-YULDE
State Auditor V
Supervising Auditor

May 15, 2019

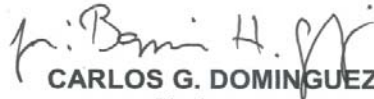


NATIONAL POWER CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the National Power Corporation is responsible for the preparation of the financial statements as at December 31 2018, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and confirms the submission of the financial statements prepared by the Management of the National Power Corporation to the regulators, creditors and other users.


CARLOS G. DOMINGUEZ
Chairman
and
Secretary, Department of Finance

Feb 14, 2019
Date


LORNA T. DY
VP – Administration & Finance

Feb 14, 2019
Date


PIO J. BENAVIDEZ
President & CEO

Feb 14, 2019
Date

NATIONAL POWER CORPORATION
CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018 and 2017

	<u>NOTE</u>	<u>2018</u>	<u>2017</u> <i>(As Restated)</i>
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	17,739,542,125	19,585,409,809
Receivables	7	4,365,394,449	4,507,638,004
Inventories	8	1,221,425,457	1,313,927,316
Other Current Assets	12	6,724,481,300	5,315,756,297
Total Current Assets		<u>30,050,843,331</u>	<u>30,722,731,426</u>
Non-Current Assets			
Receivables	7	759,959,474	1,040,395,613
Property, Plant and Equipment	9	12,329,500,558	11,317,483,340
Deferred Tax Assets	10	310,900,305	181,379,999
Other Investment	11	1,719,970	1,719,970
Other Non-Current Assets	12	5,493,947,980	5,416,070,640
Total Non-Current Assets		<u>18,896,028,287</u>	<u>17,957,049,562</u>
Total Assets		<u>48,946,871,618</u>	<u>48,679,780,988</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	13	7,604,212,247	5,490,385,392
Inter-Agency Payables	14	346,789,172	281,230,043
Trust Liabilities	16	55,649,279	28,534,285
Deferred Credits/Unearned Income	17	1,008,629,564	1,023,011,980
Other Payables	15	401,381,303	373,865,719
Total Current Liabilities		<u>9,416,661,565</u>	<u>7,197,027,419</u>
Non-Current Liabilities			
Financial Liabilities	13	577,112,031	640,066,027
Trust Liabilities	16	5,650,318,917	5,585,079,468
Deferred Credits/Unearned Income	17	3,563,033,692	4,616,636,722
Provisions	18	577,844,087	569,786,585
Total Non-Current Liabilities		<u>10,368,308,727</u>	<u>11,411,568,802</u>
Total Liabilities		<u>19,784,970,292</u>	<u>18,608,596,221</u>
Net Assets (Total Assets Less Total Liabilities)		<u>29,161,901,326</u>	<u>30,071,184,767</u>
NET ASSETS/EQUITY			
Government Equity	19	2,098,298,970	3,007,630,411
Stockholder's Equity	19	27,063,602,356	27,063,554,356
Total Net Assets/Equity		<u>29,161,901,326</u>	<u>30,071,184,767</u>

The notes on pages 11 to 79 form part of these statements.

NATIONAL POWER CORPORATION
CONDENSED STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

	<u>NOTE</u>	<u>2018</u>	<u>2017</u>
Revenue			
Service and Business Income	20	3,046,236,232	3,034,695,834
Shares, Grants and Donations	21	13,598,653,510	8,665,834,494
Total Revenue		<u>16,644,889,742</u>	<u>11,700,530,328</u>
Current Operating Expense			
Personnel Services	22	(916,132,489)	(881,950,643)
Maintenance and Other Operating Expenses	23	(1,598,033,581)	(1,683,911,295)
Financial Expenses	24	(5,742,597)	(7,393,435)
Direct Materials	25	(4,388,500,183)	(3,057,822,488)
Non-Cash Expenses	26	(954,451,835)	(992,861,394)
Total Current Operating Expense		<u>(7,862,860,685)</u>	<u>(6,623,939,255)</u>
Surplus from Current Operations		<u>8,782,029,057</u>	<u>5,076,591,073</u>
Other Non-Operating Income	28	1,148,246,974	576,247,638
Other Non-Operating Expense	28	(1,011,210,529)	(417,326,914)
Gains	28	1,345,353	450,681
Losses	28	(4,978,520)	(98,211,776)
Surplus Before Tax		<u>8,915,432,335</u>	<u>5,137,750,702</u>
Income Tax Expense		(425,942,399)	(520,276,732)
Surplus After Tax		<u>8,489,489,936</u>	<u>4,617,473,970</u>
Net Assistance/Subsidy/(Financial Assistance/Subsidy)	27	(6,762,752,996)	(2,405,262,663)
Net Surplus for the Period		<u>1,726,736,940</u>	<u>2,212,211,307</u>

The notes on pages 11 to 79 form part of these statements.

**NATIONAL POWER CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

	Accumulated Surplus/ (Deficit)	Share Capital	Other Equity Instruments (Donated Capital)	Total
BALANCE AT JANUARY 1, 2017	3,359,728,155	27,048,870,789	14,683,567	30,423,282,511
ADJUSTMENTS:				
Add/(Deduct):				
Other Adjustment	(2,393,241)	0	0	(2,393,241)
RESTATED BALANCE AT JANUARY 1, 2017	3,357,334,914	27,048,870,789	14,683,567	30,420,889,270
Changes in Net Assets/Equity for CY 2017				
Add/(Deduct):				
Surplus/(Deficit) for the Period	2,212,211,307	0	0	2,212,211,307
Dividends declared (2016)	(1,398,936,408)	0	0	(1,398,936,408)
Other Adjustments	(1,162,979,402)	0	0	(1,162,979,402)
BALANCE AT DECEMBER 31, 2017	3,007,630,411	27,048,870,789	14,683,567	30,071,184,767
Changes in Net Assets/Equity for CY 2018				
Add/(Deduct):				
Surplus/(Deficit) for the Period	1,726,736,940	0	0	1,726,736,940
Dividends declared (2017)	(1,410,309,234)	0	0	(1,410,309,234)
Donated Capital from the Municipal Government of Agutaya	0	0	48,000	48,000
Other Adjustments	(1,225,759,147)	0	0	(1,225,759,147)
BALANCE AT DECEMBER 31, 2018	2,098,298,970	27,048,870,789	14,731,567	29,161,901,326

NATIONAL POWER CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Revenue	14,827,681,645	14,224,960,616
Receipts of Assistance/Subsidy	349,890,463	1,191,680,204
Collection of Other Receivables	130,731,971	196,177,850
Receipts of Intra-Agency Fund Transfers	22,171,806	0
Trust Receipts	32,297,183	4,447,253
Other Receipts	1,200,984,336	899,562,188
Total Cash Inflows	<u>16,563,757,404</u>	<u>16,516,828,111</u>
Cash Outflows		
Payment of Expenses	2,496,157,514	1,972,390,667
Purchase of Inventories	4,029,938,548	3,113,450,587
Grant of Cash Advances	15,099,795	40,582,311
Refund of Deposits	5,539,199	6,052,212
Remittance of Personnel Benefit Contributions and Mandatory Deductions	3,196,851,969	2,023,620,837
Grant of Financial Assistance/Subsidy/Contributions	5,479,846,963	2,709,060,956
Release of Intra-Agency Fund Transfers	0	24,554,084
Other Disbursements	828,049,207	253,270,240
Total Cash Outflows	<u>16,051,483,195</u>	<u>10,142,981,894</u>
Net Cash Provided by Operating Activities	<u>512,274,209</u>	<u>6,373,846,217</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipts of Interest Earned	353,417,230	217,595,207
Proceeds from Sale of Other Assets	1,280,000	316,648
Investment in Government & Other Corporation	94,031,330	852,965,687
Total Cash Inflows	<u>448,728,560</u>	<u>1,070,877,542</u>
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	1,334,352,353	1,089,061,444
Total Cash Outflows	<u>1,334,352,353</u>	<u>1,089,061,444</u>
Net Cash Used in Investing Activities	<u>(885,623,793)</u>	<u>(18,183,902)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of Cash Dividends	1,410,309,234	1,398,936,408
Payment of Long-Term Liabilities	69,161,378	52,002,207
Payment of Interest on Loans	5,792,757	7,059,256
Transfer to Restricted Cash Account	30,000	4,112
Total Cash Outflows	<u>1,485,293,369</u>	<u>1,458,001,983</u>
Net Cash Used in Financing Activities	<u>(1,485,293,369)</u>	<u>(1,458,001,983)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,858,642,953)</u>	<u>4,897,660,332</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	<u>12,775,269</u>	<u>12,478,231</u>
Cash and Cash Equivalents, January 1	<u>19,585,409,809</u>	<u>14,675,271,246</u>
Cash and Cash Equivalents, December 31	<u>17,739,542,125</u>	<u>19,585,409,809</u>

The notes on pages 11 to 79 form part of these statements.

NATIONAL POWER CORPORATION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Particulars	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference of Final Budget and Actual
	Original	Final		
NOTE				
RECEIPTS				
Services and Business Income	3,745,433,818	3,927,121,014	2,268,790,645	1,658,330,369
Assistance and Subsidy	27 2,080,702,000	2,080,702,000	349,890,463	1,730,811,537
Shares, Grants and Donations	17 12,316,763,662	12,351,463,662	12,558,891,000	(207,427,338)
Others	1,318,824,297	234,868,729	1,834,913,856	(1,600,045,127)
Total Receipts	19,461,723,777	18,594,155,405	17,012,485,964	1,581,669,441
PAYMENTS				
Personnel Services	2,049,143,000	2,049,279,054	728,334,042	1,320,945,012
Maintenance and Other Operating	8,958,130,476	12,232,331,067	9,843,302,190	2,389,028,877
Capital Outlay	6,908,825,637	6,908,825,840	1,334,352,353	5,574,473,487
Financial Expenses	52,630,177	70,535,640	74,954,135	(4,418,495)
Others	6,636,408,039	6,931,104,222	6,890,186,197	40,918,025
Total Payments	24,605,137,329	28,192,075,823	18,871,128,917	9,320,946,906
NET RECEIPTS/PAYMENTS	(5,143,413,552)	(9,597,920,418)	(1,858,642,953)	(7,739,277,465)

The notes on pages 11 to 79 form part of these statements.

NATIONAL POWER CORPORATION
Notes to Financial Statements
For the years ended December 31, 2018 and 2017

1. GENERAL INFORMATION

The National Power Corporation (NPC or Corporation) 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 (R.A.) No. 2641 on June 18, 1960. On September 10, 1971, by virtue of R. A. No. 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. As provided in its Charter, NPC shall continue to exist for 50 years from and after the 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 it shall prosecute faithfully such projects to promote total electrification of the islands of Luzon, Visayas, and Mindanao.

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 NPC to pay its indebtedness and obligations and, in furtherance and effective implementation of the government's policy of power generation, the NPC, 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 R. A. 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 Section 24(A) of R.A. 9337 repealing Section 13 of R.A. No. 6395 on the NPC's exemption from VAT.

Moreover, Section 27(C) of the Tax Code provides that government-owned and/or controlled corporations (GOCCs) are now subject to income tax except for the four government corporations specifically enumerated therein, hence, NPC is subject to income tax.

The EPIRA

R. A. 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 sectors: generation, transmission, distribution and supply. The structural reforms resulted, among others, in the creation of two GOCCs, 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, dams management and the operation and maintenance of all undisposed generation assets as well as maintenance of mothballed 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 assets-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 PSALM retained accounts. The latter pertains to accounts retained in NPC books pending validations and reconciliations. As soon as these accounts are validated and reconciled, same shall be taken out of the temporary registry by NPC thru adjustments and/or by transferring to the books of PSALM.

Operation and Maintenance Agreement (OMA)

The 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 CY 2015, PSALM and NPC executed a new OMA. NPC continued 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 margin on top of the total approved budget for Personnel Services (PS) and Maintenance and Other Operating Expenses (MOOE), inclusive of 12 per cent VAT, to compensate for services rendered for the main grid.

The financial statement of NPC was authorized for issue on February 14, 2019 as shown in the Statement of Management Responsibility for Financial Statements signed by the Ex-Officio-Chairman, Secretary Carlos G. Dominguez III.

NPC's registered head office is located in BIR Road corner Quezon Avenue, Diliman, Quezon City 1100.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in compliance with the Philippine Public Sector Accounting Standards (PPSAS) prescribed by the Commission on Audit through

COA Resolution No. 2014-003 dated January 24, 2014 and COA Resolution 2017-006 dated April 26, 2017.

The accounting policies have been consistently applied throughout the year presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The financial statements are presented in Philippine Peso (P), which is also the country's functional currency. Amounts shown are rounded off to the nearest peso, unless otherwise stated.

The preparation of financial statements in compliance with the adopted PPSAS requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in note 3.5(d) and 7.1.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

The financial statements are prepared on an accrual basis in accordance with the PPSAS.

3.2 Financial Instruments

a. Financial assets

i. Initial recognition and measurement

Financial assets within the scope of PPSAS 29-Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. NPC determines the classification of its financial assets at initial recognition.

NPC's financial assets include: cash and cash equivalents; and trade and other receivables. NPC has no derivative financial instruments as at December 31, 2018.

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

1. Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are

classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

2. Loans and Receivables

Receivables are initially measured at face value and subsequently at amortized cost using the effective interest method. Impairment loss is recognized using an allowance account.

2.1 Power receivables

These are classified as current assets as they are expected to be collected within 12 months after the financial reporting date, except the restructured accounts which are classified as non-current assets.

iii. Derecognition

NPC derecognizes a financial asset or where applicable, a part of a financial asset or part of NPC of similar financial assets when:

1. the contractual rights to the cash flows from the financial asset expired or waived; and
2. NPC has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in PPSAS 29-Financial Instruments: Recognition and Measurement; and either the entity has:
 - transferred substantially all the risks and rewards of ownership of the financial asset; or
 - neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset but has transferred the control of the asset.

iv. Impairment of financial assets

NPC assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty;
2. Default or delinquency in interest or principal payments;
3. The probability that debtors will enter bankruptcy or other financial reorganization; and
4. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

v. Financial assets carried at amortized cost

For financial assets carried at amortized cost, the NPC first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the NPC determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit.

For power receivables, NPC adopted a revised accounting policy in 2015 to provide a reasonable allowance for impairment as follows: (i) a 20% impairment allowance is recognized for accounts that are outstanding for more than six months to one year; (ii) a 30% impairment allowance is recognized for accounts that are outstanding for more than one year to two years; (iii) a 50% impairment allowance is recognized for accounts that are outstanding for more than two years to four years; and (iv) a 100% impairment allowance is recognized for accounts that are outstanding for more than four years.

b. Financial liabilities

i. Initial recognition and measurement

Financial liabilities within the scope of PPSAS 29 are classified as financial liabilities at fair value through surplus or deficit, or loans and borrowings, as appropriate. NPC determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs. NPC's financial liabilities include trade and other payables and loans and borrowings.

ii. Subsequent measurement

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

When an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

3.3 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank and highly liquid investments with an original maturity of two months or less, which are readily convertible to known amounts cash and are subject to insignificant risk of changes in value.

3.4 Inventories

Inventory is measured at cost using the moving-weighted average method upon initial recognition.

The cost of inventories is comprised of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

After initial recognition, inventory is measured using the moving-weighted average method.

Inventories are recognized as an expense or asset as applicable, when deployed for utilization or consumption in the ordinary course of operations of NPC.

3.5 Property, Plant and Equipment

a. Recognition

An item is recognized as property, plant and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- i. tangible items;
- ii. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- iii. are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- i. it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- ii. the cost or fair value of the item can be measured reliably; and
- iii. the cost is at least P15,000.00.

b. Measurement at recognition

An item recognized as property, plant and equipment is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

- i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- ii. expenditure that is directly attributable to the acquisition of the items; and

- iii. initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

c. Measurement after recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, NPC recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

d. Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

i. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

ii. Depreciation method and Estimated Useful Life

The straight line method of depreciation is adopted over the estimated useful lives of the assets as follows:

Asset	Economic Life
Transmission Plant	30 years
Buildings	20 years
Office Equipment	5 years
Transportation Equipment	7 years

Asset	Economic Life
Computers and Accessories	3 years
Other Machineries and Equipment	10 years

iii. Residual value

NPC uses a residual value equivalent to 10 per cent of the cost of the PPE.

iv. Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

v. Derecognition

NPC derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.6 Leases

a. NPC as a lessee

i. Finance lease

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of the leased item to NPC.

Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of future minimum lease payments.

NPC also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured at the present value of the future minimum lease payments at initial recognition.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that NPC will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

ii. Operating lease

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership of the leased item to NPC.

Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

b. NPC as a lessor

i. Operating lease

Leases in which NPC does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term. Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policies for PPE are applied to similar assets leased by the entity.

3.7 Provisions, Contingent Liabilities and Contingent Assets

a. Provisions

Provisions are recognized when NPC has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When NPC expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statements of financial performance net of any reimbursement.

Provisions are reviewed at each reporting date, and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

b. Contingent liabilities

NPC does not recognize a contingent liability, but discloses details of any contingencies in the notes to financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

c. Contingent assets

NPC does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of

one or more uncertain future events not wholly within the control of NPC in the notes to financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

3.8 Changes in Accounting Policies and Estimates

NPC recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

NPC recognizes the effects of changes in accounting estimates prospectively through surplus and deficit.

NPC corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.9 Foreign Currency Transactions

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

At each reporting date:

- a. Foreign currency monetary items are translated using the closing rate;
- b. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- c. Nonmonetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficit in the period in which they arise, except as those

arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

3.10 Revenue from Non-Exchange Transactions

a. Recognition and measurement of assets from non-exchange transactions

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognized as an asset if the following criteria are met:

- i. It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- ii. The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

b. Recognition of revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As NPC satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

c. Measurement of revenue from non-exchange transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

d. Measurement of liabilities on initial recognition from non-exchange Transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

e. Taxes

Taxes and the related fines and penalties are recognized when collected or when these are measurable and legally collectible. The related refunds, including those that are measurable and legally collectible, are deducted from the recognized tax revenue.

f. Fees and fines not related to taxes

NPC recognizes revenue from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

Other non-exchange revenue is recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

g. Gifts and donations

NPC recognizes assets and revenues from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which are ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification.

For many assets, the fair values are ascertained by reference to quoted prices in an active and liquid market.

h. Transfers

NPC recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

i. Services in-kind

Service in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

j. Transfers from other government entities

Revenue from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to NPC and can be measured reliably.

3.11 Revenue from Exchange Transactions

a. Measurement of revenue

Revenue is measured at the fair value of the consideration received or receivable.

b. Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

c. Rental income

Rental income arising from operating leases on property is accounted for on a straight-line basis over the lease terms and included in revenue.

d. Other revenues

Other revenues are recognized when it is probable that future economic benefits will be received and such future benefits can be measured reliably.

3.12 Budget Information

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

3.13 Related Parties

NPC regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over NPC, or vice versa.

Members of key management are regarded as related parties and comprise the Members of the Board of Directors, the President and Chief Executive Officer and the Members of the Management Committee.

3.14 Employee Benefits

The employees of NPC are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

3.15 Measurement Uncertainty

The preparation of financial statements in conformity with PPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include the useful life of capital asset, estimated employee benefits, rates for amortization, impairment of assets, etc.

Estimates are based on the information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. CHANGES IN ACCOUNTING POLICIES

NPC adopted the following accounting policies:

4.1 Adoption of Revised Chart of Accounts (RCA)

As at December 31, 2018, NPC adopted just for compliance in the presentation of the financial statements, the conversion of accounts and account codes to the Revised Chart of Accounts in compliance with COA Circular 2015-010, *“Adoption of the RCA for Government Corporations (GCs) which consists of Government-Owned and Controlled Corporations (GOCCs), Government Financial Institutions (GFIs), Government Instrumentalities with Corporate Powers (GICPs)/Government Corporate Entities (GCEs), and their Subsidiaries and Water Districts”*, dated December 1, 2015 and COA Circular 2016-006, *“Conversion from the Philippine Government Chart of Accounts under the New Government Accounting System per COA Circular No. 2004-008 dated September 20, 2004, as amended to the Revised Chart of Accounts for Government Corporations under COA Circular 2015-010 dated December 1, 2015, new, revised and deleted accounts, and relevant accounting policies and guidelines in the implementation thereof”*, dated December 29, 2016.

4.2 Preparation of Financial Statements and Other Financial Reports

Also as at December 31, 2018, NPC implemented COA Circular 2017-004, *“Guidelines on the Preparation of Financial Statements and Other Financial Reports and Implementation of the Philippine Financial Reporting Standards by Government Corporations Classified as Government Business Enterprises and Philippine Public Sector Accounting Standards by Non-Government Business Enterprises”*, dated December 13, 2017.

These accounting changes have an impact on NPC’s presentation of financial statements and related books of accounts.

5. PRIOR PERIOD ADJUSTMENTS

- 5.1 A reclassification of asset account to expense account for items below P15,000.00 was undertaken to comply with the recommendation of the COA, in an Audit Observation Memorandum (AOM) No. 2017-024 dated May 22, 2018 which states that "*Tangible items below the capitalization threshold of P15,000 shall be recognized as expenses upon issue to end-user.*" The said reclassification amounted to P8,807,285.
- 5.2 Set-up was made in the books for Deferred Tax Assets on Forex fluctuations and Allowance for Impairment on power receivables totaling to P11,257,259.77 in compliance to COA's recommendations in its AOM No. 2017-023 dated May 21, 2018.
- 5.3 In compliance to COA AOM No. 2017-015, NPC dropped off the following accounts in the books: a) obsolete equipment in Cullion DPP in the amount of P5,250; b) disposed generating sets of Tablas and San Pascual DPP totaling to P10,765,398; and, c) accumulated depreciation for retired general plant and equipment, sold and adjusted due to exclusion of ten per cent salvage value in the computation of accumulated depreciation in the aggregate amount of P371,828,637.
- 5.4 A reclassification of prior year's expense to Construction Work in Progress was undertaken in the amount of P428,443 to comply to COA AOM No. 2017-012.
- 5.5 Adjustments were made on the following accounts: a) Inventory held for consumption due to prior year's expense in the amount of P152,402,063. Depreciation expenses of Construction Work completed but not yet unitized in CY 2017 totaling to P12,379,000.
- 5.6 An adjustment to accrued utility revenue and power receivables were done because of the availment of prompt payment discounts in the aggregate amount of P56,660,058.
- 5.7 An entry to reverse the accrual on interest receivables on temporary investment account totaling to P291,957,934.
- 5.8 Income from penalty relative to lease contract between NPC and Monark Equipment Corporation, rent income and other miscellaneous income accounts were adjusted in the aggregate amount of P39,384,676.
- 5.9 Various adjustments such as:
 - a. allowance for impairment loss on receivables amounting to P4,070,698;
 - b. cash advances to contractor amounting to P7,256,384;
 - c. reclassification of certified obligations-suppliers/contractors and employees and other payables amounting to P110,293,160;

- d. unearned revenue on UCME was adjusted particularly in the computation of Return on Rate Base (RORB) due to adoption of cost model for all classes of PPE in the aggregate amount of P37,520,860; and
- e. receivables due from customers were adjusted due to availment of prompt payment discount in the amount P5,100,080.

5.10 The income tax for CY 2017 was adjusted due to the effect in the recomputation of revenue from UCME totaling to P11,256,258.

6. CASH AND CASH EQUIVALENTS

Particulars	2018	2017
Cash in Bank – Local Currency	470,012,681	701,947,079
Cash in Bank – Foreign Currency	19,221,687	24,794,777
Cash Equivalents	17,250,307,757	18,858,667,953
Total Cash and Cash Equivalents	17,739,542,125	19,585,409,809

Cash in Bank represents the balance of deposits made with the depository banks such as Land Bank of the Philippines and Philippine National Bank.

Cash Equivalents are high yield investments of NPC in the form of short-term placements in local banks which is made for a period of two months or less. The NPC has no foreign investments.

7. RECEIVABLES

7.1 Loans and Receivables

Accounts	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Sales Contract Receivables – Power Receivables	6,242,861,283	476,387,913	6,719,249,196	5,800,064,393	491,615,112	6,291,679,505
Allowance for Impairment-Sales Contract Receivables – Power Receivables	(4,543,331,878)	(13,782,402)	(4,557,114,280)	(4,116,212,738)	(13,187,912)	(4,129,400,650)
Sales Contract Receivables – Power Receivables, Net of Allowance for Impairment	1,699,529,405	462,605,511	2,162,134,916	1,638,851,655	478,427,200	2,162,278,855
Output Tax Receivables – Power Receivables	806,335,107	0	806,335,107	822,752,356	0	822,752,356
Net, Sales Contract Receivables – Power Receivables	2,505,864,512	462,605,511	2,968,470,023	2,506,604,011	478,427,200	2,985,031,211

Accounts	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Sales Contract Receivable – Restructured Power Receivables	22,614,729	0	22,614,729	12,293,967	0	12,293,967
Sales Contract Receivables – Accrued Utility Revenue	213,896,632	297,353,963	511,250,595	221,651,614	561,968,413	783,620,027
Sales Contract Receivables – Interest on Power Receivables	460,376,875	0	460,376,875	466,244,696	0	466,244,696
Total	3,202,752,748	759,959,474	3,962,712,222	3,206,794,288	1,040,395,613	4,247,189,901

Sales Contract Receivables – Power Receivables refers to the amount due from power customers for power generation charges. The Non-Current Power Receivables are that portion of restructured customers' accounts which are not subject to current settlement.

Allowance for Impairment – Sales Contract Receivables the net increase of P427.713 million or 10.36 per cent from 2017 was mainly due to the increase of allowance for impairment of P429.814 million from Basilan, Sulu, Tawi-Tawi (BASULTA) customers.

Output Tax Receivables – Power Receivables pertains to Value Added Tax due from customers for the sale of power.

Sales Contract Receivables – Restructured Power Receivables represents portion of restructured power customers' accounts subject to repayment by pre-determined installments within the current period.

Sales Contract Receivables – Accrued Utility Revenue pertains to the estimated amount of revenues earned but not yet billed at the end of the accounting period.

Sales Contract Receivables – Interest on Power Receivables refers to the amount of interest due but not yet received from power customers with overdue power accounts.

The decrease in the interest receivables was attributed to the restructuring of Cagayan de Sulu Electric Coop., Inc. outstanding overdue accounts.

7.2 Aging/Analysis of Receivables

The aging/analysis of power receivables including output VAT, interest receivables, operating lease receivables and other receivables are shown in table below:

As at December 31, 2018

Accounts	Total	Not past due	Past due		
			< 30 days	30-60 days	> 60 days
Sales Contract Receivable - Power	6,242,861,283	180,405,674	45,658,469	41,578,434	5,975,218,706

Accounts	Total	Not past due	Past due		
			< 30 days	30-60 days	> 60 days
Luzon	160,603,371	98,131,356	1,609,794	1,426,549	59,435,672
Visayas	17,352,219	14,279,938	698,684	595,698	1,777,899
Mindanao	6,064,905,693	67,994,380	43,349,991	39,556,187	5,914,005,135
Output Tax (VAT) Receivables¹	806,335,107	22,962,121	5,482,473	4,990,841	772,899,672
Luzon	250,916,003	12,379,735	198,011	173,791	238,164,466
Visayas	2,139,427	1,776,246	82,463	70,308	210,410
Mindanao	553,279,677	8,806,140	5,201,999	4,746,742	534,524,796
Sales Contract Receivable - Power, Inclusive of Output VAT	7,049,196,390	203,367,795	51,140,942	46,569,275	6,748,118,378
Luzon	411,519,374	110,511,091	1,807,805	1,600,340	297,600,138
Visayas	19,491,646	16,056,184	781,147	666,006	1,988,309
Mindanao	6,618,185,370	76,800,520	48,551,990	44,302,929	6,448,529,931
Non-Current Sales Contract Receivables - Power	773,741,876	759,864,731	0	0	13,877,145
Restructured	462,510,768	462,510,768	0	0	0
Visayas	13,877,145	0	0	0	13,877,145
Accrued Utility	297,353,963	297,353,963	0	0	0
Sales Contract Receivable – Restructured Power Receivables	22,614,729	22,614,729	0	0	0
Luzon	21,664,727	21,664,727	0	0	0
Mindanao	950,002	950,002	0	0	0
Interest Receivables²	460,376,875	192,254,527	6,781,289	6,990,889	254,350,170
Luzon	401,585,565	157,740,289	6,756	5,249	243,833,271
Mindanao	58,791,310	34,514,238	6,774,533	6,985,640	10,516,899
Operating Lease Receivables	223,214	0	74,404	74,405	74,405
Other Receivables	1,043,223,925	54,713,187	3,030,188	11,978,098	973,502,452
Due from Officers and Employees	6,893,962	32,051	6,036	154,588	6,701,287
Accounts Receivable-Others	964,077,899	14,274,813	3,008,947	10,573,883	936,220,256
Interest Receivable-Non-Power	41,976,865	39,222,543	0	0	2,754,322
Output Tax-Non-Power	30,275,199	1,183,780	15,205	1,249,627	27,826,587
Total	9,349,377,009	1,232,814,969	61,026,823	65,612,667	7,989,922,550

¹ 60 days: Inclusive of Deferred VAT

² Not Past Due: Including interest on Restructured Account

Sales Contract Receivable – Power Receivables

It can be gleaned from the above aging schedule of receivables that the bulk of receivables is due to from Mindanao area particularly the Basilan, Sulu and Tawi-Tawi electric cooperatives, with P6.560 billion already past due inclusive of interest, or 96 per cent of the total past due accounts for power receivables.

Accounts Receivable – Others

Notice of Collections based on the statement of account were regularly sent to the concerned debtors, suppliers/contractors with outstanding account balance to the Corporation. Also, demand letters were issued thru the NPC's legal counsel.

7.3 Lease Receivables

Accounts	2018	2017
Operating Lease Receivables	223,214	74,405
Total	223,214	74,405

Operating Lease Receivables pertains to lease agreement entered by Oriental Mindoro Electric Cooperative, Inc. (ORMECO) for the rental of NPC's Calapan Diesel Power Plant in Calapan City, Oriental Mindoro. The 2017 balance of P74,405 represents the one month lease receivable due from ORMECO. The 2018 balance of P223,214 pertains to the three months (August to September 2018) lease receivable due from ORMECO.

7.4 Inter-Agency Receivables

Particulars	2018	2017
Due from National Government Agencies	121,173,833	84,620,119
Due from Government Corporations	378,093	2,658,769
Total	121,551,926	87,278,888

Due from National Government Agencies refers to the expenditures incurred in the preservation of the Bataan Nuclear Power Plant (BNPP).

Due from Government Corporations pertains to premium payments of NPC employees to GSIS which are subject to reconciliation.

7.5 Other Receivables

Accounts	2018	2017
Due from Officers and Employees	6,893,962	6,691,817
Accounts Receivables – Others	964,077,899	878,921,830
<i>Allowance for Impairment – Accounts Receivables – Others</i>	(2,357,364)	(2,357,364)
Net Value-Other Receivables	961,720,535	876,564,466
Output Tax Receivables – Non-Power	30,275,199	23,457,838
Interest Receivable – Non-Power	41,976,865	306,776,302
Total	1,040,866,561	1,213,490,423

Due from Officers and Employees pertains to advances and expenses paid by NPC for officers and employees accounts.

Accounts Receivable – Others represent amount due to the Corporation on open accounts other than those due from employees and customers for their power accounts and from government bodies and institutions.

8. INVENTORIES

Accounts	2018	2017
Asset In Trust		
Carrying Amount, January 1	68,703,020	65,133,601
Additions/Acquisitions during the year	65,145,809	68,724,804
Expensed during the year except write-down	(68,703,021)	(65,155,385)
Carrying Amount, December 31	65,145,808	68,703,020
Gasoline		
Carrying Amount, January 1	105,140	178,374
Additions/Acquisitions during the year	639,699	495,612
Expensed during the year except write-down	(549,092)	(568,846)
Carrying Amount, December 31	195,747	105,140
Diesel Stock		
Carrying Amount, January 1	378,670,438	384,920,263
Additions/Acquisitions during the year	6,161,226,256	4,529,356,743
Expensed during the year except write-down	(6,219,350,150)	(4,535,606,568)
Carrying Amount, December 31	320,546,544	378,670,438
Stock Transfer - Clearing Accounts		
Carrying Amount, January 1	15,959,981	54,017,128
Additions/Acquisitions during the year	86,122,717	42,528,806
Expensed during the year except write-down	(91,800,644)	(80,585,953)
Carrying Amount, December 31	10,282,054	15,959,981
Materials, Supplies & Equipment Inventory		
Carrying Amount, January 1	599,138,451	691,923,450
Additions/Acquisitions during the year	458,260,378	517,311,015
Expensed during the year except write-down	(443,851,128)	(610,096,014)
Carrying Amount, December 31	613,547,701	599,138,451
Fuel Oil Stock		
Carrying Amount, January 1	23,467,275	27,546,893
Additions/Acquisitions during the year	136,425,477	116,220,974
Expensed during the year except write-down	(145,859,886)	(120,300,592)
Carrying Amount, December 31	14,032,866	23,467,275
Thermal Chemical Stock		
Carrying Amount, January 1	161,738	278,042
Additions/Acquisitions during the year	259,279	130,907
Expensed during the year except write-down	(173,191)	(247,211)
Carrying Amount, December 31	247,826	161,738
Materials & Equipment In Transit		
Carrying Amount, January 1	133,837,116	131,170,461
Additions/Acquisitions during the year	23,673,955	5,030,570
Expensed during the year except write-down	(53,477,135)	(2,363,915)
Carrying Amount, December 31	104,033,936	133,837,116
Materials & Supplies Temporary Adjustment		
Carrying Amount, January 1	53,868,621	59,277,888
Additions/Acquisitions during the year	22,788,501	44,255
Expensed during the year except write-down	(26,433,782)	(5,453,522)
Carrying Amount, December 31	50,223,340	53,868,621
Other Oil Products		
Carrying Amount, January 1	40,015,536	25,227,539
Additions/Acquisitions during the year	28,520,595	45,713,028

Accounts	2018	2017
Expensed during the year except write-down	(25,366,496)	(30,925,031)
Carrying Amount, December 31	43,169,635	40,015,536
Total Carrying Amount, December 31	1,221,425,457	1,313,927,316

Asset in Trust pertains to assets/properties in trust to CBK Power Company Limited for the implementation of the Build-Rehabilitate-Operate-Transfer Agreement (BROT Agreement) for Caliraya-Botocan-Kalayaan (CBK) Complex which was executed in November 1998 by and between NPC and Industrias Metalurgicas Pescarmona S.A. (IMPISA) of Argentina.

Gasoline inventory represents the cost of gasoline used for motor vehicles of NPC.

Diesel stock inventory pertains to the cost of diesel used for the operation of heavy equipment, transport equipment and other machineries for operation and maintenance of power plants.

Stock Transfer – Clearing Account refers to the cost of materials/equipment/gasoline and other oil products transshipped or transferred from one inventory station to another while in transit. This is used to clear the accountability of the Issuing Property Officer/Custodian immediately, upon release thereof. It shall be correspondingly closed/credited with the set-up of the appropriate inventory account upon receipt of such transfer or transshipment.

Materials, Supplies and Equipment Inventory represents the cost of materials, supplies and equipment received by the property custodian for use in the operation and maintenance of power plants, substations and transmission lines.

Fuel Oil Stock refers to the cost of bunker fuel oil and special fuel oil used for the operation of heavy equipment, power plants and other machineries for operation of power plants.

Thermal Chemical Stock pertains to the purchase cost of chemicals used for thermal and diesel power plants.

Materials and Equipment in Transit refers to the cost of materials, supplies and equipment purchased and paid for by the Corporation but not yet received at the time payment has been made. The credits to this account are based on Inspection and Receiving Report/Transshipment Receiving Report duly acknowledged by the Custodian.

Materials and Supplies Temporary Adjustment represents the difference between the book (General Ledger) balance and the physical inventory balance as of the inventory taking date usually at end of the accounting period. This account shall be closed to the proper inventory account upon the reconciliation between the book and physical inventory.

Other Oil Products Inventory pertains to the cost of other oil products like motor oil, lubricants, transformer oil, brake fluid and degreaser received by the property custodian for use in the operation and maintenance of power plants and other equipment.

9. PROPERTY, PLANT AND EQUIPMENT

Prior to the adoption of PPSAS 17, NPC adopted the revaluation method for its PPE in compliance to the Energy Regulatory Commission (ERC) Resolution No. 17, series of 2010. In its financial report as of December 31, 2016 and December 31, 2017, NPC reported the Property, Plant and Equipment (PPE) account at appraised value. However, the COA required NPC to effect the changes from appraised value to cost model to comply with Philippine Application Guidelines (PAG) No. 2 of the Philippine Public Sector Accounting Standards (PPSAS) No. 17 under COA Circular No. 2017-004 dated December 13, 2017. NPC then adopts and reports using the cost model for all classes of PPE.

As at December 31, 2018

	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment*	Construction in Progress	Total
Carrying Amount, January 1, 2018	154,124,223	4,763,841,029	1,351,783,677	1,527,418,281	3,520,316,130	11,317,483,340
<i>Additions/Acquisitions</i>	607,625	1,439,656,600	71,376,987	255,543,460	3,458,142,396	5,225,327,068
<i>Adjustments</i>	(951,326)	914,639,738	(601,334,894)	(613,174,261)	(3,324,827,799)	(3,625,648,542)
Total	153,780,522	7,118,137,367	821,825,769	1,169,787,480	3,653,630,727	12,917,161,866
<i>Disposals</i>	0	(10,797,545)	(437,738)	(53,758,518)	0	(64,993,801)
<i>Depreciation [As per Statements Financial Performance]</i>	0	(422,310,930)	(31,893,929)	(68,462,648)	0	(522,667,507)
Carrying Amount, December 31, 2018 (As per Statements of Financial Position)	153,780,522	6,685,028,892	789,494,103	1,047,566,314	3,653,630,727	12,329,500,558

Gross Cost (Asset Account Balance per Statements of Financial Position)	153,780,522	14,149,580,455	2,522,037,428	2,121,999,351	3,653,630,727	22,601,028,483
<i>Accumulated Depreciation</i>	0	(7,464,551,563)	(1,732,543,325)	(1,074,433,037)	0	(10,271,527,925)
Carrying Amount, December 31, 2018 (As per Statements of Financial Position)	153,780,522	6,685,028,892	789,494,103	1,047,566,314	3,653,630,727	12,329,500,558

*Includes furniture & fixtures, transportation equipment and leased assets.

As at December 31, 2017

	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment*	Construction in Progress	Total
Carrying Amount, January 1, 2017	151,998,436	4,835,731,473	1,558,943,610	1,480,755,219	3,397,837,384	11,425,266,122
<i>Additions/Acquisitions</i>	41,453	1,084,297,279	40,281,777	94,479,055	2,144,563,955	3,363,663,519
<i>Adjustments</i>	2,084,334	(842,204,322)	(155,318,546)	40,438,885	(2,022,085,209)	(2,977,084,858)
Total	154,124,223	5,077,824,430	1,443,906,841	1,615,673,159	3,520,316,130	11,811,844,783
<i>Disposals</i>	0	(7,541,301)	(1,821,164)	(1,342,142)	0	(10,704,607)
<i>Depreciation [As per Statements Financial Performance]</i>	0	(306,442,100)	(90,302,000)	(86,912,736)	0	(483,656,836)
Carrying Amount, December 31, 2017 (As per Statements of Financial Position)	154,124,223	4,763,841,029	1,351,783,677	1,527,418,281	3,520,316,130	11,317,483,340

Gross Cost (Asset Account Balance per Statements of Financial Position)	154,124,223	11,696,455,457	3,442,701,065	3,154,906,815	3,520,316,130	21,968,503,690
<i>Accumulated Depreciation</i>	0	(6,932,614,428)	(2,090,917,388)	(1,627,488,534)	0	(10,651,020,350)
Carrying Amount, December 31, 2017 (As per Statements of Financial Position)	154,124,223	4,763,841,029	1,351,783,677	1,527,418,281	3,520,316,130	11,317,483,340

*Includes furniture & fixtures, transportation equipment and leased assets.

10. DEFERRED TAX ASSETS

The components of the NPC's net deferred tax assets (liabilities) are as follows:

	2018	2017
Deferred tax assets:		
Unrealized Loss in Forex Fluctuations	(49,977)	0
Allowance for Bad Debts	431,784,328	509,111,888
Total	431,734,351	509,111,888
Deferred tax liabilities:		
Unrealized Gain in Forex Fluctuations	0	95,488,110
Total deferred items charged to surplus/(deficit) for the year	431,734,351	604,599,998
Applicable Rate	30%	30%
Movement of deferred tax	129,520,305	181,379,999
Beginning deferred tax asset	181,379,999	0
Ending net deferred tax assets	310,900,305	181,379,999

11. OTHER INVESTMENT

Particulars	2018	2017
Other Investment	1,719,970	1,719,970
Total	1,719,970	1,719,970

This account includes the unredeemed and matured Treasury Notes and Bonds from the Bureau of Treasury amounting to P1 million and P0.719 million, respectively.

The Treasury notes were previously classified as Notes Receivables under Current Assets in 2017.

12. OTHER ASSETS

Particulars	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances	10,544,623	0	10,544,623	14,037,712	0	14,037,712
Advances to Special Disbursing Officer	10,368,089	0	10,368,089	13,980,274	0	13,980,274
Advances to Officers & Employees	176,534	0	176,534	57,438	0	57,438
Prepayments	6,709,955,197	0	6,709,955,197	5,297,737,105	37,915,878	5,335,652,983
Advances to Contractors	397,149,082	0	397,149,082	155,711,626	0	155,711,626
Creditable Input Tax	6,260,463,960	0	6,260,463,960	5,068,297,470	0	5,068,297,470
Withholding Tax at Source	0	0	0	0	37,915,878	37,915,878
Other Prepayments	52,342,155	0	52,342,155	73,728,009	0	73,728,009
Deposits	3,981,480	0	3,981,480	3,981,480	0	3,981,480
Guaranty Deposits	494,024	0	494,024	494,025	0	494,025
Other Deposits	3,487,456	0	3,487,456	3,487,455	0	3,487,455
Restricted Fund	0	4,362,125	4,362,125	0	4,327,646	4,327,646
Other Non-Current Assets	0	5,489,585,855	5,489,585,855	0	5,373,827,116	5,373,827,116
Abandoned/Surrendered Property/Assets	0	30,897,931	30,897,931	0	2,470,674	2,470,674
Deferred Charges/Losses	0	37,950,007	37,950,007	0	23,436,974	23,436,974
Other Assets (PSALM)	0	3,577,301,288	3,577,301,288	0	3,504,482,839	3,504,482,839
Other Assets (TRANSCO)	0	1,843,436,629	1,843,436,629	0	1,843,436,629	1,843,436,629
Total	6,724,481,300	5,493,947,980	12,218,429,280	5,315,756,297	5,416,070,640	10,731,826,937

Advances to Special Disbursing Officers pertains to cash advances to Disbursing Officers in Head Office, field offices and others as working fund for minor operating expenses and disbursements.

Advances to Officers and Employees constitutes cash advances to officers and employees of NPC for travels and other expenses to carry out the assigned task or business.

Advances to Contractors includes the balance of cash advanced by NPC to contractors in relation with their contract for the construction of the project for services rendered.

Guaranty Deposits represents deposits by contractors/suppliers to guarantee the fulfillment of obligation to NPC.

Other Deposits includes the amount deposited with the provincial, municipal or city courts and with other entities as guaranty for the fulfillment of obligation and for other purposes.

Restricted Fund refers to fund intended for purposes other than current operations and therefore, not immediately available to management for any disbursement transactions.

Abandoned/Surrendered Properties/Assets refer to stocks for disposal.

Deferred Charges/Losses pertains to preliminary surveys, studies, investigation and other related undertakings to determine feasibility of a project for development by NPC.

Other Assets [Trust Assets – Power Sector Assets & Liabilities Management Corporation (PSALM)] pertains to balances of accounts set-up as working capital for the operation, maintenance and management of the facilities and generating plants of the main grid under the OMA agreement between NPC and PSALM.

Pending approval for the renewal of the OMA agreement between NPC and PSALM, the CY 2015 OMA agreement is still in effect. The highlights of the afore-said OMA agreement are stated in item 1 hereof.

The **Trust Accounts** consists of the following:

Particulars	2018	2017
Cash in Bank	160,366,035	192,440,604
Cash on Hand	337,128	334,038
Other Investment	541,389,540	666,418,695
Due from Officers and Employees	3,558,070	3,838,962
Fuel, Oil and Lubricants	18,134,030	26,089,388
Other Supplies and Materials Inventory	1,544,303,765	1,300,910,040
Advances to Officers and Employees	1,020,753	1,007,457
Other Prepayments	854,441	551,805
Abandoned/Surrendered Property Assets	10,267,409	21,486,756
Restricted Fund	1,297,070,117	1,291,405,094
Total Assets	3,577,301,288	3,504,482,839

Accounts Payable	1,429,267,616	1,113,134,874
Due to Officers and Employees	151,910,901	41,184,056,072
Due to GSIS	21,729,179	17,331,575
Due to Pag-IBIG	140,433	384,157
Due to PhilHealth	1,654,878	1,767,857
Output Tax	241,348,838	177,540,516
Guaranty/Security Deposits Payable	1,740,004	1,502,239
Other Unearned Revenue/Income	3,399,969	0
Leave Benefits Payable	321,341,253	313,063,673
Other Payables	62,430,639	121,478,230

Trust Liabilities	1,345,533,741	(39,425,776,354)
Retained Earnings	(3,196,163)	0
Total Liabilities and Equity	3,577,301,288	3,504,482,839

Other Assets (Temporary Registry Accounts) are accounts retained in NPC books pending validations and reconciliations. As soon as these accounts are validated and reconciled, the same shall be taken out of the Temporary Registry of NPC thru adjustments and/or by transferring to the books of National Transmission Corporation (TransCo).

The **Temporary Registry Accounts** consists of the following:

Particulars	2018	2017
Due from Government Corporations	8,333	8,333
Due from Officers and Employees	205,763	205,763
Other Receivables	7,858,391	7,858,391
Advances to Contractors	2,615,910	2,615,910
Advances to Officers and Employees	10,455	10,455
Other Deposits	2,774,140	2,774,140
Other Prepayments	3,038,340	3,038,340
Other Supplies and Materials Inventory	289,198,542	289,198,542
Other Investment	36,262	36,262
Construction Work In Progress	1,023,183,864	1,023,183,864
Property, Plant and Equipment	500,899,936	500,899,936
Abandoned/Surrendered Property Assets	2,490,905	2,490,905
Other Assets	11,115,788	11,115,788
Total Assets	1,843,436,629	1,843,436,629

Retained Earnings	1,843,436,629	1,843,436,62
Total Equity	1,843,436,629	1,843,436,629

13. FINANCIAL LIABILITIES

13.1 Payables

Particulars	2018		2017	
	Current	Non-Current	Current	Non-Current
Accounts Payables	7,066,136,381	0	4,731,446,859	0
Fuel Payables	847,366,079	0	589,824,678	0
Gasoline and Other Oil Products Payables	68,148,420	0	64,239,355	0
Materials, Supplies & Equipment Payables	302,723,409	0	299,160,729	0
Accounts Payables-Others	387,344,027	0	236,928,503	0
Check Vouchers Payables	1,653,493,712	0	1,513,533,879	0

Particulars	2018		2017	
	Current	Non-Current	Current	Non-Current
Certified Obligations-Suppliers & Contractors	3,782,207,549	0	2,006,499,421	0
Cash Vouchers Payables	24,853,185	0	21,260,294	0
Due to Officers and Employees	269,408,771	0	430,572,354	0
Interest Payables	40,340	0	129,684	0
Finance Lease Payables	24,953	3,668,132	12,783,218	16,106,075
Operating Lease Payables	210,780,922	0	250,420,506	0
Total	7,546,391,367	3,668,132	5,425,352,621	16,106,075

Accounts Payables refers to the obligations of NPC to suppliers and contractors such as fuel, gasoline & other oil products, materials, supplies & equipment and due to employees.

The increase in accounts payables were attributed to the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) Law which imposes an excise tax of P2.5/liter on fuel for the year 2018, that resulted to an increase in the average price per liter of P36.36 in 2018 versus P27.14 in 2017 as well as on payables to New Power Providers (NPPs).

Due to Officers and Employees pertains to salary differentials, overtime services, unclaimed wages, terminal and accrued leaves of compulsory retirees which are due for payment as of year-end.

Interest Payable represents the current portion of unpaid interest on loans.

Finance Lease Payables. The future minimum lease payments as at December 31 are as follows:

Particulars	2018	2017
Undiscounted Minimum Lease Payments		
Not Later than one year	24,953	12,783,218
Later than one year and not later than five years	3,668,132	16,106,075
Total Undiscounted Minimum Lease Payments	3,693,085	28,889,293

The above finance lease pertains to NPC's leases of desktop, notebook and laptop computers with Advance Solutions, Inc. which are due for payment in the current period. At the end of the contract period, ownership of the leased equipment shall be transferred to NPC at no extra costs.

In compliance with the COA's recommendation in its Audit Observation Memorandum No. 2017-004 (Interim) dated March 16, 2018, the payments in CY

2017 in the total amount of P22,334,025 representing the monthly rentals for the contract with Advance Solutions, Inc. on the lease of laptop, notebooks, and desktop computers which were recorded under the account Administrative & General Expense-Rental were already rectified or adjusted to Lease Payable account under Journal Voucher No. S000097098 and H000097122.

Operating Lease Payables refers to generating sets rental for the operation of power plants.

13.2 Loans Payable

Particulars	2018		2017	
	Current	Non-Current	Current	Non-Current
Loans Payable - Foreign	57,820,850	573,443,899	65,032,771	623,959,952
Total	57,820,850	573,443,899	65,032,771	623,959,952

Loans Payable – Foreign refers to NPC’s loans intended for the Philippine Rural Electrification Service (PRES) projects in Masbate Island. The details of these payables are as follows:

Creditor	Project	Date of Loan	Orig. Curr.	Loan Amount	Total Availment	Outstanding Balance	Peso Equivalent	Maturity Date
NATIXIS	PRES - SPUG	11/08/06	EUR	10,498,773	10,076,104	10,076,644	607,732,482	06/30/35
BNP PARIBAS	PRES – SPUG	11/08/06	EUR	7,804,108	7,803,644	390,182	23,532,267	06/18/19
Total				18,302,881	17,879,748	10,466,826	631,264,749	

Interest rates are fixed at 0.40% and 5.09% for Natixis and BNP Paribas, respectively. The year-end BSP’s reference exchange rate was used in determining the outstanding balance in compliance to PPSAS 4, as follows:

	December 31, 2018	December 31, 2017
EUR/PHP	60.3110	59.6131
USD/PHP	52.7240	49.9230

14. INTER-AGENCY PAYABLES

Particulars	2018	2017
Due to BIR	177,788,224	242,096,143
Due to GSIS	25,560,098	14,206,982
Due to Pag-IBIG	714,161	1,137,986
Due to PhilHealth	90,248	748,724
Due to PSALM	10,105,253	9,745,775
Due to LGUs	17,244,195	13,294,433
Income Tax Payables	115,286,993	0
Total	346,789,172	281,230,043

Inter – Agency Payables pertains to employer’s and employees’ share on the statutory contributions as well as employees’ loan remittances for eventual payment to Government Service Insurance System (GSIS), PhilHealth and Pag-IBIG.

This also includes amount of tax withheld from contractors/suppliers and employees for remittance to BIR and financial assistance/benefits payable by NPC to Local Government Units (LGUs) that host the energy source and/or energy generating facility.

15. OTHER PAYABLES

Particulars	2018	2017
Retention on Contract Payments	401,381,303	373,865,719
Total	401,381,303	373,865,719

Retention on Contract Payments pertains to the amount withheld from payments to contractors and shall be debited upon payment to the contractor and upon the satisfactory completion by the contractor and acceptance by NPC of the project/service rendered.

16. TRUST LIABILITIES

Particulars	2018		2017	
	Current	Non-Current	Current	Non-Current
Guaranty/Security Deposits Payables	54,055,164	0	26,947,495	0
Customer's Deposits Payables	1,594,115	0	1,586,790	0
Advances for Other Work in Progress	0	229,581,000	0	237,160,000
Trust Liabilities - PSALM	0	3,577,301,288	0	3,504,482,839
Temporary Registry Accounts	0	1,843,436,629	0	1,843,436,629
Total	55,649,279	5,650,318,917	28,534,285	5,585,079,468

Guaranty/Security Deposits Payables includes amounts received and segregated for the execution of specific projects or contracts. It shall be credited for amounts received in compliance to specifications of contract bids to ensure the fulfillment of contracts. It is debited upon its utilization for the project or for the refund of the amount debited. The significant increase was due to the performance bonds on the contracts SL Harbor Bulk Terminal Corporation for contract no. LOG MSSP 2018-03-031-JPP and 2018-02-022-JPP amounting to P15.649 million and P6.839 million, respectively.

Customer's Deposits Payable pertains to amounts deposited/advanced by power customers to NPC as security for the payment of their obligations.

Advances for Other Work in Progress represents advances in the form of cash or in kind (materials, supplies and equipment) advanced by outside parties for the construction, with NPC's supervision, of power facilities.

Trust Liabilities– PSALM represents the corresponding liability to PSALM for the Trust Assets (see Note 12).

In compliance with the COA recommendation to derecognize the contingent liability amounting to P40,992,590,278 from the OMA Trust Accounts, NPC, upon instruction of the National Power Board, derecognized the afore-said amount from its books of accounts on September 28, 2018 under Journal Voucher No. 97219.

Relative to the latest development of the DAMA case, a Resolution was issued by the Supreme Court on November 2017 resolving the motions filed by the parties. It ruled that i) PSALM is duty-bound to settle the liability since it was already existing at the time of EPIRA's effectivity and was transferred from NPC to PSALM as part of the "transferred obligation"; ii) proper procedure to enforce a judgment award against the government is to file a separate action before the Commission on Audit for its satisfaction; and iii) the entitlement shall be computed based on "Separation pay in lieu of reinstatement plus other wage adjustments minus separation pay already received under the plan." NPC has yet to receive its official copy of the Resolution.

Temporary Registry Account - refer to Note 12.

17. DEFERRED CREDITS/UNEARNED INCOME

Particulars	2018		2017	
	Current	Non-Current	Current	Non-Current
Unearned Income				
Unearned Income-UCME	0	3,396,570,346	0	4,427,376,355
Unearned Income-Rent	0	1,092,359	0	0
Unearned Interest Income on Restructured Accounts	0	162,749,276	0	187,382,500
Other Unearned Income	0	2,621,711	0	1,877,867
Deferred Credits				
Output Tax	1,008,629,564	0	1,023,011,980	0
Total	1,008,629,564	3,563,033,692	1,023,011,980	4,616,636,722

Unearned Income - UCME represents the unearned portion of the Universal Charge–Missionary Electrification (UCME) collection from PSALM. NPC recognized the unearned portion under Deferred Credits/Unearned Income instead of revenue to comply with PPSAS 23 which provides that deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount. The details of the foregoing unearned UCME are as follows:

Year	Remittance from PSALM	Receivables from PSALM	UCME Requirement for the Year	Deferred Credit
2016	11,191,361,682	(3,459,341,532)	(6,406,011,229)	1,326,008,921

Year	Remittance from PSALM	Receivables from PSALM	UCME Requirement for the Year	Deferred Credit
2017	11,765,510,000	0	(8,664,142,565)	3,101,367,435
2018	12,558,891,000	0	(13,589,697,010)	(1,030,806,010)
Total	35,515,762,682	(3,459,341,532)	(28,659,850,804)	3,396,570,346

Unearned Income – Rent refers to rental billings to lessees of NPC properties already recognized but not yet earned within the accounting period.

Unearned Interest Income from Restructured Accounts pertains to the interest charges already recognized from the restructured account of power customers but not yet earned within the accounting period.

Other Unearned Income includes collections received by NPC, identification of the payor/customer is on-going.

18. PROVISIONS

This account represents the leave credits earned by employees not availed of during the year.

Particulars	2018	2017
Provision for Vacation and Sick Leave Benefits	577,844,087	569,786,585
Total	577,844,087	569,786,585

19. NET ASSETS/EQUITY

a. Share Capital

NPC's authorized capital stock is divided into P500 million, P100 par value, of which 274,488,708 were issued and paid-up.

b. Other Equity Instruments

Pertains to the Donated Capital on which a portion of land (1,600 sq.m.) owned by the Municipal Government of Agutaya was donated to NPC-SPUG for P48,000. A deed of donation was executed by the Municipal Mayor, Rodabaldo N. Zabanal and accepted by NPC President & CEO Pio J. Benavidez.

c. Accumulated Surplus/(Deficit)

NPC's share in its 2018 net earnings (dividend) amounts to P907,142,135 which will be due and payable on May 15, 2019. Also, NPC will remit the amount of P594,188,676 on September 30, 2019 representing the payment for its dividend arrearages (3rd installment) covering the period 2012 to 2015. The dividend payments to be remitted to the Bureau of Treasury in 2019 totaled to P1,501,330,811.

In 2018, NPC remitted to the Bureau of Treasury, a total cash dividend of P1,410,309,234 representing its 2017 share in net earnings, inclusive of the

P594,188,676 representing payment of its dividend arrearages (2nd installment payment) in 2012-2015.

Prior period adjustments in the aggregate amount of P18,194,022.31 are shown in Note 5 hereof. Other adjustments pertain to reclassification of various OMA transactions (PS and MOOE) that should be booked under Non-OMA accounts and other erroneous accounting entries that need to be rectified.

20. SERVICE AND BUSINESS INCOME

Particulars	2018	2017
Sales Revenue - Utility Operating Income	2,208,291,624	2,132,011,789
<i>Sales Discounts - Prompt Payment Discount</i>	(40,476,759)	(29,724,590)
<i>Mandatory Rate Reduction</i>	(69,716,503)	(62,990,927)
Net Sales	2,098,098,362	2,039,296,272
Transmission Service Operating Income	10,181,016	9,835,037
Interest Income	868,617,960	920,991,061
Interest on Sales Contract Receivables(Power Receivables)	380,632,952	448,122,264
Interest on Bank Deposits & Temporary Investments	487,646,414	472,868,797
Other Interest Income	338,594	0
Income from Management Fee	41,265,361	39,590,691
Rent/Lease Income	11,730,086	8,217,658
Fines and Penalties-Business Income	16,116,584	16,397,128
Income from Fuel Related Transactions	226,863	367,987
Total	<u>3,046,236,232</u>	<u>3,034,695,834</u>

Sales Revenue - Utility Operating Income includes the amount of income generated from the sale of electric energy to electric cooperatives, local government units and residential customers.

Sales Discounts - Prompt Payment Discounts pertains to amount of discount equivalent to three per cent of power bill granted by NPC to customers without outstanding power accounts and who have paid their monthly bills in full on or before the 10th day of the month immediately following the billing period.

Mandatory Rate Reduction refers to a rate reduction from NPC rates of 30 centavos per kilowatt-hour (P0.30/kWh) granted to residential end-users mandated in Section 72 of the EPIRA law.

Transmission Services Operating Income refers to charges for the use of NPC's transmission system.

Interest Income pertains to the interest earned, net of taxes, on power receivables, regular deposits and temporary investments. The increase in Interest Income on Bank Deposits and Temporary Investment was a result of maximization of temporary investments ranges from 7, 15 and 30 day term, as well as interests earned on various deposits.

The increase in Interest on Bank Deposits and Temporary Investments and Other Interest Income was offset by the decrease in Interest on Power Receivables because of

the adoption of six percent effective interest rate imposed on overdue and restructured power accounts as approved by the National Power Board per its Resolution No. 2017-39 dated August 16, 2017.

Income from Management Fees are fees paid to NPC by PSALM to compensate for services rendered for the main grid pursuant to the Operation and Maintenance Agreement which is equivalent to five per cent margin on top of the total approved budget for Personnel Services (PS) and Maintenance and Other Operating Expenses (MOOE), inclusive of 12 per cent VAT.

Rent/Lease Income refers to the earned rentals from properties of NPC under a lease agreement. The increase was attributed to the rental of fuel tank to SUWECO Tablas Energy Corp. (STEC) and from SY3 Energy Maintenance Services Corp. for the rental of balancing machine of NPC.

Fines and Penalties-Business Income refers to the amount of penalty on MSE suppliers due to delayed deliveries of items for use by plant operation/support groups/construction projects of the Corporation as well as penalty for late completion of projects.

Other business income consists of:

- a. income from donation of fuel from LGUs, other government agencies and private entities or cash intended to be used for the purchase of fuel, lube oil and payment of other operating expenses; and
- b. income from fuel related transactions.

The increase in Income from Donation was attributed to donations received during the year from the Ministry of Health-Japan and Metropolitan Waterworks and Sewerage System (MWSS).

MWSS recognition of income is a decrease from the recorded advances under GL 262 because of the partial performance of condition had been complied.

21. SHARES, GRANTS AND DONATIONS

Particulars	2018	2017
Share in Universal Charge	13,589,697,010	8,664,142,565
Income from Grants and Donations in Kind	8,956,500	1,691,929
Total	13,598,653,510	8,665,834,494

Share in Universal Charge pertains to the non-by passable charge passed on and collected from all electricity end-users on a monthly basis by the distribution utility. This is imposed for the recovery of the stranded debts and stranded contract costs of NPC and other purposes pursuant to Section 34 of the EPIRA.

The notable increase was mainly attributed to the higher revenue requirement of the Corporation to cover for the increase in fuel costs and NPP subsidies in 2018.

Income from Grants and Donations in Cash and in Kind refers to donation in the form of fuel/lube oil or in cash intended for the purchase of fuel/lube oil and payment for other operating expenses.

This account is used by NPC to recognize income derived from the implementation of Angat, Dam and Dyke Strengthening Project (ADDSP) as per Memorandum of Agreement entered into by Metropolitan Waterworks & Sewerage System (MWSS) and NPC in 2016.

22. PERSONNEL SERVICES

22.1 Salaries and Wages

Particulars	2018	2017
Salaries and Wages-Regular	529,077,860	538,301,602
Salaries and Wages-Casual/Contractual	15,303,887	14,143,011
Total	544,381,747	552,444,613

The decrease on salaries and wages was due to unfilled positions as a result of retirement and separation of personnel.

22.2 Other Compensation

Particulars	2018	2017
Personnel Economic Relief Allowance (PERA)	29,128,091	14,634,045
Representation Allowance (RA)	7,327,716	7,494,261
Transportation Allowance (TA)	6,019,421	4,930,795
Clothing/Uniform Allowance	7,362,000	6,057,340
Productivity Incentive Allowance	32,789,611	60,567,118
Honoraria	610,000	407,999
Longevity Pay	480,000	0
Overtime and Night Pay	53,495,206	38,108,078
Year End Bonus	90,513,512	73,254,702
Cash Gift	6,023,000	5,968,500
Other Bonuses and Allowances	1,025,000	1,332,500
Total	234,773,557	212,755,338

The increase of above accounts were attributed to the implementation of the Modified Salary Schedule (MSS) in 2018, increase in PERA and uniform allowance from P5,000 to P6,000.

22.3 Personnel Benefits Contributions

Particulars	2018	2017
Retirement and Life Insurance Premiums	64,933,894	52,526,857
Pag-IBIG Contributions	1,459,900	1,465,400
PhilHealth Contributions	5,962,962	4,834,725
Employees Compensation Insurance Premiums	1,455,990	1,461,269
Total	73,812,746	60,288,251

The implementation of the MSS resulted to higher basic pay, hence, there's a corresponding increase in statutory deduction of employees.

22.4 Other Personnel Benefits

Particulars	2018	2017
Terminal Leave Benefits	53,880,414	43,028,104
Other Personnel Benefits	9,284,025	13,434,337
Total	<u>63,164,439</u>	<u>56,462,441</u>

23. MAINTENANCE AND OTHER OPERATING EXPENSES

23.1 Other Maintenance and Operating Expenses

Particulars	2018	2017
Advertising Expenses	7,446,540	4,234,983
Printing and Publication Expenses	84,000	0
Representation Expenses	1,362,506	984,357
Representation/Entertainment	538,910	557,400
Contingency Fund-Board	823,596	6,494
Director's & Committee Member's Fee	0	396,800
Contingency Fund-President	0	23,663
Transportation and Delivery Expenses	5,250,241	5,642,544
Rent/Lease Expenses	446,476,772	553,301,845
Donations	0	38,071
Other Maintenance and Operating Expenses	7,557,207	8,239,545
Athletics and Recreation	1,908,521	1,158,982
Financial Aid	2,894,805	3,771,225
Cultural Expenses	741,667	442,397
Christmas and Anniversary Expenses	1,198,488	1,829,706
Contingencies	0	26,000
Share in the National Wealth	629,640	314,820
Miscellaneous MOOE	184,086	696,415
Total	<u>468,177,266</u>	<u>572,441,345</u>

23.2 General Services

Particulars	2018	2017
Janitorial Services	55,725,314	44,902,187
Security Services	103,976,868	101,724,751
Other General Services	168,678,837	155,762,512
Total	<u>328,381,019</u>	<u>302,389,450</u>

23.3 Generation, Transmission and Distribution Expenses

Particulars	2018	2017
Operation-Hydro Plant	1,144,852	8,329,996
Operation-Diesel Plant	212,737,470	271,591,890
Operation-Transmission & Substation	8,822,075	15,895,011
Total	<u>222,704,397</u>	<u>295,816,897</u>

23.4 Repairs and Maintenance

Particulars	2018	2017
Repairs and Maintenance-Infrastructure Assets	161,642,043	165,741,406
Hydro Plant	557,964	297,000
Diesel Plant	25,423,859	20,829,754
Transmission & Substation	2,384,854	1,254,643
Job Order for Maintenance	133,275,366	143,360,009
Repairs and Maintenance-Buildings and Other Structures	3,722,166	10,345,683
Repairs and Maintenance-Land Improvement	285,219	327,489
Repairs and Maintenance-Machinery and Equipment	4,472,581	5,940,303
Office/Laboratory Equipment	271,664	1,943,303
Store Equipment	230,298	0
Tools/Shop Garage	145,312	431,308
Power Operated Equipment	80,589	59,777
Communications Equipment	95,400	41,198
Computers	2,994,640	2,915,976
Miscellaneous Equipment	654,678	548,741
Repairs and Maintenance-Transportation Equipment	5,692,697	6,705,458
Total	175,814,706	189,060,339

23.5 Taxes, Insurance Premiums and Other Fees

Particulars	2018	2017
Taxes, Duties and Licenses	106,077,542	58,089,893
Licenses	5,414,208	2,601,063
Realty Tax	1,701,244	882,108
Other Taxes	98,962,090	54,606,722
Insurance Expenses	42,802,427	49,826,448
Total	148,879,969	107,916,341

23.6 Awards/Rewards, Prizes and Indemnities

Particulars	2018	2017
Awards/Rewards Expenses	80,896,320	55,732,874
Total	80,896,320	55,732,874

23.7 Travelling Expenses

Particulars	2018	2017
Travelling Expenses-Local	72,268,120	62,857,954
Travelling Expenses-Foreign	472,555	1,685,939
Total	72,740,675	64,543,893

The increase in travelling expenses was attributed to among others, the Council Meeting the Heads of ASEAN Power Utilities/Authorities (HAPUA) in Bohol on November 25-30, 2018, local travels during implementation of various projects and attendance to seminars/workshops and conferences of employees.

23.8 Utility Expenses

Particulars	2018	2017
Water Expenses	6,151,570	5,963,709
Electricity Expenses	23,018,204	18,236,473
Total	<u>29,169,774</u>	<u>24,200,182</u>

23.9 Supplies and Materials Expense

Particulars	2018	2017
Office Supplies Expenses	3,147,183	4,687,513
Fuel, Oil and Lubricants Expenses	9,480,113	8,118,127
Other Supplies and Materials Expenses	12,032,064	16,529,597
Total	<u>24,659,360</u>	<u>29,335,237</u>

23.10 Professional Services

Particulars	2018	2017
Auditing Services	19,925,501	18,478,368
Consultancy Services	3,788,659	4,193,080
Total	<u>23,714,160</u>	<u>22,671,448</u>

23.11 Communication Expenses

Particulars	2018	2017
Postage and Courier Services	750,503	800,535
Telephone Expenses	9,705,441	9,620,727
Internet Subscription Expenses	1,737,617	2,003,879
Total	<u>12,193,561</u>	<u>12,425,141</u>

23.12 Training and Scholarship Expenses

Particulars	2018	2017
Training Expenses	9,939,051	6,605,740
Total	<u>9,939,051</u>	<u>6,605,740</u>

The increase was due to the implementation of training programs by the Human Resources Department (HRD) of NPC.

23.13 Confidential, Intelligence and Extraordinary Expenses

Particulars	2018	2017
Extraordinary and Miscellaneous Expenses	763,323	772,408
Total	<u>763,323</u>	<u>772,408</u>

24. FINANCIAL EXPENSES

Particulars	2018	2017
Interest Expenses	5,703,443	7,017,345
Bank Charges	39,154	376,090
Total	5,742,597	7,393,435

25. DIRECT COST

Particulars	2018	2017
Direct Cost (Fuel & Additives-Diesel Plant)	4,388,500,183	3,057,822,488
Total	4,388,500,183	3,057,822,488

This account represents the cost of fuel and thermal chemicals used by diesel plants for operations. The notable increase of this account was attributed to the increase in fuel prices from P27.14 per liter in 2017 to P36.36 per liter in 2018.

26. NON-CASH EXPENSES

26.1 Depreciation

Particulars	2018	2017
Depreciation-Infrastructure Assets	422,310,930	306,442,100
Depreciation-Buildings and Other Structures	31,893,929	90,302,000
Depreciation-Machinery and Equipment*	68,462,648	86,912,736
Total	522,667,507	483,656,836

*Includes depreciation of furniture and fixtures, transportation equipment and leased assets.

26.2 Impairment Loss

Particulars	2018	2017
Impairment Loss-Loans and Receivables	431,784,328	509,204,558
Total	431,784,328	509,204,558

The decrease of this account was due to the restructuring of power accounts of Cagayan de Sulu Electric Coop., Inc. and payment by Sulu Electric Coop., Inc. of considerable portion of its overdue accounts and privatization of Bongao under the coverage area of Tawi-Tawi Electric Coop., Inc.

27. NET ASSISTANCE/SUBSIDY/(FINANCIAL ASSISTANCE/SUBSIDY/CONTRIBUTION)

27.1 Assistance/Subsidy from National Government

Particulars	2018	2017
Subsidy from National Government	349,890,463	1,191,680,204
Less: Financial Assistance/Subsidy/Contribution		
Financial Assistance to Local Government Units	(4,271,657)	(3,976,825)
Financial Assistance to New Power	(7,108,371,802)	(3,592,966,042)

Particulars	2018	2017
Providers		
Sub-total	(7,112,643,459)	(3,596,942,867)
Net Assistance/Subsidy/(Financial Assistance/Subsidy/Contribution)	(6,762,752,996)	(2,405,262,663)

The Subsidy to NPPs of missionary electrification areas represents the amount of share/subsidies to NPPs from UCME for providing power to the missionary electrification areas of NPC.

Significant increase of afore-said account were attributed to the following: a) higher energy off-take/new/additional NPPs, such as Cantingas Mini-Hydro Power Corp. in Romblon province, Power Source Phils., Inc. in Palawan province and Kaltimex Rural Energy Corp. in Tawi-Tawi; b) increase in fuel prices per liter averaging P27.14 per liter in 2017 to P36.36 per liter in 2018; and c) a decrease in subsidy from the National Government. The lists of New Power Providers (NPPs) are as follows:

New Power Provider	Area	2018	2017
Catanduanes Power Generation	Catanduanes	0	48,522,617
DMCI Masbate Power Corp.	Masbate	1,169,118,654	741,409,339
Delta (Paragua)	Palawan (PPC)	806,289,518	458,436,083
Palawan Power Generation	Palawan (Tiniguiban, Narra)	330,853,643	153,993,667
Power Source Phils., Inc.	Rio Tuba, Rizal Palawan	74,205,254	54,930,455
Power Source Phils., Inc. (Liminangcong)	Taytay, Palawan	30,575,302	11,588,562
Ormin Power Inc.	Oriental Mindoro	235,245,098	111,788,960
Power One Corporation	Oriental Mindoro	315,716,336	170,203,306
Mindoro Grid Corporation	Oriental Mindoro	698,131,914	352,810,967
DMCI Palawan Power Corp.	Irawan, Aborlan, Quezon, Roxas, Brookes Point	855,914,328	212,690,374
Calamian Island Power Corp.	Palawan (Busuanga, Coron)	337,888,865	226,084,086
Occidental Mindoro Consolidated Power Corporation (OMCPC)	Occidental Mindoro	793,891,399	358,071,039
Dmci Power Corp. - Calapan	Oriental Mindoro	431,460,571	214,101,714
Sunwest Water & Elec. Co. - Romblon	Tablas, Romblon	213,388,041	192,935,094
Suweco-Catanduanes	Solong, Catanduanes	227,346,867	70,258,711
Cantingas mini-hydro Power Corp.	Romblon	12,550,798	0
Powersource Phils. Inc. (PSPI) – Rizal	Palawan	1,485,908	0
Bantayan Island Power Corp.	Bantayan, Cebu	167,584,750	85,188,212
S. I. Power Corporation (SIPCOR)	Siquijor	188,397,007	120,171,570
Powersource Phils. Inc. (Malapascua)	Bantayan, Cebu	22,257,350	9,781,286
Kaltimex Rural Energy Corp.	Tawi-Tawi	196,070,198	0
TOTAL		7,108,371,801	3,592,966,042

28. NON-OPERATING INCOME, GAIN OR LOSSES

28.1 Gains

Particulars	2018	2017
Gain on Foreign Exchange (Debt Service)	1,291,886	421,822
Gain on Foreign Exchange (Forex)	49,977	0
Gain on Disposal/Retirement of Assets	3,490	28,859
Total	1,345,353	450,681

28.2 Losses

Particulars	2018	2017
Loss on Foreign Exchange (Forex) Fluctuation	0	95,488,110

Particulars	2018	2017
Loss of Disposal/Retirement of Assets	4,978,520	0
Other Losses	0	2,723,666
Total	4,978,520	98,211,776

28.3 Non-Operating Income/Expenses

Particulars	2018	2017
Miscellaneous Income		
OMA Income		
MOOE (PSALM-OMA)	1,073,138,728	489,541,399
Non-OMA Income		
Bid Related Income	10,394,948	5,970,658
Other Miscellaneous Income	15,882,410	34,707,834
Income from Penalties for Shortfall Capacity	48,830,888	46,027,747
Total	1,148,246,974	576,247,638

Particulars	2018	2017
Miscellaneous Expense		
OMA Expenses		
Personnel Related expenses	523,710,831	0
MOOE-Others	420,613,035	390,520,992
Honorarium BAC	4,726,553	6,119,774
Non-OMA Expenses		
Decommissioned Plants: Non-Operating plants	56,827,737	18,156,670
Personnel Related expenses	48,185,236	12,701,312
MOOE-Others	8,642,501	5,455,358
Honorarium BAC	5,332,373	2,529,479
Total	1,011,210,529	417,326,914

Miscellaneous Expenses includes expenses on Personnel Services (PS) and Maintenance and Other Operating Expenses (MOOE) in the performance of NPC's obligation to the Operation and Maintenance Agreement (OMA) with PSALM recorded in NPC's books of accounts as well as expenses related to decommissioned plants of NPC and honorarium of BAC members.

Miscellaneous Income pertains to fund transfers received by NPC from PSALM for the payment of PS and MOOE (excluding fuel and insurance) in the performance of the OMA. This account also includes NPC's income from bid documents and other miscellaneous income of NPC.

In compliance to COA AOM No. 2017-10 dated April 19, 2018, NPC, in its letter dated October 31, 2018 to the COA-Government Accountancy Sector(GAS) has requested for a separate accounts/new general ledger accounts titled "*Income and Expense from Operation and Maintenance Agreement (OMA) with PSALM*". To date NPC still awaits clearance from COA-GAS.

For lack of appropriate account title, miscellaneous income and miscellaneous expense accounts were used for income/expenses attributed to NPC-PSALM OMA PS and MOOE transactions, pending approval of the afore-cited request.

29. FINANCIAL MANAGEMENT

29.1 Financial Performance

NPC realized an operating revenue amounting to P16,644,889,742 higher by 42.3% or P4,944,359,414 compared to last year's operating revenue of P11,700,530,328.

NPC generated an operating income amounting to P8,782,029,057, higher by 73% or P3,705,437,985 when compared with last year of P5,076,591,072.

The Corporation's financial performance had decreased from a Net Income of P2,212,213,307 in 2017 to P1,726,736,940 in 2018, lesser by 22% or P485,474,367.

The decrease in 2018 Net Income was mainly attributed to the increase in NPP subsidy of P3,515,405,760 or 97.8%. NPP subsidy in 2017 amounted to P3,592,966,042 and P7,108,371,802 in 2018. The notable increase in NPP subsidy in 2018 is attributed to a) three (3) new NPPs were added to the existing list such as: Cantingas Mini-Hydro Power Corp. in Romblon, Power Source Phils., Inc. in Palawan and Kaltimex Rural Energy Corp. in Tawi-Tawi (see Note 27.1); and b) increase in fuel prices from P27.14 per liter in 2017 to P36.36 per liter in 2018 (see Note 25).

29.2 Filing of Petition/Application with the Energy Regulatory Commission (ERC) for the recovery of the following:

a. 17th Incremental Currency Exchange Rate Adjustment (ICERA) covering the December 26, 2015 to December 25, 2016 test period

On February 15, 2018, NPC filed a petition for 17th ICERA for the test period December 26, 2015 to December 25, 2016 docketed under ERC Case No. 2018-007 RC. In the said petition, the Corporation seeks the ERC's approval to collect P17,664,802 over a twelve (12) month recovery period, which translates to a P0.0243/kWh. NPC awaits ERC resolution on said application. The last hearing was concluded on December 4, 2018.

b. 17th Generation Rate Adjustment Mechanism (GRAM) covering the test period December 26, 2015 to December 25, 2016

On March 22, 2018, NPC filed a petition for 17th Generation Rate Adjustment Mechanism (GRAM) covering the test period December 26, 2015 to December 25, 2016 docketed under ERC Case No. 2018-04 RC. In the said application, NPC seeks the ERC's approval to collect P1,579,012,733 with a recovery period of twenty-four (24) months, which translates to a P0.9995/kWh. NPC awaits ERC resolution on said application. The last hearing was concluded on December 4, 2018.

c. New Subsidized Approved Generation Rate (SAGR) for SPUG areas to recover incurred excise tax on fuel for CY 2018, 2019 and 2020

On May 24, 2018, NPC filed a petition-application with the ERC for a new SAGR for NPC-SPUG areas for CY 2018, to recover the excise taxes imposed under R.A. No. 10963, including the automatic implementation of the subsequent excise tax increases in 2019 and 2020, the details of which are as follows:

GRID	P/kWh		
	2018	2019	2020
Luzon	0.9392	1.4609	1.9648
Visayas	1.0499	1.6294	2.2084
Mindanao	0.6703	1.4793	1.9835

Subsequently, on December 12, 2018, the ERC issued an Order and Notice of Public Hearing which will start on February 21, 2019.

d. Basic Universal Charge for Missionary Electrification (UCME) for CY 2019

On July 12, 2018, NPC filed an application/petition with the ERC for the CY 2019 Basic UCME amounting to P17,804,818,088.38, with the corresponding rate of P0.1948/kWh and a recovery period of 12months. NPC awaits ERC resolution on said application. The last hearing was concluded on December 4, 2018.

e. Plan 15 Petition on the Availment of the Universal Charge-Environmental Charge (UC-EC) for the Watershed Areas managed by NPC

On October 15, 2018, NPC filed the afore-said petition with the ERC which will translate to P239,350,386.00.

30. 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 the Corporation's programs and project accomplishments in CY 2018:

30.1 Small Power Utilities Group (SPUG)

Among the notable accomplishments of SPUG in 2018, are the following:

Power plants with increased operating hours

No.	SPUG Power Plants	Province	Operating Hours		Date Implemented
			From	To	
1	Guintarcan DPP	Cebu	16	24	26-Jan-18
2	Manuk Mangkaw	Tawi - Tawi	8	12	24-Feb-18
3	Biri DPP	Northern Samar	16	24	26-Feb-18
4	Sen. Ninoy Aquino DPP	Sultan Kudarat	16	24	28-Feb-18
5	Banton DPP	Romblon	16	24	16-Mar-18
6	Pangutaran DPP	Sulu	8	12	22-Mar-18

No.	SPUG Power Plants	Province	Operating Hours		Date Implemented
			From	To	
7	Cuaming DPP	Bohol	8	24	3-Apr-18
8	Corcuerra DPP	Romblon	16	24	18-Apr-18
9	Atulayan DPP	Camarines Sur	6	8	20-Apr-18
10	Tandubanak DPP	Tawi - Tawi	12	16	13-May-18
11	Talitud DPP	Davao Del Norte	16	24	30-May-18
12	Balimbing DPP	Tawi - Tawi	16	24	11-Jul-18
13	Mapun DPP	Tawi - Tawi	16	24	11-Jul-18
14	Sibutu DPP	Tawi - Tawi	16	24	11-Jul-18
15	Palimbang DPP	Sultan Kudarat	16	24	16-Jul-18
16	Tandubas DPP	Tawi - Tawi	8	16	25-Jul-18
17	Maconacon DPP	Isabela	8	16	26-Jul-18
18	Cabul-an DPP	Bohol	8	24	17-Aug-18
19	Almagro DPP	Western Samar	8	24	18-Sep-18
20	Balut DPP	Davao Del Sur	16	24	25-Sep-18
21	Tagapul-an DPP	Western Samar	8	24	9-Oct-18
22	Mongpong DPP	Marinduque	8	16	28-Oct-18
23	Hikdop DPP	Surigao del Norte	16	24	12-Dec-18
24	Sto. Niño DPP	Western Samar	8	24	20-Dec-18
25	Linapacan DPP	Palawan	12	16	25-Dec-18

Taken over plant by SPUG

No.	Plant (Date of Commercial Operation)	Province	Rated Cap. (KW)	Dep. Cap (KW)	Commissioning Date	Household
1	Claveria DPP (18 July 2018)	Masbate	320	300	15-Jun-18	700
Total						700

New power plants

No.	PLANT (Date of Commercial Operation)	Province	Rated Cap. (KW)	Dep. Cap (KW)	Commissioning Date	Household
1	Nangalao DPP (04 October 2018)	Palawan	100	80	4-Oct-18	180
2	Casian DPP (25 October 2018)	Palawan	100	80	25-Oct-18	350
3	Beton DPP (30 October 2018)	Palawan	100	80	30-Oct-18	60/335
4	Paly DPP (15 December 2018)	Palawan	100	80	15-Dec-18	Tentative date of commercial operation and/or commissioning date
5	Calaguas DPP (15 November 2018)	Camarines Norte	90	90	15-Nov-18	Commissioned but not yet in commercial operation
6	Pandami DPP (24 October 2018)	Sulu	300	240	24-Oct-18	61/4800
Total						1,001

30.2 Dams Management Department (DMD)

In 2018, the Dams Management Department (DMD), as part of its mandate, implemented the corporate-wide NPC Dam Safety Program (DSP). The Program includes the application of recent international standards and practices on the ownership, operations and maintenance of large dams. The DSP aims to maintain the structural integrity of the NPC operated and maintained dams and their appurtenances for sustainable operation. Accordingly, NPC wants to ensure that communities immediately downstream of these structures will not be exposed to uninformed risks from their existence and operations.

It is also the Department's mandate to provide reliable flood forecasting and efficient dam discharge warning operation in order to protect the lives and properties of the communities downstream of the dams that are under NPC's responsibility namely Ambuklao, Binga, San Roque, Angat and Caliraya Dams. Aside from consistently following protocols and procedures relative to the operation of the dams, information and education campaign are annually being undertaken to strengthen the said mandate. Periodic preventive maintenance for the Flood Forecasting and Warning System for Dam Operations (FFWSDO) equipment and facilities are also conducted for its sustainability. Likewise, improvements are implemented to further enhance NPC's FFWSDO in order to get abreast of the latest and innovative technologies.

- **Dams Integrity Surveillance**

The DMD-DRWD conducted 10 mandatory safety inspections/assessments. These inspections were done semi-annually to confirm the satisfactory behavior and condition of the large dams in Luzon, namely; Ambuklao, Binga, San Roque, Angat and Caliraya-Lumot Dams and their appurtenant structures. DRWD also participated in the conduct of safety inspection of the dam and other non-power component of the privatized small hydroelectric plants namely; Buhi-Barit Hydroelectric Plant in Camarines Sur, Amlan Hydroelectric Plant in the Visayas Area, and Loboc Hydroelectric Plant in Bohol as initiated by Power Sector Assets and Liabilities Management Corporation (PSALM).

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

Dam instrumentation monitoring is a continuing activity for DMD-DRWD. The reliable and suitable scientific data gathering and surveillance aims 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 serve as basis for decision-making.

DMD-DRWD performed Bathymetric Survey at San Roque Reservoir Rim which measures the depth of a water body as well as map the underwater

features of a water body to monitor the siltation in the area and determine the capacity of the reservoir.

- **Reservoir Water Utilization/Optimization**

The efficient reservoir management by DMD in coordination with the stakeholders and regulatory body managed to conserve water and store energy, thus alleviating the impending water crisis for the year 2019 due to possible El Niño. Furthermore, efficient and timely conduct of dam spilling operations minimized the effect of the outflow to downstream communities during the passage of typhoons or severe weather disturbances. The Department was able to manage and conserve water for both San Roque and Angat reservoirs.

- **Information and Education Campaign**

DMD conducted a series of Information and Education Campaign (IEC) in 2018 to impart and increase the level of awareness of Local Government Units (LGUs) and the communities downstream of the dams concerning dam operations and their benefits. The campaign communicated the clear, complete and up-to-date information regarding NPC operated and maintained dams and the assurance that NPC is committed to implement activities compliant to the DSP. This continual campaign serves as an effective way of communication among NPC, downstream communities and other stakeholders and helps strengthen the capability of the LGUs to deal with flood-related hazards that could lead to disaster.

In 2018, DMD conducted 20 IEC sessions. Breakdowns are as follows: Ambuklao and Binga Dams = 3, San Roque Dam = 4, Angat Dam = 10 and Caliraya-Lumot Dams = 3.

- **Reliability Spillway Gate Testing**

Annual spillway gates testing is being carried out with the Dam Operators to ensure reliability of the spillway gates in times of spilling operations. The tests were successfully conducted for the following dams: Ambuklao and Binga Dams on 04-September 5, 2018, San Roque Dam on February 8-20, 2018, Angat Dam on June 5, 2018, and Caliraya Dam on June 21 and 26, 2018.

- **Flood Forecasting and Dam Discharge Warning Operation**

The FFWSO has conducted flood forecasting and dam discharge warning operations in Ambuklao, Binga and San Roque Dams due to Tropical Cyclones, and enhanced Southwest Monsoons. Details are as follows:

Six in Ambuklao and Binga Dams:

- Southwest Monsoon enhanced by Tropical Cyclone (TC) Inday and Josie (July 20 – 22, 2018)
- Southwest Monsoon (July 24-25, 2018)

- Southwest Monsoon enhanced by TC Karding (August 11-15, 2018)
- Southwest Monsoon enhanced by TC Luis (August 23-27, 2018)
- TC Ompong (September 14-17, 2018)
- TC Rosita (October 29-November 01, 2018)

Three in San Roque Dam:

- TC Karding and Southwest Monsoons (August 12-30, 2018)
- TC Ompong (September 15-21, 2018)
- TC Rosita (October 30, 2018)

b. Participation in the Implementation of Remedial/Strengthening/Maintenance Projects of Dams and Appurtenances

DMD participated in the monitoring of the implementation of remedial/strengthening/maintenance projects of dams and appurtenances, as follows:

1. Angat Dam and Dykes Strengthening Project (Embankment Works), 100% completed last February 2018;
2. Improvement of Downstream Slope of Caliraya East Dyke completed last April 2018;
3. Repainting and improvement and construction of flow pipes, water level staff gauge, structures at Caliraya-Lumot Dam & Dykes;
4. Installed of log boom/buoy at Lumot dyke was completed on March 2018; and
5. Installed a total of 24 Movement Survey Monument (MSM) at east and west dykes of Caliraya last January 8-12, 2018.

c. Angat Dam and Dyke Strengthening Project (ADDSP)

Schedule I - Enhancement of Angat Dam Flood Forecasting and Warning System for Dam Operations

This Project involves installation of 7 rain gauge and 7 water level stations and additional 10 warning stations to improve the current flood forecasting and warning system of Angat. As of 31 December 2018, the actual accomplishment is 85.28%.

Schedule II - Enhancement of the Communication Network for Angat Flood Forecasting and Warning System for Dam Operations

The Project aims to interconnect all dam offices to the Command Center at NPC-Diliman and to share all the data gathered to all stakeholders of Angat Dam including the PDRPMC in Malolos, Bulacan thus improving communication during dam releases. As of 31 December 2018, the actual accomplishment is 94.75%.

i. Schedule IV – Water Flow Measurement of Turbines and Bypass Valves

The Project aims to automate the Data Acquisition of each turbine flow at the Main Turbine 1-4, Auxiliary Turbine 1-5 and bypass valve 1-2, and to view the gathered data at preferred offices and stations through SCADA (Supervisory Control and Data Acquisition). The project was completed on 15 January 2018 which is ahead of schedule against the target completion date of 20 January 2018.

ii. Schedule V – Supply, Delivery, Installation, Test and Commissioning of X-Band Weather Radar

The new X-band Dual Polarization Weather Radar will improve the weather data gathering, analyzing and forecasting specially during severe weather condition. This high performance radar can detect localized weather condition within the dam and river basin. The project was completed on 20 April 2018 which is ahead of schedule against the target completion date of 17 May 2018.

d. Rehabilitation of Caliraya FFWSO Project

The Project aims to provide reliable Flood Forecasting and Warning System for Dam Operations at Caliraya Dam, enhance monitoring and analysis of the data gathered using Rain Gauge Stations, Warning Stations, and Water Level Stations and to provide an efficient way to disseminate warning announcements to areas located nearby the downstream of Caliraya Dam. The Contractor received Notice to Proceed on 13 November 2018.

30.3 Power Engineering Services (PES)

The Power Engineering Services' major accomplishments for CY 2018 are as follows:

Item No.	Project Title	Work Order No.	Status / Accomplishment
TRANSMISSION LINE PROJECTS			
1.	Mobo-Arroy 69kV T/L Extension Project	I315A03	100% Completed. <ul style="list-style-type: none"> ▪ Energized and put into commercial operation on 24 December 2017. ▪ Prepared Project Close-Out Report for transmittal to concerned offices.

Item No.	Project Title	Work Order No.	Status / Accomplishment
			<ul style="list-style-type: none"> ▪ Target EO January 2019. ▪ Certificate of Turn-over of Operation already approved.
2.	Mobo-Cataingan "1" & "2" 69KV T/L Project, Schedule 1 (34.0 km.)	1321A01	<p>100% completed.</p> <ul style="list-style-type: none"> ▪ All construction activities were completed on 27 August 2017. ▪ Successfully energized to 13.8kV per approved MOU of NPC and MASELCO on 11 May 2018. ▪ Prepared Project Close-Out Report for transmittal to concerned offices. ▪ Target EO January 2019. ▪ Certificate of Turn-over of Operation already approved.
3.	Mobo-Cataingan "1" & "2" 69KV T/L Project, Schedule 2 (42.0 km.)	1321A02	<p>100% completed.</p> <ul style="list-style-type: none"> ▪ All construction activities were completed on 27 August 2017. ▪ Successfully energized to 13.8kV per approved MOU of NPC and MASELCO on 11 May 2018. ▪ Prepared Project Close-Out Report for transmittal to concerned offices. Target EO January 2019. ▪ Certificate of Turn-over of Operation already approved.
4.	Mobo-Aroroy "1" & "2" 69kV T/L Rehabilitation Project (32.59 km.)	1315A02	<p>100% completed.</p> <ul style="list-style-type: none"> ▪ Mobo-Aroroy T/L was energized on 24 December 2017 and already in commercial

Item No.	Project Title	Work Order No.	Status / Accomplishment
			<p>operation.</p> <ul style="list-style-type: none"> ▪ Certificate of Turn-over of Operation already approved by SPUG.
5.	Bansud-Mansalay 69 kV T/L (64.53 km.)	F303A01	<ul style="list-style-type: none"> ▪ Under 2nd Contract Time Suspension, 96.67% completed. ▪ NPC approved the 2nd Contract Time Suspension effective 22 February 2017, due to ROW Issues. ▪ Actual accomplishment in the rectification of 624 JFI punchlist items will be made available upon conduct of verification/validation of the rectified works per punchlist items.
6.	Rehabilitation of Calapan - Bansud "1" 69 kV T/L Project, 44 km	F304I01	<ul style="list-style-type: none"> ▪ Calapan-Naujan T/L Section was energized on 25 May 2018 while the Naujan-Victoria T/L Section was energized on 20 June 2018. ▪ Certificate of Project Turn-Over already signed/approved by SPUG effective 06 July 2018. ▪ Rectification of 80 remaining punchlist items, 98% completed. To be completed upon resolution of ROW issues and confirmation of power shutdown by ORMECO (For rectification by DMCI & ORMECO).
7.	Rehabilitation of Calapan - Bansud "2" 69 kV T/L Project, 44 km.	F304I02	<p>14.45% completed.</p> <ul style="list-style-type: none"> ▪ Implementation in progress.

Item No.	Project Title	Work Order No.	Status / Accomplishment
8.	Rehabilitation of Calapan – Puerto Galera 69 kV T/L Project, 41 km	F305I01	<ul style="list-style-type: none"> ▪ The Calapan-Puerto Galera 69kV T/L was completed on 28 April 2018, inaugurated and was put into commercial operation on 12 May 2018. ▪ Target completion for rectification works for the remaining punch listed items by the Contractor will be rescheduled pending shutdown of the energized line. ▪ Certificate of Project Turn Over dated 06 July 2018 already signed and approved by SPUG. ▪ Completed Project Close-out Report already transmitted to concerned offices.
9.	Mansalay-San Jose 69kV T/L Project. Schedule 1 & 2) (60 km)	I324A02	<ul style="list-style-type: none"> ▪ Schedule 1 - 28.83% completed. ▪ Schedule 2 - 30.18% completed. ▪ Implementation in progress.
10.	Rehabilitation of Boac-Torrijos 69kV T/L (47 km)	I305I01	<p>27.80% completed.</p> <ul style="list-style-type: none"> ▪ Implementation in progress.
11.	Virac-San Miguel 69 kV T/L Project (15.15 km)	I305I01	<p>86.06% completed.</p> <ul style="list-style-type: none"> ▪ Contract Time Extension (103 Cal. Days) approved by NP Board, moving the contract expiry to 10 February 2019.
SUBSTATION PROJECTS			
1.	Virac (Marinawa) 69KV S/S Project (10 MVA)	I304A01	<p>99.91% completed.</p> <ul style="list-style-type: none"> ▪ Target completion of required equipment tests and delivery of remaining

Item No.	Project Title	Work Order No.	Status / Accomplishment
			<p>spare parts on January 2018.</p> <ul style="list-style-type: none"> ▪ Ceremonial inauguration was conducted on 21 July 2017. ▪ Remaining observation is the Incorrect Polarity Mounting of Current Transformer at 69 kV Line Bays (10MVA Transformer, San Miguel and Codon Line). ▪ Conduct of simulation test by the Contractor for confirmation of schedule.
2.	Mansalay Switching Station and Expansion of Bansud & San Jose Substation Project	F307A01	<p>100% completed.</p> <ul style="list-style-type: none"> ▪ Certificate of Completion (Provisional Acceptance) issued effective 22 December 2017. ▪ The unperformed overall test and commissioning activities for Mansalay Switching Station were deducted from the contract covered under the approved Variation Order No. 2. ▪ Certificate of Project Turn-Over already signed/approved by SPUG effective 06 July 2018. ▪ Project Close-Report completed and transmitted to Finance last 11 July 2018.
3.	Supply, Delivery, Construction/ Installation, Test and Commissioning 5MVA Codon 69kV S/S Project	I315A04	<p>98.68% completed.</p> <ul style="list-style-type: none"> ▪ Tentative schedule for Test and Commissioning on 28 January 2018 to 1 February 2018. ▪ Joint Final Inspection

Item No.	Project Title	Work Order No.	Status / Accomplishment
			conducted on 5-7 December 2018.
CAPACITY ADDITION PROJECTS AND ASSOCIATED FACILITIES			
1.	Supply, Delivery, Installation, Test & Commissioning of 14 x 600 KW Gensets for Various SPUG Areas	E800A01	<p>100% completed.</p> <ul style="list-style-type: none"> ▪ NPC is holding in abeyance the payment of billings/claims for the Contract unless all pending issues are resolved.
2.	Supply, Delivery, Installation, Test and Commissioning for 10 x 600 KW Modular Gensets for Various SPUG Areas	K606A01	<ul style="list-style-type: none"> ▪ Project under Suspension. NPC is holding in abeyance implementation of all remaining activities unless all pending issues are resolved. 80.53% completed. ▪ For filing of arbitration by NPC-OLC pending issuance of notice to reply from the Philippine Dispute Resolution Center (PDRC).
3.	Supply, Delivery, Installation, Test & Commissioning of 300 KW and Below Gensets for Various SPUG Areas	I601A01	<ul style="list-style-type: none"> ▪ NPC's Take-over of the Contract effective 22 November 2016. ▪ Procurement of Spare Parts for 300kW, 100kW and 50kW Gensets. ▪ Budget reversion for Spare Parts amounting P 2,375,723.000 already approved. ▪ For revision of Terms of Reference.
4.	Supply, Delivery, Installation, Test and Commissioning of 13 x 600 KW Gensets for Various SPUG Areas	E810A08	<p>99.96% completed.</p> <ul style="list-style-type: none"> ▪ All 13 units (7.8 MW) were commercially operated as of January 2018. ▪ To-date, 12 out 13 genset units are operational with a total of 7.2 MW capacity.

Item No.	Project Title	Work Order No.	Status / Accomplishment
			<p>Unit No. 5 is un-operational (1x600kW Polilio).</p> <ul style="list-style-type: none"> ▪ Ongoing restoration of the reported burnt stator windings of Unit No. 5 installed at Polillo DPP. ▪ Rectification works for identified punchlist items 99.63% completed.
5.	Supply, Delivery, Installation, Test & Commissioning of 15 x 600kW Modular Diesel Generator sets & associated electrical equipment for various SPUG areas	F600A01	<p>100% completed.</p> <ul style="list-style-type: none"> ▪ Project completed as of 27 March 2017. ▪ All units (9.0MW) already in Commercial Operation.
6.	Supply, Delivery, Installation, Test & Commissioning of 5x1MW Modular Diesel Generator sets & associated electrical equipment for Boac DPP	E810A09	<p>99.98% completed.</p> <ul style="list-style-type: none"> ▪ Supplied MAN Genset Units 7, 8, 9 & 11 can be operated at rated capacity of 1MW load respectively, and were operated to 1MW load for five (5) continuous hours. ▪ Supplied MAN Genset Unit 10 can be operated up to 850kW pending conduct of operational reliability test (At 1MW) due to damaged current transformer. ▪ As agreed, SCDC shall provide a certification that their supplied diesel gensets are capable to operate at 1MW (rated capacity).
7.	1 x 1.5 MW Modular Generating Sets for Dinagat DPP	K607A01	<p>100% completed.</p> <ul style="list-style-type: none"> ▪ The 1 x 1.5MW Modular D/G Set is already in commercial operation as of

Item No.	Project Title	Work Order No.	Status / Accomplishment
			<p>20 December 2017.</p> <ul style="list-style-type: none"> ▪ Certificate of Taking-over already approved by VP-SPUG. Ceremonial inauguration of the 1 x 1.5MW Modular D/G Set conducted on 31 January 2018. ▪ For close -out of remaining issues by the Contractor (Documentary Requirements).
8.	Construction of Power Facilities Including Supply, Delivery, Installation, Test and Commissioning of 5 x 1.0MW Containerized Generating Sets, Auxiliaries and Balance of Plant for Basilan Power Plant	E810A15	<p>40.60% completed.</p> <ul style="list-style-type: none"> ▪ Implementation in progress.
9.	Construction of Power Facilities of 2 x 200kW Generator Sets for Languyan DPP	E610A06	<p>84.98% completed.</p> <ul style="list-style-type: none"> ▪ 2x200 kW Gensets for Languyan DPP energized and inaugurated on 10 December 2018. ▪ Construction and installation works in progress. ▪ Pre-test, Test and Commissioning was conducted on 22-26 November 2018.
10.	Construction of Power Facilities including Supply, Erection/Installation and Test of Balance of Plant for 1 x 150kW Pandami Diesel Power Plant	E610A08	<p>73.30% completed.</p> <ul style="list-style-type: none"> ▪ 2x150 kW Gensets for Pandami energized and commercially operated on 24 October 2018.
11.	Supply, Delivery and Test of 2 x 200kW (for Languyan DPP) and 2 x	E810A27	<p>100% completed.</p> <ul style="list-style-type: none"> ▪ Supply contract completed

Item No.	Project Title	Work Order No.	Status / Accomplishment
	150kW (for Pandami DPP) Diesel Gensets and Associated Electrical Equipment		<p>on 20 June 2018.</p> <ul style="list-style-type: none"> ▪ Project Close-Out Report already transmitted to Finance on 17 September 2018.
12.	Supply, Delivery, Installation, Test and Commissioning of 1 x 90kW Modular Diesel Generating Sets and Associated Electrical Equipment for Rama Cinco DPP	E810A16	<p>99.77% completed.</p> <ul style="list-style-type: none"> ▪ Project commissioned on 20 June 2018. ▪ For delivery of balance/remaining spare parts for genset and GCPP.
13.	3 x 600KW D/G Sets for Power Barge-109 (1 Unit) and Power Barge-116 (2 Units)	E810A17	<p>97.92% completed.</p> <ul style="list-style-type: none"> ▪ Project Close-Out Report already forwarded to Finance on 19 April 2018. ▪ Certificates of Acceptance and Taking Over already approved. <p>PB 116:</p> <ul style="list-style-type: none"> ▪ 2 x 600kW gensets for PB 116 in commercial operation. ▪ Three (3) remaining punchlist items still for rectification. <p>PB 109:</p> <ul style="list-style-type: none"> ▪ 1 x 600kW gensets for PB 109 in commercial operation.
14.	Construction of Power Facilities incl. Supply, delivery, test & Commissioning of 2 x 50 kW Mod. Generating Sets, Assoc. Electrical Equipment and BOP for the Three (3) Barangays at Gibusong Island, Loreto, Dinagat under	E610A14	<p>46.66% completed.</p> <ul style="list-style-type: none"> ▪ Implementation in progress. ▪ The Contractor did not meet the agreed extended construction schedule on 31 December 2018.

Item No.	Project Title	Work Order No.	Status / Accomplishment
	Off-Grid Electrification Project		<ul style="list-style-type: none"> ▪ Delay/negative slippage due to delayed submission of documents and drawings, Construction Methodology and FAT Procedures Manual.
15.	Construction of Power Facilities Including Supply, Delivery, Installation, Test and Commissioning of 190kW Modular Gensets for the Electrification of Five (5) Barangays (Tictabon, Tumaloptap, Pangapuyan, Manalipa and Great Sta. Cruz DPP) at Zamboanga Del Sur	E610A11	<p>38.48% completed.</p> <ul style="list-style-type: none"> ▪ Implementation in progress. ▪ Contractor's request for Contract Time Extension under evaluation. ▪ No activity at Great Sta. Cruz DPP site due to unavailability of required Special Agreement on Protected Areas (SAPA) from DENR. Documentary requirements are being secured.
16.	Construction of Power Facilities (Civil Works) including Relocation Works, Supply, Delivery, Erection/Installation, and Test of Balance of Plant for Calayan DPP		<p>99% completed.</p> <ul style="list-style-type: none"> ▪ Rectification of remaining punchlist items in progress.
17.	Construction of Power Facilities including Supply, Delivery, Erection/ Installation, Test & Commissioning of 1x100kW Genset & its Auxiliaries and Associated Electrical Equipment for the electrification of six (6) Barangays at Camandag Island, Sto. Niño, Samar	E800A06	<p>99.96% completed.</p> <ul style="list-style-type: none"> ▪ Commissioned on 6 September 2018. ▪ Test & Commissioning conducted on 5 September 2018 and Joint Final Inspection conducted on 12 September 2018. ▪ Rectification of three (3) JFI and six (6) T & C Punchlist items in progress.
18.	Construction of Power Facilities including Supply, Delivery, Erection/ Installation, Test		<p>99.93% completed.</p> <ul style="list-style-type: none"> ▪ Commissioned on 31 August 2018.

Item No.	Project Title	Work Order No.	Status / Accomplishment
	& Commissioning of 1x90kW Genset & its Auxiliaries and Associated Electrical Equipment for the electrification of three (3) Barangays at Calaguas Group of Islands, Vinzons, Camarines Norte Under the Off-Grid Electrification Project		<ul style="list-style-type: none"> ▪ Joint Final Inspection conducted on 4 September 2018 and Test & Commissioning conducted on 5 September 2018. ▪ Rectification of three JFI and five T & C punchlist items in progress.
19.	Construction of Power Facilities including Supply, Delivery, Erection, Installation, Test and Commissioning of 90kW Modular Generating Sets Including BOP for Electrification of Five (5) Barangays at Tagubanhan Island	E610A06	32.98% completed. <ul style="list-style-type: none"> ▪ Implementation in progress. ▪ The Contractor did not meet the agreed extended construction schedule on 31 December 2018.
20.	Supply, Delivery, Installation / Erection of two (2) units twenty (20) ft. Collapsible Containerized Control Room for Tambo and Tabao, Lubang, Occ. Mindoro		100% completed. <ul style="list-style-type: none"> ▪ Amendment to Contract for the Revised Scope of Works was already approved. Scope was revised to supply and delivery of the two units 20 ft. collapsible containerized control room. ▪ Preparation of Certificate of Turn Over for the project in progress.
21.	Supply, Erection/Installation and Test of 13.8kV Distribution Line Extension/ Upgrading in Divilacan, Isabela under the Off-Grid Electrification Project	E300A11	100% completed. <ul style="list-style-type: none"> ▪ Inauguration was conducted last 26 July 2018. Project energized on 19-21 June 2018. ▪ Delivery and turn-over of line man tools, compilation of project documents for turn-over to end-user. ▪ Preparation of Project Close-out and Handover Package Reports in

Item No.	Project Title	Work Order No.	Status / Accomplishment
			progress.
22.	Contract for the Supply, Delivery, and Test of 31 Units of Quick Response Modular Diesel Gensets and Associated Electrical Equipment for SPUG Areas	E810A18	<p>99.993% completed.</p> <ul style="list-style-type: none"> ▪ All D/G sets intended for LOD, VOD and MOD were delivered and tested. ▪ Contractor to replace/re-test and reconfigure the Multi-Function Controller due to malfunctioning of the ICNT Mint (Multi-Function Controller) using the AUTO mode operation. ▪ Remaining four punchlist items re: Delivery of Coolant for MOD (Davao and Zamboanga) yet to be complied by the Contractor.
23.	Construction of Power Facilities including Supply, Delivery, Erection, Test and Commissioning of BOP for New Areas Electrification in Samar Province in Three (3) Schedules (9 Areas)	E610A09	<p><u>Schedule 1: (Guiuan, Eastern Samar)</u></p> <ul style="list-style-type: none"> ▪ The Contractor requested for Suspension of Work particularly for 1x20kW Habag DPP (Schedule 1) on 14 November 2018. Evaluation of the request pending submission of additional supporting documents by the Contractor. <p><u>Schedule 2: (Dolores & Oras, Eastern Samar)</u></p> <ul style="list-style-type: none"> ▪ There is no activity for the electromechanical works due to non-availability of transportation. <p><u>Schedule 3: (San Vicente, Northern Samar)</u></p> <ul style="list-style-type: none"> ▪ Civil works, 82% completed. ▪ Delays in the project implementation is

Item No.	Project Title	Work Order No.	Status / Accomplishment
			<p>attributable to the difficulty in transportation of hauling materials to the site attributable to sea condition, late submission of remaining MSC, construction drawings and FAT/SAT Procedures for approval of NPC.</p> <ul style="list-style-type: none"> ▪ Advised the Contractor to expedite delivery of materials and submission of drawings/ documents for approval. ▪ For issuance of Show Cause Order.
FUEL OIL STORAGE TANKS PROJECTS			
1.	Supply, Delivery, Installation and Test of 60m ³ , 35m ³ , and 10m ³ Fuel Oil Storage Tanks for Various SPUG Power Plants including Construction of Associated Facilities under Batch 1, Schedule 1.	E810A06	<p>Balatubat DPP: 95.97% completed.</p> <ul style="list-style-type: none"> ▪ Joint Final Inspection conducted last 21 November 2018. For correction/rectification of punchlist items i.e. spare parts of motor pump, one (1) set of fuel filter/painting works. ▪ Advised the Contractor to expedite rectification of punchlist items and submit documents/photos for review/approval. <p>Itbayat DPP: 97.86% completed</p> <ul style="list-style-type: none"> ▪ Joint Final Inspection scheduled on 5-11 January 2019.
2.	Supply, Delivery, Installation and Test of 60m ³ , 35m ³ , and 10m ³ Fuel Oil Storage Tanks for Various SPUG Power Plants including Construction of Associated Facilities	E810A07	<p>Project substantially completed</p> <p>Ilijan: 99% completed Capul: 99% completed San Antonio: 99% completed Takut: 99% completed Lunang: 99% completed.</p>

Item No.	Project Title	Work Order No.	Status / Accomplishment
	under Batch 1, Schedule 4.		<ul style="list-style-type: none"> ▪ Advised the Contractor to expedite the compliance of all punchlist items including delivery of spare parts and submit documents/photos for evaluation. ▪ Rectification of remaining punchlist items were set aside due to prioritization of Schedule I.
3.	Supply, Delivery, Installation and Test of 60m3, 35m3, and 10m3 Fuel Oil Storage Tanks for Various SPUG Power Plants including Construction of Associated Facilities under Batch 1, Schedule 6.	E810A05	<p>Kalamansig DPP: 100% completed.</p> <ul style="list-style-type: none"> ▪ Rectification of punchlist items completed/closed as of 4 December 2018. ▪ Preparation of Project Close-out Report in progress. ▪ Liquidated damages for the unaccomplished activities beyond the contract expiry will be imposed. <p>Ninoy Aquino DPP: 100% completed.</p> <ul style="list-style-type: none"> ▪ Rectification of punchlist items completed/closed as of 4 December 2018. ▪ Preparation of Project Close-out Report in progress. ▪ Liquidated damages for the unaccomplished activities beyond the contract expiry will be imposed.
4.	Supply, Delivery, Installation and Test of 60m3, 35m3, and 10m3 Fuel Oil Storage Tanks	E610A07	<ul style="list-style-type: none"> ▪ Contract was terminated last 11 May 2018. ▪ Majority of the civil works

Item No.	Project Title	Work Order No.	Status / Accomplishment
	for Various SPUG Power Plants including Construction of Associated Facilities under Batch 2, Sch. 2.		<p>for Cabul-an and Guiwanon were already completed.</p> <ul style="list-style-type: none"> ▪ Inspection and inventory of all remaining works already conducted last 16-31 July 2018. ▪ Coordination Meeting was held last 23 November 2018. Follow-up Meeting will be scheduled to finalize the resolution of issues/concerns in the Inventory Report.
5.	Supply, Delivery, Installation and Test of 60m ³ , 35m ³ , and 10m ³ Fuel Oil Storage Tanks for Various SPUG Power Plants including Construction of Associated Facilities under Batch 2, Sch. 1	E610A05	<ul style="list-style-type: none"> ▪ Final Show Cause Order 15 August 2018. ▪ For delivery/installation of valves, flow meters and other remaining piping works. Maripipi: 76.53% Kerikite: 71.06% Sto. Niño: 71.33% Biasong: 69.31% Costa Rica: 68.95% Biri: 69.37% Almagro: 61.28% Batag: 64.98% San Vicente: 69.16%
6.	Construction of SPUG-Bicol Operation's Warehouse at Ligao City, Albay	E60W1S1	<p>41.92% completed.</p> <ul style="list-style-type: none"> ▪ Implementation in progress.
7.	Construction of SPUG Bohol Office and Staff House		<p>Implementation in progress.</p> <ul style="list-style-type: none"> ▪ Suspension of Work was issued effective 25 September 2018 due to pending issuance of Forestry Land-Use Agreement (FLAG). ▪ For resumption of work on January 2019.

Item No.	Project Title	Work Order No.	Status / Accomplishment
PLANT/FACILITIES BETTERMENT PROJECTS			
1.	Construction of New Mechanized Warehouse for Agus 2 HEP	B110A63	100% Completed. <ul style="list-style-type: none"> ▪ Project completed as of 06 November 2018. ▪ Project Close-out Report, 40% completed.
2.	Rehabilitation of AGUS 6 HEP Unit No. 3 Draft Tube Liner	B145I75	100% completed. <ul style="list-style-type: none"> ▪ Project completed as of 24 October 2018. ▪ Project Close-out Report, 80% completed.
3.	Rehabilitation of Pulangi IV HEP Reservoir Project - Phase 3 (Maintenance Dredging of Lower Reservoir)	B161I64	100% completed. <ul style="list-style-type: none"> ▪ Project was completed on 25 July 2018. ▪ Project Close-Out Report completed and forwarded to all concerned offices.
4.	Design, Supply, Delivery, Installation, Test and Commissioning of Limasawa Solar Photovoltaic (PV) with Energy Storage System (ESS) - Diesel Hybrid Power Plant	E810A28	86.88% completed. <ul style="list-style-type: none"> ▪ Implementation in progress ▪ The project is still suspended effective 19 October 2018 due to the unresolved Right-of-Way issues. ▪ The project is still suspended effective 19 October 2018 due to the unresolved Right-of-Way issues. ▪ ROW negotiation on-going. Remaining five (5) out of 18 PAPs are still for negotiation.
PRE-CONSTRUCTION ACTIVITIES			
1.	Service Contract for the Topographic Survey and Geologic/Geotechnical Investigation Works on	B145E47	100% completed. <ul style="list-style-type: none"> ▪ Contractor's Final Billing claim already paid.

Item No.	Project Title	Work Order No.	Status / Accomplishment
	the Access Road Slope Protection of Agus 6/7 HEPC		<ul style="list-style-type: none"> ▪ Project Close-Out Report completed.
2.	Service Contract for the Investigation (Route) and Parcellary Survey of Abo-Abo-Quezon-Rizal 69kV Transmission Line and Switching Station	J306D01	<p>100% completed.</p> <ul style="list-style-type: none"> ▪ Certificate of Acceptance was issued on 26 June 2018. ▪ Preparation of Project Close-out Report 50% completed.
3.	Service Contract for the Parcellary Survey of Roxas-Taytay 69 kV T/L Project	J308P01	<p>100% completed.</p> <ul style="list-style-type: none"> ▪ Final Billing returned for compliance of lacking documents by the contractor such as HO Clearance, Orig. copy of Bill Invoice, etc.)
4.	Service Contract for the Parcellary Survey of Lots affected by the Existing Narra-Brookes Point 69 kV T/L Project	J310P01	<p>100% completed.</p> <ul style="list-style-type: none"> ▪ All required works were completed as of 02 February 2018. ▪ Preparation of Project Close-out Report 80% completed.
5.	Investigation (Route) Parcellary Survey for Taytay-El Nido 69 kV T/L	J307P01	<p>99.00% completed.</p> <ul style="list-style-type: none"> ▪ Investigation Survey completed. ▪ Actual site verification of contractor's accomplishments, 80% completed. ▪ Spotting of pole structures in progress.
6.	Investigation (Route) Parcellary Survey of Proposed Alimanguan-New Agutaya, San Vicente 69 kV T/L	I323P01	<p>100% completed.</p> <ul style="list-style-type: none"> ▪ All project activities were completed on 05 July 2017.

Item No.	Project Title	Work Order No.	Status / Accomplishment
7.	Service Contract for Parcellary Survey of Lots Affected by the Existing Puerto Princesa-Narra 69kV T/L Project	J309P01	100% completed. <ul style="list-style-type: none"> ▪ Certificate of Final Acceptance was issued to contractor last 23 July 2018. ▪ Preparation of Project Close-out Report 70% completed.
8.	Parcellary Survey of Codon-Pandan-Viga-San Miguel 69kV TL in 3 Schedules (Catanduanes)	J300D02	<ul style="list-style-type: none"> ▪ Work suspended effective 14 September 2018 due to delay to act on the final evaluation of the submitted Plan and Profile for spotting of the route survey. ▪ Route survey for spotting by DDD. Plan & Profile forwarded to DDD on 4 December 2018. ▪ Plan and Profile for Codon-Pandan&Pandan-Viga for finalization of the Contractor.

30.4 Watershed Management Department

The National Power Corporation through its Watershed Management Department (WMD) as stewards of about 485,199 hectares of watersheds, ably manages and administers them for their sustained production of water and steam in support to reliable power generation. In the attainment of this goal, watershed rehabilitation, protection and community development works constitute the core function of WMD.

For 2018, a total 1,035 hectares of open and denuded areas were rehabilitated/restored across the 11 watershed areas. Of these rehabilitation efforts, indigenous seedlings and pioneer forest tree species such as Narra (*Pterocarpus indicus*), Dao (*Dracontomelondao*), Kalantas (*Toonakalantas*), Kalumpit (*Terminalia microcarpa*), Pili (*Canarium ovatum*), White Lauan (*Shorea contorta*), Bagtikan (*Parashoreamalaanonan*) and other Dipterocarp species were used. For agroforestry, provision of high value crops such as coffee, abaca & rubber for intercropping with established plantations to supplement forest cover as well as livelihood opportunity/additional source of income for the farmer cooperators and/ or stakeholders as a strategy also of sustaining the rehabilitation projects. Also, minor forest products like rattan, bamboo were also established. Of the abovementioned rehabilitation accomplishments, 99% (1,025 ha) were planted through the Universal

Charge-Environmental Charge (UC-EC) and 1% (10 ha) were from the initiative of the private sector such as the San Roque Power Corporation (SRPC) under the cooperative planting. Alongside, a total of 1,722,845 indigenous seedlings were produced in line with the rehabilitation and cooperative tree planting projects implemented in 2018.

Another colossal task of WMD is the law enforcement and its related regulatory functions. With its present 59 organic personnel, WMD resorted to hiring at least 69 forest guards to complement its work force. In addition, NPC maintained institutional partnerships with different law enforcement agencies/ units such as LGU, Phil. Army (PA), Phil. National Police (PNP) and Phil. Coast Guard (PCG). Complementing these partnerships is the mobilization and deployment of about 595 Bantay Watershed Task Force (BWTF) volunteers. These strengthened alliances resulted to confiscation of around 2,761 bd.ft. of logs/lumber, 3 units of conveyance, 2 units of chainsaw and 9 sacks of charcoal. Aside from the conduct of regular forest patrol (662) including the Forest and Biodiversity Protection System/LAWIN, mobile and stationary checkpoints, periodic aerial surveillance (4) were also conducted in Upper Agno, San Roque, Angat and Makiling-Banahaw areas.

The authority of NPC encompasses regulation including the granting /issuances of permits for related and allowable land-use activities inside NPC-managed reservations (i.e. special tree cutting, wood recovery, land-use, etc.). At least twenty-five (25) permits were issued in 2018.

Equally important in its protection efforts, is winning the support of the local communities inside the watersheds by sharing to them NPC's mandates and policies. Various avenue of information, education and campaigns such as lectures/film showing (36) were undertaken. In addition, communities and stakeholders were mobilized during the different environment related celebrations such as Earth Day and Arbor Day with a total of seventy (70) social mobilization activities conducted and twelve (12) environmental awareness seminar/ forum facilitated. About 7,605 pieces of information materials such as calendars, posters and folders/ information kits were produced and distributed. As shared responsibility, it is important that all stakeholders from youth to older generations be informed and be involved in the watershed management advocacies.

For these efforts to become effective, the Watershed Area Teams (WAT) took the much needed efforts in improving the socio-economic conditions of the forest dependent communities by providing alternative livelihood opportunities. For 2018, at least 323 gilts and assorted vegetable seed and other farm inputs were dispersed to selected farmers-cooperators. Likewise, at least 23 livelihood trainings were initiated by the Watershed Area Teams which varies from abaca, bamboo, water hyacinth and rattan production.

The Indigenous peoples (IPs) such as Igorots (in Upper and Lower Agno), Dumagat (in Angat), Agta-Tabagnon (in Bicol) and Talaandig (in Bukidnon) were substantially involved in watershed management activities at the same time beneficiaries of our livelihood program wherein there were five (5) IP Programs sustained/ implemented.

31. CONTINGENCIES

Cases filed by or against the Corporation as of December 31, 2018 are summarized below:

NON-OMA

Nature	No. of cases without amount involved/ No basis/ to be determined	Contingent Receivables* (Estimated Amount Involved)		Contingent Liabilities*	
		Number of Cases	Total Amount	Number of Cases	Total Amount
Expropriation (plant related)	53			8	2,488,687
Land registration cases	2				
Energy Regulatory Commission	47				
Tax	0				
Other civil cases	4				
Ejectment/recovery of possession/damages	11			2	2,000,000
Just compensation	1				
Labor cases	0				
Criminal cases	0				
Administrative cases	1				
Total number of cases	119			10	4,488,687

NOTE: * Claims and Liabilities are subject to change since the amounts among others are one of the areas under court litigation. The amount involved in the DAMA Case is not included. The amount involved in all notices of disallowance issued by COA pertaining to all employees' grants and benefits are not included since in the event that the Supreme Court affirms the disallowance, all recipients shall settle the disallowed amounts.

OMA

Nature	Number of Cases
Expropriation	54
Land Registration	244
ERC	74
Labor	18
Criminal	9
Administrative	8
Tax	34
Other Civil Cases	82
Just Compensation	48
Ejectment/Recovery of Possession/Damages	127
Total	698

32. RELATED PARTY TRANSACTIONS

32.1 Key Management Personnel

The key management personnel of NPC are the President and Chief Executive Officer (CEO), the Members of the Board of Directors (BOD), and the Members of the Management Committee.

Board of Directors

Members of the Governing Board are as follows:

- Ex-Officio-Chairman - DOF Secretary Carlos G. Dominguez III
- Ex-Officio-Vice Chairman - Energy Secretary Alfonso G. Cusi

Appointive Member	- President and CEO Pio J. Benavidez
Ex-Officio-Member	- DA Secretary Emmanuel F. Piñol
Ex-Officio-Member	- DBM Secretary Benjamin E. Diokno
Ex-Officio-Member	- NEDA Secretary Ernesto M. Pernia
Ex-Officio-Member	- DTI Secretary Ramon M. Lopez
Ex-Officio-Member	- DILG Secretary Eduardo M. Año
Ex-Officio-Member	- DENR Secretary Roy A. Cimat

Alternate Representatives

Department of Finance	- Mr. Bayani H. Agabin
Department of Energy	- Mr. Felix William B. Fuentebella
Department of Agriculture	- Mr. Ariel T. Cayanan
Department of Budget & Management	- Ms. Rowena Candice M. Ruiz
National Economic & Development Authority	- Mr. Rolando G. Tungpalan
Department of Trade & Industry	- Mr. Raul V. Angeles
Department of Interior & Local Government	- Mr. Epimaco V. Densing III
Department of Environment & Natural Resources	- Ms. Maria Paz G. Luna

Senior Management

The Corporation's executive officers are as follows:

President and Chief Executive Officer	- Pio J. Benavidez
Vice President, Administration and Finance	- Lorna T. Dy
Vice President, Corporate Affairs Group	- Urbano C. Mendiola, Jr.
Vice President, Legal Counsel	- Melchor P. Ridulme
Vice President, Small Power Utilities Group	- Rogel T. Teves
Vice President, Mindanao Generation	- Edmundo A. Veloso, Jr.
OIC-Vice President, Power Engineering Services	- Bienvenido G. Mañalac
Sr. Department Manager, Resource Management Services	- Manuel Luis B. Plofino

32.2 Key Management Personnel Compensation

The aggregate remuneration of the Members of the Management Committee are:

Particulars	2018	2017
Salaries and Wages	11,709,450	7,826,561
Other Compensation	5,885,836	4,296,041
Total	17,595,286	12,122,601

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

In compliance with the requirements set forth by the BIR Revenue Regulations No. 15-2010, the following are the information on taxes, duties, licenses and fees paid or accrued during the taxable year 2018:

33.1 VATable Revenues and Output tax:

Particulars	Net sales/receipts	Output VAT
VATable Sales	1,923,817,727	230,858,127
Sales to government	1,061,595,890	127,391,507
Zero-rated sales	92,137	0
Total	2,985,505,754	358,249,634

NPC is engaged in the sale of electricity, the collection of which are classified into the following:

- a. VATable Sales** –these are sales of electricity to power customers. Section 24(A) of Republic Act (RA) 9337, otherwise known as the Reformed Value-Added Tax (RVAT) Law of 2005, which took effect on November 1, 2005, NPC's sales of electricity were subjected to VAT.
- b. Sale to government**– these are sales of electricity to government entities who subject their payment to NPC to 5% withholding final VAT.
- c. Zero-rates sales** – the sale of electricity using renewable energy is 0% VAT.

33.2 Purchases and Input Taxes:

Particulars	Input VAT
Balance at January 1, 2018	5,014,575,693
<i>Add: Input tax on depreciation deferred from previous period</i>	134,834,276
Total balance at January 1, 2018	5,149,409,969
<i>Add: Current year's domestic purchases/payments for:</i>	
Purchase of capital goods exceeding P1 million	120,858,140
Domestic goods	472,117,914
Services	926,521,985
Subtotal	1,519,498,039
Total Input	6,668,908,008
<i>Less: Deferred depreciation</i>	(205,577,208)
Total Allowable Input Tax for CY 2018	6,463,330,800

33.3 Withholding Taxes:

Particulars	Amount
Final withholding taxes	636,007,255
Expanded withholding taxes	224,743,433
Withholding taxes on compensation and benefits	138,841,231
Total	999,591,919

34. RESTATEMENT OF ACCOUNTS

The presentation of figures in CY 2018 financial statements has made it necessary, for comparative purposes, to restate relevant figures in CY 2017.