



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

National Power Corporation
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, 2019 and 2018, 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 amounts for the year ended December 31, 2019, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the *Basis 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, 2019 and 2018, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

1. The NPC's Net Trust Liabilities to Power Sector Assets and Liabilities Management Corporation (PSALM) remained unreconciled with its reciprocal account, PSALM's Assets in Trust with NPC, resulting to a variance of P2.635 billion as of December 31, 2019 and P6.390 billion in CY 2018, which is contrary to the fair presentation requirement of IPSAS 1-Presentation of Financial Statements;
2. The Retained Earnings and revenue account Share in Universal Charge were overstated by P1.276 billion and P683.581 million, respectively due to the inclusion of various unallowable items in the computation of the Energy Regulatory Commission (ERC)-approved 12 per cent Return on Rate Base (RORB) from CYs 2016 to 2019. The 12 per cent RORB is a component of the Annual Revenue Requirement (ARR) of the Corporation which is used as one of the determinants in the amortization of income from Universal Charge for Missionary Electrification (UCME);
3. The provision for Terminal Leave Payable which pertains to the estimated money value of the accumulated unused leave credits earned by NPC officials and employees and the related expense account Terminal Leave Benefits amounting to P637.127 million

and P143.612 million, respectively, were not fairly presented due to the uniform use of 25 days, instead of the actual number of unused leave credits in the annual accrual; and misclassification of Operation and Maintenance Agreement-Personnel Services (OMA-PS)-related payables. This has an effect on the reported prior and current year earnings and the same was carried over as cumulative misstatement to the accrued Terminal Leave Payable account as of December 31, 2019. However, the total financial effect is not reasonably determinable due to unavailability of reliable Subsidiary Ledgers (SL) reflecting the actual unused leave credits of NPC officials and employees;

4. The accuracy and valuation of various unutilized and unserviceable power generation assets with a carrying amount of P432.974 million and P515.748 million for December 31, 2019 and 2018, respectively, which were reported under Other Assets account cannot be relied upon due to: (i.) non-recognition of Impairment loss contrary to IPSAS 21-Impairment of Non-Cash-Generating Assets; (ii.) non-provision of Depreciation Expense, a departure from the requirement of IPSAS 17-Property, Plant and Equipment; and (iii.) non-verifiability of net adjustments to Accumulated Depreciation account amounting to P369.386 million due to the non-submission of complete lapsing schedule;
5. The Property, Plant and Equipment (PPE) account carried in the books at P11.744 billion and P11.813 billion as at December 31, 2019 and 2018, respectively, cannot be relied upon due to: (i.) the variances noted between the book balance and result of physical count of various General Property and Equipment (GPE) in the amount of P180.997 million which remained unreconciled and unadjusted as at year-end; (ii.) excessive provision for depreciation expense which resulted to understatement of PPE account (net) by P93.013 million; (iii.) recognition of Accumulated Depreciation in the amount of P68.526 million without a corresponding PPE item; and (iv.) non-provision of allowance for impairment for various unserviceable assets. However, the quantification of total financial effect is not reasonably determinable due to the unavailability of reliable lapsing schedule that would show individual information about items of PPE such as acquisition cost, estimated useful life, estimated salvage value, etc. as basis for verifying additions, accounting charges, derecognition and other adjustments made on the account;
6. Obligations that did not meet the recognition criteria under IPSAS 19-Provisions, Contingent Liabilities and Contingent Assets, were accrued at year-end amounting to P291.591 million;
7. Also, variance amounting to P142.185 million between the general ledger balance and result of physical count of various inventory accounts, with the books reporting a higher amount, and temporary inventory accounts amounting to P556.628 million remained unaccounted and unadjusted at year-end; and
8. Unreconciled and abnormal balances of various accounts with an absolute value of P1.446 billion and P186.053 million, respectively, also exists at year-end. Further, various accounts amounting to P1.356 billion remained unverified due to insufficiency of information such as inventory location and custodian, creditor information of various payables and project work order details of retention payables.

We conducted our audits 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 Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements, 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 IPSASs, 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 Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 34 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to audit procedures applied in our audit of the basic financial statements. In our opinion, except for the effects of the information of the matters described in the *Basis for Qualified Opinion* paragraph, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


MA. SOCORRO O. GUILLERMO
OIC-Supervising Auditor

July 23, 2020



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 2019, 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

JULY 23, 2020
Date


LORNA T. DY
VP - Administration & Finance

JULY 20, 2020
Date


PIO J. BENAVIDEZ
President & CEO

JULY 20, 2020
Date



**NATIONAL POWER CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019 and 2018**

	<u>NOTE*</u>	<u>2019</u>	<u>2018</u> (As Restated)
ASSETS			
Current Assets			
Cash & Cash Equivalents	5	13,468,373,431	17,739,542,125
Receivables	6	4,017,040,932	3,979,176,918
Inventories	7	1,442,020,155	1,221,425,457
Other Current Assets	12	8,520,456,334	6,724,481,300
Total Current Assets		<u>27,447,890,852</u>	<u>29,664,625,800</u>
Non-Current Assets			
Receivables	6	425,252,387	759,959,474
Investment Property	8	2,316,921	836,456
Property, Plant and Equipment	9	11,744,183,147	11,812,916,217
Deferred Tax Assets	10	1,477,886,260	1,367,826,500
Other Investments	11	1,719,970	1,719,970
Other Non-Current Assets	12	7,079,645,177	6,420,434,108
Total Non-Current Assets		<u>20,731,003,862</u>	<u>20,363,692,725</u>
Total Assets		<u>48,178,894,714</u>	<u>50,028,318,525</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	13	6,348,213,914	7,602,446,076
Inter-Agency Payables	14	590,378,080	444,209,447
Trust Liabilities	15	77,199,236	55,649,279
Deferred Credits/Unearned Revenue	16	962,273,150	912,975,460
Other Payables	17	425,836,626	401,381,303
Total Current Liabilities		<u>8,403,901,006</u>	<u>9,416,661,565</u>
Non-Current Liabilities			
Financial Liabilities	13	497,869,445	577,112,031
Trust Liabilities	15	5,579,852,471	5,650,318,917
Deferred Credits/Unearned Revenue	16	2,203,253,265	3,563,033,692
Provisions	18	637,127,074	577,844,087
Total Non-Current Liabilities		<u>8,918,102,255</u>	<u>10,368,308,727</u>
Total Liabilities		<u>17,322,003,261</u>	<u>19,784,970,292</u>
Net Assets (Total Assets Less Total Liabilities)		<u>30,856,891,453</u>	<u>30,243,348,233</u>
NET ASSETS/EQUITY			
Government Equity	19	3,793,551,470	3,179,745,877
Stockholder's Equity	19	27,063,339,983	27,063,602,356
Total Net Assets/Equity		<u>30,856,891,453</u>	<u>30,243,348,233</u>

* The notes on pages 11 to 87 form part of these statements.

**NATIONAL POWER CORPORATION
STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

	<u>NOTE*</u>	<u>2019</u>	<u>2018</u> (As restated)
Revenue			
Service and Business Income	20	4,339,192,913	4,119,374,959
Shares, Grants and Donations	21	15,420,792,666	13,598,653,510
Total Revenue		19,759,985,579	17,718,028,469
Current Operating Expense			
Personnel Services	22	(1,646,170,471)	(1,493,628,355)
Maintenance and Other Operating Expenses	23	(2,155,886,236)	(2,031,748,243)
Financial Expenses	24	(2,995,946)	(5,742,597)
Direct Costs	25	(4,502,511,517)	(4,388,500,183)
Non-Cash Expenses	26	(995,909,206)	(954,451,835)
Total Current Operating Expense		(9,303,473,376)	(8,874,071,213)
Surplus from Current Operations		10,456,512,203	8,843,957,256
Other Non-Operating Income	28	42,734,032	75,108,246
Gains	28	35,596,772	1,345,353
Losses	28	(85,857)	(4,978,520)
Surplus Before Tax		10,534,757,150	8,915,432,335
Income Tax Expense		(494,862,029)	(425,942,399)
Surplus After Tax		10,039,895,121	8,489,489,936
Net Financial Assistance/Subsidy	27	(6,846,264,329)	(6,762,752,996)
Net Surplus for the Period		3,193,630,792	1,726,736,940

* The notes on pages 11 to 87 form part of these statements.

**NATIONAL POWER CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

	Accumulated Surplus/ (Deficit)	Share Capital	Other Equity Instruments (Donated Capital)	Total
BALANCE AT JANUARY 1, 2018	3,007,630,411	27,048,870,789	14,683,567	30,071,184,767
ADJUSTMENTS:				
Add (Deduct):				
Other Adjustments	981,794,244	0	0	981,794,244
RESTATED BALANCE AT JANUARY 1, 2018	3,989,424,655	27,048,870,789	14,683,567	31,052,979,011
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			48,000	48,000
Other Adjustments	(1,126,106,484)	0	0	(1,126,106,484)
BALANCE AT DECEMBER 31, 2018	3,179,745,877	27,048,870,789	14,731,567	30,243,348,233
Changes in Net Assets/Equity for CY 2019				
Add (Deduct):				
Surplus/(Deficit) for the Period	3,193,630,792	0	0	3,193,630,792
Dividends declared (2018)	(1,436,570,659)	0	0	(1,436,570,659)
Other Adjustments	(1,143,254,540)	0	(262,373)	(1,143,516,913)
BALANCE AT DECEMBER 31, 2019	3,793,551,470	27,048,870,789	14,469,194	30,856,891,453

**NATIONAL POWER CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Revenue	15,380,361,621	14,827,681,645
Receipt of Assistance/Subsidy	1,502,923,493	349,890,463
Collection of Other Receivables	120,217,303	130,731,971
Receipts of Intra-Agency Fund Transfers	52,085,589	22,171,806
Trust Receipts	29,443,306	32,297,183
Other Receipts	1,368,132,043	1,190,616,247
Total Cash Inflows	18,453,163,355	16,553,389,315
Cash Outflows		
Payment of Expenses	2,021,265,683	2,496,157,514
Purchase of Inventories	4,640,269,276	4,029,938,548
Grant of Cash Advances	7,585,460	4,731,706
Refund of Deposits	6,684,310	5,539,199
Remittance of Personnel Benefit Contributions and Mandatory Deductions	4,280,331,287	3,196,851,969
Grant of Financial Assistance/Subsidy/Contributions	7,927,576,684	6,273,413,326
Other Disbursements	28,651,619	34,482,844
Total Cash Outflows	18,912,364,319	16,041,115,106
Net Cash Provided (Used In) by Operating Activities	(459,200,964)	512,274,209
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipts of Interest Earned	527,528,700	353,417,230
Proceeds from Sale of Other Assets	0	1,280,000
Investment in Government & Other Corporation	99,000,000	94,031,330
Total Cash Inflows	626,528,700	448,728,560
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	2,098,726,013	1,334,352,353
Total Cash Outflows	2,098,726,013	1,334,352,353
Net Cash (Used In) Investing Activities	(1,472,197,313)	(885,623,793)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of Cash Dividends	1,436,570,659	1,410,309,234
Payment of Long-Term Liabilities	56,069,963	69,161,378
Payment of Interest on Loans	2,881,569	5,792,757
Transfer to Restricted Cash Account	0	30,000
Transfer to Other Asset Account	840,189,413	0
Total Cash Outflows	2,335,711,604	1,485,293,369
Net Cash (Used In) Financing Activities	(2,335,711,604)	(1,485,293,369)
Net Increase (Decrease) in Cash and Cash Equivalents	(4,267,109,881)	(1,858,642,953)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(4,058,813)	12,775,269
Cash and Cash Equivalents, January 1	17,739,542,125	19,585,409,809
Cash and Cash Equivalents, December 31	13,468,373,431	17,739,542,125

* The notes on pages 11 to 87 form part of these statements.

**NATIONAL POWER CORPORATION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Particulars	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference of Final Budget and Actual	
	Original	Final			
	NOTE				
	*				
	-				
RECEIPTS					
Services and Business Income	29	3,318,097,011	2,700,316,388	2,138,777,621	561,538,767
Assistance and Subsidy	29	1,028,986,000	4,522,574,219	1,502,923,493	3,019,650,726
Shares, Grants and Donations	29	14,861,313,662	20,209,639,060	13,241,584,000	6,968,055,060
Others	29	494,216,430	1,561,492,349	2,196,406,941	(634,914,592)
Total Receipts		19,702,613,103	28,994,022,016	19,079,692,055	9,914,329,961
PAYMENTS					
Personnel Services	29	1,958,171,000	1,958,171,000	688,333,368	1,269,837,632
Maintenance and Other					
Operating Expenses	29	10,182,840,528	11,364,072,050	7,625,815,368	3,738,256,682
Capital Outlay	29	5,632,803,000	9,126,391,219	2,098,726,013	7,027,665,206
Financial Expenses	29	60,155,822	61,334,525	58,951,532	2,382,993
Others	29	8,302,599,651	13,583,599,232	12,874,975,655	708,623,577
Total Payments		26,136,570,001	36,093,568,026	23,346,801,936	12,746,766,090
NET RECEIPTS/PAYMENTS		(6,433,956,898)	(7,099,546,010)	(4,267,109,881)	(2,832,436,129)

* The notes on pages 11 to 87 form part of these statements.

NATIONAL POWER CORPORATION
Notes to Financial Statements
For the years ended December 31, 2019 and 2018

1. GENERAL/CORPORATE 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 converted to a stock corporation wholly owned by the Philippine Government under Republic Act (RA) No. 2641 on June 18, 1960. On September 10, 1971, by virtue of RA 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 expiration of its present corporate life. 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 the furtherance and effective implementation of the government's policy on 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 in any court or administrative proceedings.

With the enactment of RA No. 9337, otherwise known as the Reformed Value-Added Tax (RVAT) Law of 2005, which took effect on November 1, 2005, NPC's purchases of fuel as well as its sale of electricity are subjected to VAT under Section 24(A) of the Act, repealing Section 13 of RA No. 6395 on the NPC's exemption from VAT.

Moreover, Section 27(C) of the National Internal Revenue Code (NIRC) of 1997 provides that government-owned and/or controlled corporations (GOCCs) are now subject to income tax except for government corporations specifically enumerated therein, hence, NPC is subject to income tax.

The EPIRA

RA No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001", the "EPIRA", was enacted to institute reforms and provide a 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 costs of NPC.

The EPIRA organized the power 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 its Small Power Utilities Group (SPUG), watershed management and the operation and maintenance of all undisposed generation assets of PSALM 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 transfer of assets and debt accounts 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. This separation and transfer of accounts was fully implemented 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 (OMA) with PSALM are retained in the books of NPC. Similar in 2008, NPC reported only the result of operation and the financial condition of the residual NPC, consisting of accounts pertaining to SPUG, Watershed and PSALM retained accounts. The latter pertains to accounts retained in NPC books pending validation and reconciliation. As soon as these accounts are validated and reconciled, same shall be taken out of the Temporary Registry by NPC thru an adjustment and/or by transferring to the books of PSALM and TransCo¹.

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 facilities owned by the latter prior to their privatization. In CY 2015, PSALM and NPC executed a new OMA wherein NPC continued its obligation as operator of the undisposed power 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 the services rendered for the main grid. The assets and liabilities in trust by PSALM to NPC are reported under Other Non-Current Assets and Trust Liabilities in the Statement of Financial Position (SFP).

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

¹ TransCo is a wholly owned subsidiary of PSALM Corporation.

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

2.1 Statement of Compliance

The financial statements have been prepared in compliance with the International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board (IPSASB) which were adapted and prescribed by the Commission on Audit (COA) through COA Resolution No. 2014-003 dated January 24, 2014, COA Resolution 2017-006 dated April 26, 2017 and COA Resolution No. 2020-001 dated January 09, 2020. IPSAS consists of individual IPSASs and the accompanying Philippine Application Guidance (PAG) issued by COA.

The financial statements of NPC were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on July 23, 2020.

2.2 Basis of Preparation

The financial statements have been prepared on an accrual basis using historical cost, unless stated otherwise. Historical Cost is generally based on the fair value of the consideration given in exchange for good and services. The Statement of Cash Flows is prepared using the direct method.

The preparation of financial statements in compliance with the adopted IPSASs requires the use of certain accounting estimates. It also requires the agency to exercise judgment in applying its accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in *Note 3.10.d* and *6.1*.

2.3 Functional and Presentation Currency

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Adoption of the Updated Revised Chart of Accounts (RCA 2019) for Government Corporations

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; 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; and COA Circular 2020-002-Adoption of the Updated Revised Chart of Accounts for Government Corporations (2019) dated January 28, 2020, the accounts reported in the CY 2019 financial statements of NPC were converted, where applicable to the Updated Revised Chart of Accounts for Government Corporations (2019) for presentation purposes.

3.2 Preparation of Financial Statements and Other Financial Reports

Also as at December 31, 2019, NPC complied with COA Circular 2017-004, which prescribed the guidelines on the preparation of financial statements and other financial reports and implementation of the Philippine Financial Reporting Standards (PFRS) by Government Corporations classified as Government Business Enterprises (GBE) and Philippine Public Sector Accounting Standards (PPSAS)² by Non-Government Business Enterprises (Non-GBE), dated December 13, 2017.

These accounting changes have an impact on NPC’s presentation of financial statements and related books of accounts. The NPC’s accounting system currently uses account codes and titles based on the approved Accounting Manual of the Corporation. However, in compliance to the above Circular, the prescribed line items used in the preparation and presentation of financial statements were based on the Updated Revised Chart of Accounts for Government Corporations (2019) issued by COA.

3.3 Adoption of New and Amended IPSASs

The accounting policies set out below have been applied consistently to all periods presented in the financial statements. No new and amended IPSASs have been adapted and prescribed by COA during the year.

3.4 Standards Not Applied

A number of standards are effective for annual periods beginning after January 1, 2014 thru COA Resolution 2014-003 and after January 1, 2017 thru COA Resolution 2017-006 but have not been applied in preparing the financial statements. This includes the following IPSASs and the reason for their non-application in CY 2019 financial statements:

IPSAS	Reason for Non-Application
IPSAS 5-Borrowing Costs	The Corporation has no outstanding borrowing costs incurred that are directly attributable to the acquisition, construction, or production of a qualifying asset.
IPSAS 6-Consolidated and	Superseded by IPSAS 34-Separate Financial

² Renamed to International Public Sector Accounting Standards (IPSAS) thru COA Resolution No. 2020-001 dated January 09, 2020

IPSAS	Reason for Non-Application
<i>Separate Financial Statements</i>	<i>Statements</i> and IPSAS 35- <i>Consolidated Financial Statements</i>
IPSAS 8- <i>Interests in Joint Ventures</i>	Superseded by IPSAS 37- <i>Joint Arrangements</i> .
IPSAS 27- <i>Agriculture</i>	NPC is not engaged in an agricultural activity.
IPSAS 31- <i>Intangible Assets</i>	NPC does not have an Intangible Asset.
IPSAS 32- <i>Service Concession Arrangements: Grantor</i>	NPC does not have [and is not a grantor to] any service concession arrangements with private operators.
IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i>	<p>Paragraph 2 of IPSAS 33-<i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> provides that this IPSAS applies when an entity first adopts accrual basis IPSASs and during the transitional period allowed in this IPSAS.</p> <p>It does not apply when, for example, a first-time adopter:</p> <ol style="list-style-type: none"> a. Stops presenting financial statements in accordance with prescribed requirements, having previously presented them as well as another set of financial statements that contained an explicit and unreserved statement of compliance with accrual basis IPSASs; b. Presented financial statements in the previous reporting period in accordance with prescribed requirements and those financial statements contained an explicit and unreserved statement of compliance with accrual basis IPSASs; or c. Presented financial statements in the previous reporting period that contained an explicit and unreserved statement of compliance with accrual basis IPSASs, even if the auditors modified their audit report on those financial statements.
IPSAS 34- <i>Separate Financial Statements</i>	NPC does not have any investment in controlled entities, joint ventures, and associates.
IPSAS 35- <i>Consolidated Financial Statements</i>	NPC does not have controlling interest in any other entities.
IPSAS 36- <i>Investments in Associates and Joint Ventures</i>	NPC does not have any investment in associates and joint ventures.
IPSAS 37- <i>Joint Arrangements</i>	NPC does not have interest in joint arrangements.
IPSAS 38- <i>Disclosure of Interests in Other Entities</i>	NPC does not have any interest in other entities.

3.5 Current versus Noncurrent Classification

The NPC presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it satisfies any of the following criteria: (a.) it is expected to be realized in, or is held for sale or consumption in, the entity's normal operating cycle; (b.) it is held primarily for the purpose of being traded; (c.) it is expected to be realized within 12 months after the reporting date; or (d.) it is cash or a cash equivalent (as defined in *IPSAS 1-Presentation of Financial Statements*, unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

NPC presents a liability as current when it satisfies any of the following criteria: (a.) it is expected to be settled in the entity's normal operating cycle; (b.) it is held primarily for the purpose of being traded; (c.) it is due to be settled within 12 months after the reporting date; or (d.) the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

NPC classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

3.6 Financial Instruments

a. Financial assets

i. Initial recognition and measurement

Financial assets within the scope of *IPSAS 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, trade, and other receivables. NPC has no derivative financial instruments as of December 31, 2019.

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification:

▪ 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.

- **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.

- a) **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 noncurrent 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:

- The contractual rights to the cash flows from the financial asset expired or waived; and
- 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 *IPSAS 29-Financial Instruments: Recognition and Measurement*; and either the entity has: (i.) transferred substantially all the risks and rewards of ownership of the financial asset; or (ii.) 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 an 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:

- The debtors or a group of debtors are experiencing significant financial difficulty;
- Default or delinquency in interest or principal payments;

- The probability that debtors will enter bankruptcy or other financial reorganization; and
- 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 CY 2015 to provide a reasonable allowance for impairment as follows:

- A 20 per cent impairment allowance is recognized for accounts that are outstanding for more than 6 months to one year;
- A 30 per cent impairment allowance is recognized for accounts that are outstanding for more than one year to two years;
- A 50 per cent impairment allowance is recognized for accounts that are outstanding for more than two years to four years; and
- A 100 per cent 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 IPSAS 29-*Financial Instruments: Recognition and Measurement* 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 transactions 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 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.

3.7 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 amount of cash and are subject to insignificant risk of changes in value.

3.8 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.

IPSAS 12-*Inventories* suggests the writing inventories down below cost to net realizable value which is consistent with the view that assets are not to be carried in excess of the future economic benefits or service potential expected to be realized from their sale, exchange, distribution or use.

The materials and other supplies held for use in the generation of power were not written down below cost because the output in which they will be incorporated are expected to be sold based on a Subsidized/Approved Generation Rate (SAGR) approved by the Energy Regulatory Commission (ERC). Because of this fixed pricing mechanism, there is no objective evidence of decline in the future economic benefits or service potential expected to be realized from these inventories.

3.9 Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over its estimated useful life.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. The NPC uses the cost model for the measurement of investment property after initial recognition.

3.10 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:

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

An item of PPE is recognized as an asset if:

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

The cost of PPE includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Expenditures that is directly attributable to the acquisition of the items; and
- 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
Computers and Accessories	3 years
Other Machineries and Equipment	20 years

iii. Residual value

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

e. 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.

f. 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.

3.11 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.

3.12 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 (NFS) 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.

3.13 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.

3.14 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.

3.15 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:

- 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.
- 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 reduce 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

Services 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.

3.16 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.

3.17 Income Taxes

NPC adapted Philippine Accounting Standard (PAS) *12-Income Taxes*.

Currently, IPSAS does not have accounting guidance on income tax. However, NPC [a government corporation classified as Non-Government Business Enterprise (Non-GBE) using IPSAS], is liable for tax. Hence, the Corporation used PAS *12-Income Taxes* as guidance on accounting for income taxes as provided under paragraph 14 of IPSAS *19-Provisions, Contingent Liabilities and Contingents Assets* which states that International Accounting Standard (IAS) *12-Income Taxes*, provides guidance on accounting for income taxes.

This selection of accounting policy is also referred to paragraphs 12 to 15 of IPSAS *3-Accounting Policies, Changes in Accounting Estimates and Errors* which provides for the hierarchy for the selection of applicable accounting policies for a particular transaction, event or condition that is not addressed by other IPSASs. In such case, the Standards allow the consideration of the most recent pronouncements of other standard-setting bodies and accepted public or private sector practices to the extent, but only to the extent, that these do not conflict with the requirements and guidance in IPSASs dealing with similar and related issues; and the definitions, recognition and

measurement criteria for assets, liabilities, revenue and expenses described in other IPSASs (paragraph 14 and 15, *IPSAS 3-Accounting Policies, Changes in Accounting Estimates and Errors*).

PAS 12 is the Philippine adaptation of IAS 12.

3.18 Budget Information

IPSAS 24-Presentation of Budget Information in Financial Statements requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities which are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared and presented showing the original and final budget and the actual amounts. Disclosures in the Notes to Financial Statements serve as explanation of the reasons for material differences between the budget and actual amounts. (*See also Note 29*)

Compliance with the requirements of this Standard ensures that NPC discharges its accountability obligations and enhance the transparency of its financial statements by demonstrating compliance with the approved budget(s) for which it is held publicly accountable and, where the budget(s) and the financial statements are prepared on the same basis, its financial performance in achieving the budgeted results.

3.19 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 is comprised of the Members of the Board of Directors, the President and Chief Executive Officer and the Members of the Management Committee.

3.20 Employee Benefits

The employees of NPC are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage. *IPSAS 39-Employee Benefits*, although among the IPSAS issued by the IPSASB, was not adopted in the preparation and presentation of NPC's financial statements. This Standard is not among the prescribed IPSASs by COA.

3.21 Use of Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with IPSAS 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. PRIOR PERIOD ADJUSTMENTS

- 4.1 A reclassification of asset to expense accounts for items below P15,000 was undertaken to comply with the recommendation of the COA in its 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 reclassification of accounts amounted to P1,960,502.
- 4.2 A reclassification of operating expenses to Capital Expenditures (CAPEX) under Work Order (WO). E300A11 and E800A02 was made in the aggregate amount of P11,564,165.
- 4.3 A reclassification of operating expenses account to General Plant and Equipment (GPE) was undertaken in the amount of P5,492,733 which includes the cost of three units of motor vehicles amounting to P3,230,532; a reclassification of GPE for disposal in Lubuagan Diesel Power Plant (DPP), Bantayan DPP, Tablas DPP, Busuanga DPP and Polilio DPP in the aggregate amount of P112,435; a reclassification from GPE to operating expenses amounting to P1,870,960 and prior year’s adjustments on accounting entries in the amount of P6,587,978.
- 4.4 An adjustment to Accumulated Depreciation of electric plants leased to Puerto Princesa DPP and Calapan DPP was effected due to exclusion of ten percent salvage value in the amount P20,077,090.
- 4.5 Various adjustments to Accumulated Depreciation of Plants in Service account: (a.) accounting entry for prior years’ depreciation expenses on completed work orders as of CY 2018 but not yet unitized during the period in the amount of P12,698,860; (b.) due to change in useful life following the COA’s standard service life of assets amounting to P685,322,723; and (c.) adjustment to the prior year’s depreciation expense of Occidental Mindoro Substation amounting to P16,605,578.
- 4.6 An adjustment to the Accumulated Depreciation of plant for disposal due to the reclassification of Tablas DPP, Roxas DPP, Siquijor, Busuanga and Polilio DPP from non-utility plant to plant for disposal in the amount of P6,649,047.

- 4.7 An adjustment to the Accumulated Depreciation of construction work order due to unitization of WO No. E810A26 amounting to P346,000.
- 4.8 Various adjustments to the Accumulated Depreciation of other utility plants: (a.) entry of prior years' depreciation expenses for laptops, automatic system motor sliding gate at NPC Head Office, 23 units of air conditioner and data center security solution in the aggregate amount of P16,290,120; (b.) a reclassification from other utility plants to electric plant for disposal and retirement of assets in the aggregate amount of P16,911,970.98; and (c.) adjustment on prior year's reported depreciation expenses of P12,234,056.
- 4.9 An adjustment to non-utility property of San Jose DPP in the amount of P6,600.
- 4.10 An adjustment to the Accumulated Depreciation for non-utility properties of various SPUG areas in Luzon, Visayas, and Mindanao due to change in useful life of the assets in the aggregate amount of P70,951,530.
- 4.11 An entry for cash receipts of prior year's interest earned on bank deposits cancelled checks and cash refund from Manila Electric Company (MERALCO) pursuant to the Decision of the Supreme Court in GR Nos. 141314 and 141369 and Order of the ERC dated May 12, 2003 in ERC Case No. 2001-243 in the aggregate amount of P5,510,276; and refund on liquidation of cash advances by disbursing officer in the amount of P14,401.
- 4.12 Adjustments on power receivables accounts of Masbate Philippine Rural Electrification Service (PRES) Project due to maintenance tagging for the years 2010 to 2018 in the aggregate amount of P24,166,218; availment of prompt payment discount by power customers in the amount of P3,683,081; and over deduction of Mandatory Rate Reduction to Ticao Electric Cooperative, Inc. of P1,071,292.
- 4.13 An entry for adjustment of accrued utility revenue due to Generation Rate Adjustment Mechanism (GRAM) from New Power Provider (NPPs) to comply with the recommendation of the COA in AOM No. 2018-032 dated May 6, 2019 and adjustment on prior years accounting entries in the aggregate amount of P799,411,462.
- 4.14 An entry for adjustment of allowance for bad debts in the amount of P24,957,966 which is mainly attributable to the maintenance tagging of Masbate PRES project for the calendar years 2010 to 2018.
- 4.15 An entry to reverse the accrual on interest receivables on temporary investment account totaling to P41,937,787.
- 4.16 Adjustment on Receivable from National Government (NG) relative to an entry made on prior year's expenses incurred by NPC on the maintenance of the Bataan Nuclear Power Plant (BNPP) and interest on the outstanding receivables.

- 4.17 An entry on Due from Officers & Employees to effect the booking of COA Disallowances on Extraordinary Miscellaneous Expenses (EME) due from NPC employees and liquidation of cash advances in the aggregate amount of P1,939,444.
- 4.18 An entry on Accounts Receivable-Others to effect the prior year's income from liquidated damages, penalty on Generator Set rental, rental income and COA Disallowances on EME to retired NPC employees in the aggregate amount of P60,794,239.
- 4.19 Adjustments were made on the inventory accounts namely: diesel stock, materials, supplies and equipment inventory, fuel stock and other oil products due to: (a.) understated prior year's expenses in the aggregate amount of P58,464,570; (b.) to close the unbundling accounting entries in CY 2000 on materials and equipment in transit of P5,818,139; and (c.) adjustment on stock transfer clearing and materials and supplies temporary adjustment account in the aggregate amount of P2,850,142.
- 4.20 Adjustment on Prepaid Charges due to prior year's overstated expenses in the amount of P175,600.
- 4.21 Adjustment on cash advances to contractor due to over recoupment of FABMIK Construction & Equipment Co. Inc. on progress billing for WO No. I301A02 in CY 2017 in the amount of P527,195.
- 4.22 A reclassification of rental expense to guaranty deposit account in the amount of P175,600.
- 4.23 Adjustment on other advances account due to closing of prior year account amortization of on-line subscription with S & P Global Platts in CY 2017 in the amount of P570,438.
- 4.24 A reclassification on preliminary surveys and investigation from capitalized expense to outright expense account in the amount of P28,612,730.
- 4.25 An adjustment was made on deferred tax asset for CY 2016 bad debts in the amount of P1,056,941,188 to comply with the COA recommendation under COA AOM No 2018-028 dated 02 May 2019.
- 4.26 To derecognize outstanding payables for more than two (2) years and adjustments on previous years set up of payables of the following accounts: (a.) Gasoline and other Oil Products P16,315,603; (b.) Fuel Payables P219,557,457; (c.) Materials and Supplies Equipment Payable P122,052,642; (d.) Accounts Payable-Others P95,96,445; (e.) Check Vouchers Payable P797,278; (f.) Due to PhilHealth P9,476; (g.) Retention on Contract of Payments P12,348,817; and (h.) Cash Vouchers Payable of P231,743.
- 4.27 To close out the unutilized certified obligations and re-setting of certified obligations for prior year's expenses due to contractors and suppliers in the

net amount P162,563,894 and due to NPC employees in the net amount of P135,492,089.

- 4.28 Reclassification of prior year's rental income from KWWP Holdings to Deposits and Trust Fund account in the amount P1,033,701.
- 4.29 An entry for adjustment of advances for other work in progress due to recognition of income from donation in the amount of P448,000 from Metropolitan Waterworks and Sewerage System (MWSS) for the partial performance of the conditions attached to the Angat Dam and Dyke Strengthening Project (ADDSP).
- 4.30 Accounting entries for prior year's expenses paid in 2019 for NPP subsidies, security and janitorial, outside services, generator set rental and travelling expenses in the aggregate amount of P179,212,450.
- 4.31 An entry for adjustment on Deferred Credits-GRAM in the amount of P233,884,407 in compliance to COA AOM No. 2018-032 dated May 06, 2019.
- 4.32 Entry for prior year's adjustment on Due to Other Agency-PSALM to effect on the tagging maintenance of Masbate PRES power bills of residential customers in the amount of P100,334.
- 4.33 Reversal entry on Output Tax Payable in the amount of P457,040 due to unbundling entries in CY 2000.
- 4.34 Adjustment on prior year's set up on input tax credit on CAPEX for depreciable goods in the aggregate amount of P50,854,049.
- 4.35 In addition, restatements of CY 2018 account balances which were reflected in the comparative Statements of Financial Position and Statements of Financial Performance were due to the following:

- a. Loans and Receivables (*Note 6.1, Note 4.35.d*)

In compliance with COA AOM No. 2018-023 dated April 10, 2019, the Deferred VAT amounting to P410,738,242 which was part of the Output Tax on Power Receivables in CY 2018 was reclassified to the Other Assets-Deferred Charges/Losses account in CY 2019.

Output Tax Receivable pertaining to Restructured Power Receivables amounted to P2,173,399, Operating Lease Receivable of P26,786 and Non-Power Receivables of P256,240 were properly reclassified to their respective accounts.

Interest Receivable amounting to P243,833,271 which was presented as part of Sales Contract Receivable-Interest on Power Receivables account in CY 2018 pertains to interest and penalties on cost of fuel purchased by NPC for Island Power Corporation (IPC), an Independent

Power Producer (IPP). In CY 2019 this was properly reclassified and presented as part of the Other Receivables-Interest Receivable on Non-Power account.

Also, a prior year adjustment to the Allowance for Impairment-Sales Contract Receivable-Power Receivables account amounting to P24,506,173 was effected as a result of a reconciliation undertaken for Masbate PRES accounts' recorded power bills for the period covering October 2010 to November 2019 and also partly due to improvement in the collection efficiency of Catbalogan Mini Grid amounting to P14,538.

b. Lease Receivable (*Note 6.3*)

The Output Tax on Operating Lease Receivable amounting to P26,786 was presented as part of Sales Contract Receivable-Output Tax on Power Receivables account in CY 2018. This was reclassified and properly presented as part of Lease Receivable in CY 2019.

c. Other Receivables (*Note 6.5, Note 4.35.a*)

Accounts	2018		Increase (Decrease)
	As Restated	As Reported from Prior Year	
Interest Receivable-Non-Power	285,810,136	41,976,865	243,833,271
Output Tax Receivable-Non-Power	30,531,439	30,275,199	256,240

The Interest Receivable amounting to P243,833,271 which was presented as part of Sales Contract Receivable-Interest on Receivable account in CY 2018 pertains to fuel transactions that are not part of power receivables, thus in CY 2019 this was reclassified and presented as Other Receivables-Interest Receivable on Non Power. Output Tax Receivable related to non-power receivables amounting to P256,240 was reclassified to Other Receivables.

d. Property, Plant and Equipment (*Note 9*)

Accounts	2018		Increase (Decrease)
	As Restated	As Reported from Prior Year	
Property, Plant and Equipment	11,812,916,217	12,329,500,558	(516,584,341)

In compliance with COA AOM No. 2018-007 dated February 22, 2019, NPC reclassified and presented the Non-Utility Assets with a carrying amount of P515,747,885 as part of Other Non-Current Assets under Abandoned/Surrendered Property/Assets account, which was previously presented under Property, Plant & Equipment in CY 2018. The account

Abandoned/Surrendered Property/Assets was later reclassified to Other Assets-Other Assets (Stock for Disposal).

Adjustments to the CY 2018 ending balance also include reclassification of Investment Property amounting to P836,456 (See Note 8).

e. Other Assets (Note 12)

Accounts	2018		Increase (Decrease)
	As Restated	As Reported from Prior Year	
Other Assets (Stocks for Disposal)	546,645,817	30,897,931	515,747,886
Deferred Charges/Losses	448,688,249	37,950,007	410,738,242

Other Assets-Stocks for Disposal - In compliance with COA AOM No. 2018-007 dated February 22, 2019, NPC reclassified and presented the Non-Utility assets with a carrying amount of P515,747,885 as part of the Other Assets – Stocks for Disposal account, which was previously presented under Property, Plant & Equipment in CY 2018.

Deferred Charges/Losses - In compliance with COA AOM 2018-023 dated April 10, 2019, Deferred VAT amounting to P410,738,242 was reclassified to the Other Assets-Deferred Charges/Losses account, which was presented as part of Loans and Receivables-Sales Contract Receivable in CY 2018.

f. Check Vouchers Payables (Note 13.1)

Accounts	2018		Increase (Decrease)
	As Restated	As Reported from Prior Year	
Check Vouchers Payable	1,651,727,542	1,653,493,712	(1,766,170)

In compliance with COA AOM 2018-09 dated March 07, 2019, NPC reclassified a total of P1,766,170 pertaining to taxes payable to the BIR as part of the Inter-Agency Payable account. This was previously presented as part of Financial Liabilities-Check Vouchers Payables in CY 2018.

g. Inter-Agency Payables–Due to BIR (Note 14)

Accounts	2018		Increase (Decrease)
	As Restated	As Reported from Prior Year	
Due to BIR	275,208,499	177,788,224	97,420,275

In compliance with COA AOM No. 2018-09 dated March 07, 2019, NPC reclassified a total amount of P97,420,275 pertaining to taxes payable to the BIR as part of the Inter-Agency Payable account.

Various tax obligations to the BIR amounting to P1,766,170 was previously presented as part of Financial Liabilities-Check Vouchers Payables and the five percent final VAT for government money payments (GVAT or GMP) amounting to P95,654,105 was previously presented as part of Deferred Credits-Output Tax in CY 2018.

h. Deferred Credits-Output Tax (*Note 16*)

Accounts	2018		Increase (Decrease)
	As Restated	As Reported from Prior Year	
Deferred Credits Output Tax	912,975,460	1,008,629,564	(95,654,104)

In compliance with COA AOM 2018-09 dated March 07, 2019, NPC reclassified an amount of P95,654,104 pertaining to five per cent Final VAT for government money payments (GVAT) as part of the Inter-Agency Payable account. This was previously presented as part of Deferred Credits-Output Tax account in CY 2018.

i. Service and Business Income (*Note 20*)

Accounts	2018		Increase (Decrease)
	As Restated	As Reported from Prior Year	
Income from Management Fee	1,114,404,089	41,265,361	1,073,138,728

In compliance with COA AOM No. 2018-021 dated April 8, 2019, NPC presented the OMA portion of Miscellaneous Income under the account of Income from Management Fee on the Statement of Financial Performance.

j. Personnel Services (*Notes 22.1 to 22.4*) and Maintenance and Other Operating Expenses (*Notes 23.1 to 23.13*)

Accounts	2018		Increase (Decrease)
	As Restated	As Reported from Prior Year	
Personnel Services			
Salaries and Wages	844,810,618	544,381,747	300,428,871
Other Compensation	427,814,460	234,773,557	193,040,903
Personnel Benefits Contribution	114,259,028	73,812,746	40,446,282
Other Personnel Benefits	106,744,249	63,164,439	43,579,810
Maintenance and Other Operating Expenses			
Other Maintenance and Operating Expenses	479,888,947	468,177,266	11,711,681

Accounts	2018		Increase (Decrease)
	As Restated	As Reported from Prior Year	
General Services	405,916,965	328,381,019	77,535,946
Generation, Transmission and Distribution Expenses	245,213,543	222,704,397	22,509,146
Repairs and Maintenance	356,893,714	175,814,706	181,079,008
Taxes, Insurance Premiums and Other Fees	155,258,577	148,879,969	6,378,608
Awards/Rewards, Prizes and Indemnities	118,668,620	80,896,320	37,772,300
Travelling Expenses	97,382,848	72,740,675	24,642,173
Utility Expenses	34,798,795	29,169,774	5,629,021
Supplies and Materials	70,096,228	24,659,360	45,436,868
Professional Services	28,386,945	23,714,160	4,672,785
Communication Expenses	24,135,152	12,193,561	11,941,591
Training and Scholarship	14,226,986	9,939,051	4,287,935
Confidential, Intelligence and Extraordinary Expenses	880,923	763,323	117,600

With reference to *Note 28.1* Miscellaneous expenses, OMA portion of the said account were included as part of Personnel Services (PS) and Maintenance and Other Operating Expenses (MOOE), classified based on the description of accounts provided under the Revised Government Chart of Accounts as recommended in COA AOM No. 2018-021 dated April 8, 2019; hence the above adjustments.

k. Depreciation (*Note 26.1*)

Accounts	2018		Increase (Decrease)
	As Restated	As Reported from Prior Year	
Depreciation	496,942,007	522,667,507	(25,725,500)

In compliance with COA AOM No. 2018-007 dated February 22, 2019, NPC reclassified and presented the related depreciation expense charges of Non-Utility Assets separately as Depreciation-Other Assets, which was previously presented under the account Depreciation Expense of Property, Plant & Equipment account.

5. CASH AND CASH EQUIVALENTS

Particulars	2019	2018
Cash on Hand	962	0
Cash in Bank - Local Currency	550,202,875	470,012,681
Cash in Bank - Foreign Currency	22,807,167	19,221,687
Cash Equivalents	12,895,362,427	17,250,307,757
Total	13,468,373,431	17,739,542,125

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

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.

6. RECEIVABLES

6.1 Loans and Receivables (See Note 4.35.a)

Accounts	2019		
	Current	Non-Current	Total
Sales Contract Receivable-Power Receivables			
Sales Contract Receivable- Restructured Receivables	6,649,298,833	439,129,532	7,088,428,365
Allowance for Impairment-Sales Contract Receivable-Power Receivables	(4,944,709,121)	(13,877,145)	(4,958,586,266)
Sales Contract Receivable- Output Tax on Power Receivables	442,001,434	0	442,001,434
Net Sales Contract Receivable-Power Receivables	2,146,591,146	425,252,387	2,571,843,533
Sales Contract Receivable-Restructured Receivables			
Sales Contract Receivable- Restructured Receivables	30,524,552	0	30,524,552
Sales Contract Receivable - Output Tax on Restructured Receivables	1,226,311	0	1,226,311
Net Sales Contract Receivable-Restructured Receivables	31,750,863	0	31,750,863
Sales Contract Receivable-Accrued Utility Revenue	35,921,177	0	35,921,177
Sales Contract Receivable-Interest on Power Receivables	250,034,684	0	250,034,684
Total	2,464,297,870	425,252,387	2,889,550,257

Accounts	2018 (As Restated)		
	Current	Non-Current	Total
Sales Contract Receivable-Power Receivables			
Sales Contract Receivable-Power Receivables	6,242,861,283	476,387,913	6,719,249,196
Allowance for Impairment-Sales Contract Receivable-Power Receivables	(4,518,811,167)	(13,782,402)	(4,532,593,569)
Sales Contract Receivable- Output Tax on Power Receivables	393,140,440	0	393,140,440
Net Sales Contract Receivable-Power Receivables	2,117,190,556	462,605,511	2,579,796,067

Accounts	2018 (As Restated)		
	Current	Non-Current	Total
Sales Contract Receivable- Restructured Receivables			
Sales Contract Receivable- Restructured Receivables	22,614,729	0	22,614,729
Sales Contract Receivable- Output Tax on Restructured Receivables	2,173,399	0	2,173,399
Net Sales Contract Receivable- Restructured Receivables	24,788,128	0	24,788,128
Sales Contract Receivable- Accrued Utility Revenue	213,896,632	297,353,963	511,250,595
Sales Contract Receivable- Interest on Power Receivables	216,543,604	0	216,543,604
Total	2,572,418,920	759,959,474	3,332,378,394

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

Sales Contract Receivable-Output Tax on Power Receivables pertains to VAT due from customers for the sale of power. This account excludes Deferred Value Added Tax (VAT) in the amount of P409,343,287 for year 2019 and P410,738,242 for year 2018 which represents the uncollected VAT component of power bills as of August 25, 2012 due from Distribution Utilities (DUs) and Electric Cooperatives (ECs) to be remitted to the BIR as prescribed under RMC 71-2012.

Item A1, No.4 of the same Circular states that, *"DUs/ECs shall provide the Generator Companies (GenCos), aggregator, retail electricity supplier and other suppliers of electricity with copies of the duly filed BIR Form No. 0605, together with the proof of payment, within 3 days from the date of remittance to BIR. The same shall be the basis of the GenCos and others to record the payment of deferred VAT. The unremitted portion of the Deferred VAT prior to August 25, 2012, if any, shall remain outstanding until the closure of the BIR audit of DUs/ECs."*

Allowance for Impairment-Sales Contract Receivable the net increase of P425.993 million or 9.40 per cent from 2018 was mainly due to the increase of Allowance for Impairment from Basilan, Sulu, Tawi-Tawi (BASULTA) customers.

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

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

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

The increase in the interest receivables was attributed to the build-up of power receivables due from BASULTA power customers.

6.2 Aging/Analysis of Receivables

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

As at December 31, 2019

Accounts	Total	Not Past Due	Past Due		
			<30 days	30-60 days	>60 days
Sales Contract Receivable-Power Receivables	6,649,298,833	164,314,745	51,696,358	49,134,213	6,384,153,517
Luzon	122,467,538	80,713,167	2,591,758	1,125,731	38,036,882
Visayas	18,598,532	13,461,644	866,568	784,121	3,486,199
Mindanao	6,508,232,763	70,139,934	48,238,032	47,224,361	6,342,630,436
Output Tax (VAT) Receivable³	442,001,434	19,993,057	6,199,492	5,892,245	409,916,640
Luzon	12,728,325	9,863,119	308,663	132,784	2,423,759
Visayas	2,287,527	1,680,902	102,265	92,538	411,822
Mindanao	426,985,582	8,449,036	5,788,564	5,666,923	407,081,059
Non-Current Sales Contract Receivable-Power	439,129,532	425,252,387	0	0	13,877,145
Restructured	425,252,387	425,252,387	0	0	0
Visayas	13,877,145	0	0	0	13,877,145
Sales Contract Receivable-Restructured Power	30,524,552	30,524,552	0	0	0
Luzon	28,899,181	28,899,181	0	0	0
Mindanao	1,625,371	1,625,371	0	0	0
Output Tax - Restructured Account	1,226,311	1,226,311	0	0	0
Luzon	718,742	718,742	0	0	0
Mindanao	507,569	507,569	0	0	0
Sales Contract Receivable	35,921,177	35,921,177	0	0	0
Interest Receivable⁴	250,034,684	166,843,529	7,086,214	7,304,581	68,800,360
Luzon	130,392,460	130,381,396	3,926	3,535	3,603
Mindanao	119,642,224	36,462,133	7,082,288	7,301,046	68,796,757
Operating Lease Receivable	20,678,498	591,237	543,618	382,904	19,160,739
Output Tax - Operating Lease Receivable	3,186,128	70,948	65,234	45,949	3,003,997
Other Receivable	1,332,047,325	112,726,953	1,664,091	17,114,156	1,200,542,125
Due from Officers and Employees	7,578,468	21	2,977	720,583	6,854,887
Accounts Receivable - Others	1,026,452,709	87,028,370	1,621,298	14,791,326	923,011,715
Interest Receivable - Non-Power	269,312,341	25,479,070	0	0	243,833,271
Output Tax - Non-Power	28,703,807	219,492	39,816	1,602,247	26,842,252
Total	9,204,048,474	957,464,896	67,255,007	79,874,048	8,099,454,523

a. Sales Contract Receivable-Power Receivables

It can be gleaned from the above aging schedule of receivables that the bulk of receivables is due from Mindanao area particularly electric cooperatives of Basilan, Sulu and Tawi-Tawi, with P6.940 billion past due accounts inclusive

³ >60 days Past Due excludes Deferred VAT totaled P409,343,287 which represents the unremitted/unpaid VAT on power bills as of August 25, 2012 due from Distribution Utilities (DUs) and Electric Cooperatives (ECs).

⁴ Not Past Due includes Interest on Restructured Accounts.

of interest, or 94.53 per cent of the total past due accounts for power receivables.

b. Accounts Receivable-Others

Notices of Collection 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 Office of the Legal Counsel.

6.3 Lease Receivable (See Note 4.35.b)

Accounts	2019	2018 (As Restated)
Operating Lease Receivable	20,678,498	223,214
Output Tax on Operating Lease Receivable	3,186,128	26,786
Total	23,864,626	250,000

Operating Lease Receivable pertains to lease agreement entered by Power One Corporation, Sunwest Water and Electric Company, Inc., Palawan Electric Cooperative, Inc., and DMCI Power Corporation for the rental of NPC's properties in Calapan DPP, Viga DPP & Puerto Princesa DPP, respectively.

The CY 2018 balance pertains to the three months outstanding lease receivable due from Oriental Mindoro Electric Cooperative, Inc. (ORMECO) using the old rate indicated in the lease agreement.

6.4 Inter-Agency Receivables

Accounts	2019	2018
Due from National Government Agencies	197,782,222	121,173,833
Due from Government Corporations	378,093	378,093
Total	198,160,315	121,551,926

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.

6.5 Other Receivables (See Note 4.35.c)

Accounts	2019	2018 (As Restated)
Due from Officers and Employees	7,578,468	6,893,962
Accounts Receivable – Others	1,027,370,709	964,077,899
Allowance for Impairment – Accounts Receivable – Others	(2,357,364)	(2,357,364)

Accounts	2019	2018 (As Restated)
Accounts Receivable – Others, net	1,025,013,345	961,720,535
Output Tax Receivable – Non-Power	28,813,967	30,531,439
Interest Receivable – Non-Power	269,312,341	285,810,136
Total	1,330,718,121	1,284,956,072

Due from Officers and Employees pertains to advances and expenses paid by NPC to 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.

7. INVENTORIES

Accounts	2019	2018
Asset In Trust		
Carrying Amount, January 1	65,145,808	68,703,020
Additions/Acquisitions during the year	64,103,681	65,145,809
Expensed during the year except write-down	(65,147,652)	(68,703,021)
Carrying Amount, December 31	64,101,837	65,145,808
Gasoline		
Carrying Amount, January 1	195,747	105,140
Additions/Acquisitions during the year	469,685	639,699
Expensed during the year except write-down	(481,287)	(549,092)
Carrying Amount, December 31	184,145	195,747
Diesel Stock		
Carrying Amount, January 1	320,546,544	378,670,438
Additions/Acquisitions during the year	7,034,533,851	6,161,226,256
Expensed during the year except write-down	(6,901,737,522)	(6,219,350,150)
Carrying Amount, December 31	453,342,873	320,546,544
Stock Transfer - Clearing Accounts		
Carrying Amount, January 1	10,282,054	15,959,981
Additions/Acquisitions during the year	30,517,585	86,122,717
Expensed during the year except write-down	(31,826,523)	(91,800,644)
Carrying Amount, December 31	8,973,116	10,282,054
Materials, Supplies & Equipment Inventory		
Carrying Amount, January 1	613,547,701	599,138,451
Additions/Acquisitions during the year	753,072,080	458,260,378
Expensed during the year except write-down	(667,481,079)	(443,851,128)
Carrying Amount, December 31	699,138,702	613,547,701
Fuel Oil Stock		
Carrying Amount, January 1	14,032,866	23,467,275
Additions/Acquisitions during the year	316,459,681	136,425,477
Expensed during the year except write-down	(288,994,710)	(145,859,886)
Carrying Amount, December 31	41,497,837	14,032,866
Thermal Chemical Stock		
Carrying Amount, January 1	247,826	161,738
Additions/Acquisitions during the year	311,388	259,279
Expensed during the year except write-down	(289,070)	(173,191)
Carrying Amount, December 31	270,144	247,826
Materials and Equipment In Transit		
Carrying Amount, January 1	104,033,936	133,837,116
Additions/Acquisitions during the year	12,514,985	23,673,955
Expensed during the year except write-down	(19,758,071)	(53,477,135)
Carrying Amount, December 31	96,790,850	104,033,936

Accounts	2019	2018
Materials and Supplies Temporary Adjustment		
Carrying Amount, January 1	50,223,340	53,868,621
Additions/Acquisitions during the year	3,926,770	22,788,501
Expensed during the year except write-down	(11,305,126)	(26,433,782)
Carrying Amount, December 31	42,844,984	50,223,340
Other Oil Products		
Carrying Amount, January 1	43,169,635	40,015,536
Additions/Acquisitions during the year	41,817,208	28,520,595
Expensed during the year except write-down	(50,111,176)	(25,366,496)
Carrying Amount, December 31	34,875,667	43,169,635
Total Carrying Amount, December 31	1,442,020,155	1,221,425,457

Asset in Trust pertains to assets in trust to CBK Power Company Limited for the implementation of the Build-Rehabilitate-Operate-Transfer (BROT) Agreement for Caliraya-Botocan-Kalayaan (CBK) Complex which was executed in November 1998 by and between NPC and Industrias Metalurgias 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 or Custodian immediately, upon release thereof. It shall be correspondingly closed or credited with the set-up of the appropriate inventory account upon receipt of such transfer or transshipment.

Materials, Supplies and Equipment (MSE) 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.

8. INVESTMENT PROPERTY

Accounts	2019	2018
Land and Building	2,316,921	836,456
Total	2,316,921	836,456

Investment Property pertains to land and building leased out to private companies under an operating lease.

9. PROPERTY, PLANT AND EQUIPMENT (See Note 4.35.d)

NPC adopted the cost model for all classes of PPE pursuant to Philippine Application Guidance (PAG) No. 2 to IPSAS 17-Property, Plant and Equipment under COA Circular No. 2017-004 dated December 13, 2017.

As at December 31, 2019

Particulars	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment*	Construction in Progress	Total
Cost, January 1, 2019	148,522,950	12,447,320,691	2,250,116,391	1,888,259,853	3,653,630,728	20,387,850,613
Additions and/or Acquisitions in CY 2019	0	174,748,945	12,728,282	120,936,195	4,149,285,706	4,457,699,128
Adjustments in CY 2019	464,222	(27,433,625)	(25,303,054)	19,337,545	(3,325,732,254)	(3,358,667,166)
Disposals in CY 2019	0	(9,041,240)	0	(256,434)	0	(9,297,674)
Cost, December 31, 2019	148,987,172	12,585,594,771	2,237,541,619	2,028,277,159	4,477,184,180	21,477,584,901
Less: Accumulated Depreciation						
Accumulated Depreciation, January 1, 2019	0	6,247,616,776	1,485,555,939	841,761,681	0	8,574,934,396
Depreciation Expense in CY 2019	0	412,334,965	34,987,367	97,446,376	0	544,768,708
Adjustments in CY 2019	0	591,584,093	7,252,668	23,224,479	0	622,061,240
Disposals in CY 2019	0	(8,132,800)	0	(229,790)	0	(8,362,590)
Accumulated Depreciation, December 31, 2019	0	7,243,403,034	1,527,795,974	962,202,746	0	9,733,401,754
Carrying Amount, December 31, 2019	148,987,172	5,342,191,737	709,745,645	1,066,074,413	4,477,184,180	11,744,183,147

As at December 31, 2018 (As Restated)

Particulars	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment*	Construction in Progress	Total
Cost, January 1, 2018	148,155,853	10,338,863,331	3,240,904,576	2,960,776,869	3,520,316,130	20,209,016,759
Additions and/or Acquisitions in CY 2018	607,625	1,433,454,810	87,328,950	237,478,832	3,458,142,397	5,217,012,614
Adjustments in CY 2018	(240,528)	675,056,800	(1,078,117,135)	(1,206,621,999)	(3,324,827,799)	(4,934,750,661)
Disposals in CY 2018	0	(54,250)	0	(103,373,849)	0	(103,428,099)
Cost, December 31, 2018	148,522,950	12,447,320,691	2,250,116,391	1,888,259,853	3,653,630,728	20,387,850,613
Less: Accumulated Depreciation						
Accumulated Depreciation, January 1, 2018	0	5,991,885,380	1,952,213,903	1,394,817,179	0	9,338,916,462
Depreciation Expense in CY 2018	0	396,970,530	31,508,829	68,462,648	0	496,942,007
Adjustments in CY 2018	0	(141,190,334)	(498,166,793)	(571,902,815)	0	(1,211,259,942)
Disposals in CY 2018	0	(48,800)	0	(49,615,331)	0	(49,664,131)
Accumulated Depreciation, December 31, 2018	0	6,247,616,776	1,485,555,939	841,761,681	0	8,574,934,396
Carrying Amount, December 31, 2018	148,522,950	6,199,703,915	764,560,452	1,046,498,172	3,653,630,728	11,812,916,217

*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:

Particulars	2019	2018 (Restated)
Unadjusted Beginning Balance	1,367,826,500	181,379,999
Add: Adjustment made to recognize deferred tax asset from taxable temporary difference for prior periods	0	1,086,793,838
Adjusted Beginning Balance	1,367,826,500	1,268,173,837
Deferred Tax Assets		
Allowance for Bad Debts	401,471,986	427,713,630
Deferred Tax Liabilities:		
Unrealized Gain in Forex Fluctuations	(34,656,097)	(49,977)
Recovery in Forex Fluctuation	49,977	(95,488,110)
Total deferred items charged to surplus for the year	366,865,866	332,175,543
Applicable Tax Rate	30 %	30 %
Adjustment to Deferred Tax	110,059,760	99,652,663
Ending net deferred tax assets	1,477,886,260	1,367,826,500

In compliance with COA AOM No. 2018-028 dated May 02,2019, NPC recognized the retrospective effect of the adjustment on Deferred Tax Asset (DTA) by restating the financial statements from the earliest period presented. In CY 2018, NPC only reported a total DTA balance of P310,900,305 instead of P1,367,826,500. As such,

an adjustment totaled P1,056,919,456 was made during the year to comply with the COA's recommendation.

11. OTHER INVESTMENTS

Particulars	2019	2018
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 the Treasury (BTr) amounting to P1 million and P719,790 respectively.

12. OTHER ASSETS (See Note 4.35.e)

Particulars	2019			2018 (As Restated)		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances	12,531,266	0	12,531,266	10,544,623	0	10,544,623
Advances to Special Disbursing Officer	12,499,087	0	12,499,087	10,368,089	0	10,368,089
Advances to Officers & Employees	32,179	0	32,179	176,534	0	176,534
Prepayments	8,501,389,355	0	8,501,389,355	6,709,955,197	0	6,709,955,197
Advances to Contractors	447,217,594	0	447,217,594	397,149,082	0	397,149,082
Creditable Input Tax	7,998,135,805	0	7,998,135,805	6,260,463,960	0	6,260,463,960
Other Prepayments	56,035,956	0	56,035,956	52,342,155	0	52,342,155
Deposits	6,535,713	0	6,535,713	3,981,480	0	3,981,480
Guaranty Deposits	3,048,258	0	3,048,258	494,025	0	494,025
Other Deposits	3,487,455	0	3,487,455	3,487,455	0	3,487,455
Restricted Fund	0	844,590,933	844,590,933	0	4,362,125	4,362,125
Other Non-Current Assets	0	6,235,054,244	6,235,054,244	0	6,416,071,983	6,416,071,983
Other Assets (Stock for Disposal)	0	463,325,913	463,325,913	0	546,645,817	546,645,817
Deferred Charges/Losses	0	437,607,860	437,607,860	0	448,688,249	448,688,249
Other Assets (PSALM)	0	3,490,683,842	3,490,683,842	0	3,577,301,288	3,577,301,288
Other Assets (TransCo)	0	1,843,436,629	1,843,436,629	0	1,843,436,629	1,843,436,629
Total	8,520,456,334	7,079,645,177	15,600,101,511	6,724,481,300	6,420,434,108	13,144,915,408

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 constitute cash advances to officers and employees of NPC for travels and other expenses to carry out the assigned task or business of the Corporation.

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

Guaranty Deposits represent deposits by contractors or suppliers to guarantee the fulfillment of obligation to the Corporation. The significant increase was due to advance deposit to PHILGEPS by NPC relative to government fare agreement.

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.

Other Assets (Stocks for Disposal) refer to stocks for disposal.

Deferred Charges/Losses pertains to cost of preliminary surveys, studies, investigation, and other related undertakings to determine feasibility of a project for development by NPC. This account includes the uncollected VAT on power bills as of August 25, 2012 due from distribution utilities and electric cooperatives to be remitted to the BIR as prescribed under Revenue Memorandum Circular (RMC) 71-2012.

Other Assets [Trust Assets-Power Sector Assets &Liabilities Management (PSALM) Corporation] pertain 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 Operation and Maintenance Agreement (OMA) between NPC and PSALM.

Pending approval for the renewal of the OMA between NPC and PSALM, the CY 2015 Agreement is still in effect. The highlights of the aforesaid OMA are stated in item *Note 1*.

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

Particulars	2019	2018
Cash in Bank	249,315,754	160,366,035
Cash on Hand	0	337,128
Other Investment	258,322,122	541,389,540
Due from Officers and Employees	3,506,278	3,558,070
Fuel, Oil and Lubricants	18,288,760	18,134,030
Other Supplies and Materials Inventory	1,648,708,939	1,544,303,765
Advances to Officers and Employees	3,576,347	1,020,753
Other Prepayments	1,113,495	854,441
Abandoned/Surrendered Property	5,829,467	10,267,409
Restricted Fund	1,302,022,680	1,297,070,117
Total Assets	3,490,683,842	3,577,301,288
Accounts Payable	1,272,297,270	1,429,267,616
Due to Officers and Employees	72,231,895	151,910,901
Insurance Premium Payable	4,346	0
Due to GSIS	21,967,191	21,729,179
Due to Pag-IBIG	425,510	140,433
Due to PhilHealth	1,965,191	1,654,878
Output Tax	74,020,955	241,348,838
Guaranty/Security Deposits Payable	3,181,714	1,740,004
Other Unearned Revenue/Income	0	3,399,969
Leave Benefits Payable	344,074,231	321,341,253
Other Payables	90,676,328	62,430,639

Particulars	2019	2018
Trust Liabilities	1,607,754,630	1,345,533,741
Retained Earnings	2,084,581	(3,196,163)
Total Liabilities and Equity	3,490,683,842	3,577,301,288

Other Assets-TransCo (Temporary Registry Accounts) are accounts retained in NPC books pending validation and reconciliation. 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	2019	2018
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
Other Assets (Stocks for Disposal)	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	2019		2018 (As Restated)	
	Current	Non-Current	Current	Non-Current
Accounts Payable	5,940,206,796	0	7,064,370,210	0
Fuel Payable	469,658,111	0	847,366,079	0
Gasoline and Other Oil Products Payable	38,019,840	0	68,148,420	0
Materials, Supplies & Equipment Payable	210,579,249	0	302,723,409	0
Accounts Payable- Others	335,400,839	0	387,344,026	0
Check Vouchers Payable	1,188,090,923	0	1,651,727,542	0

Particulars	2019		2018 (As Restated)	
	Current	Non-Current	Current	Non-Current
Certified Obligations-Suppliers & Contractors	3,675,876,775	0	3,782,207,549	0
Cash Vouchers Payable	22,581,059	0	24,853,185	0
Due to Officers and Employees	202,438,170	0	269,408,771	0
Interest Payable	0	0	40,370	0
Finance Lease Payable	0	0	24,953	3,668,132
Operating Lease Payable	167,644,726	0	210,780,922	0
Total	6,310,289,692	0	7,544,625,226	3,668,132

Accounts Payable refers to the obligations of NPC to suppliers and contractors for purchases of fuel, gasoline & other oil products, materials, supplies and equipment. The decrease in accounts payables were due to payment of obligations to suppliers and contractors during the year.

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 Payable pertains to the future minimum lease payments as at December 31, 2019 with details as follows:

Particulars	2019	2018
Undiscounted Minimum Lease Payments		
Not Later than one year	0	24,953
Later than one year and not later than five years	0	3,668,132
Total Undiscounted Minimum Lease Payments	0	3,693,085

The above finance lease pertains to NPC's leases of desktop and notebook and laptop computers with Advance Solutions, Inc. which was fully paid in CY 2019.

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

13.2 Loans

Particulars	2019		2018	
	Current	Non-Current	Current	Non-Current
Loans Payable - Foreign	37,924,222	497,869,445	57,820,850	573,443,899
Total	37,924,222	497,869,445	57,820,850	573,443,899

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

Creditor	Project	Date of Loan	Original Currency	Loan Amount	Total Availment	Outstanding Balance	Peso Equivalent	Maturity Date
NATIXIS	PRES	11/08/06	EUR	10,498,773	10,076,104	9,508,115	535,793,667	06/30/35
BNP PARIBAS	PRES	11/08/06	EUR	7,804,108	7,803,644	0	0	06/18/19
Total				18,302,881	17,879,748	9,508,115	535,793,667	

The loan with BNP Paribas has matured on June 18, 2019.

Interest rates are fixed at 0.40 per cent and 5.09 per cent for Natixis and BNP Paribas, respectively. The year-end BSP's reference exchange rate was used in determining the outstanding balance in compliance to *IPSAS 4-The Effects of Changes in Foreign Exchange Rates*, as follows:

Currency	2019	2018
EUR/P	56.3512	60.3110
USD/P	50.7440	52.7240

14. INTER-AGENCY PAYABLES (See Note 4.35.g)

Particulars	2019	2018 (As Restated)
Due to BIR	517,764,847	275,208,499
Due to GSIS	26,486,108	25,560,098
Due to Pag-IBIG	898,725	714,161
Due to PhilHealth	94,036	90,248
Due to Other Government Corporations	10,655,136	10,105,253
Due to LGUs	21,548,854	17,244,195
Income Tax Payable	12,930,374	115,286,993
Total	590,378,080	444,209,447

Inter-Agency Payable pertains to employer's and employee's share on the statutory contributions as well as employee's loan remittances for eventual payment to the Government Service Insurance System (GSIS), Philippine Health Insurance Corporation (PhilHealth) and Home Development Mutual Fund (Pag-IBIG).

This 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 which is sanctioned by Energy Regulation (ER) No. 1-94.

15. TRUST LIABILITIES

Particulars	2019		2018	
	Current	Non-Current	Current	Non-Current
Guaranty/Security Deposits Payable	75,605,121	0	54,055,164	0

Particulars	2019		2018	
	Current	Non-Current	Current	Non-Current
Customers' Deposits Payable	1,594,115	0	1,594,115	0
Advances for Other Work in Progress	0	245,732,000	0	229,581,000
Trust Liabilities-PSALM	0	3,490,683,842	0	3,577,301,288
Temporary Registry Accounts	0	1,843,436,629	0	1,843,436,629
Total	77,199,236	5,579,852,471	55,649,279	5,650,318,917

Guaranty/Security Deposits Payable includes amounts received and segregated for the execution of specific projects or contracts. This is 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 Security (penalty bond) on contract entered with S. L. Harbor Bulk Terminal Corporation equivalent to five per cent of the total contract price per Contract No. LOG MSSP 2019-03-025-GRJ.

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

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

Trust Liabilities-PSALM represents the corresponding liability to PSALM for the Trust Assets (refer to Note 12).

Temporary Registry Account (refer to Note 12).

16. DEFERRED CREDITS/UNEARNED REVENUE (See Note 4.35.h)

Particulars	2019		2018 (As Restated)	
	Current	Non-Current	Current	Non-Current
Unearned Revenue				
Unearned Revenue-UCME	0	1,226,975,245	0	3,396,570,346
Unearned Revenue-Rent	0	1,035,393	0	1,092,359
Unearned Revenue-GRAM	0	840,189,413	0	0
Unearned Interest Revenue from Restructured Accounts	0	134,540,767	0	162,749,276
Other Unearned Revenue	0	512,447	0	2,621,711
Deferred Credits				
Output Tax	962,273,150	0	912,975,460	0
Total	962,273,150	2,203,253,265	912,975,460	3,563,033,692

Unearned Revenue-UCME represents the unearned portion of Universal Charge-Missionary Electrification (UCME) collection from PSALM. NPC recognized the unearned portion under Deferred Credits/Unearned Revenue instead of revenue to comply with IPSAS 23-Revenue from Non-Exchange Transactions (Taxes and

Transfers) which provides that deferred revenue 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 Credits
2016	11,191,361,682	(3,459,341,532)	(6,406,011,229)	1,326,008,921
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)
2019	13,241,584,000	0	(15,411,179,101)	(2,169,595,101)
Total	48,757,346,682	(3,459,341,532)	(44,071,029,905)	1,226,975,245

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

Unearned Revenue-GRAM pertains to actions taken by NPC on COA's recommendation (AOM No. 2018-032 dated May 6, 2019) to prepare the necessary adjustment on the unrecognized GRAM collections in CY 2017 which were offset against NPP Subsidy claims.

Unearned Interest Revenue 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 Revenue includes collections received by NPC for which identification of the remaining amount is on-going.

17. OTHER PAYABLES

Particulars	2019	2018
Retention on Contract Payments	425,836,626	401,381,303
Total	425,836,626	401,381,303

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 constructed or service rendered.

18. PROVISIONS

This account represents the undiscounted monetary value of accumulated leave credits earned by NPC officials and employees.

Particulars	2019	2018
Leave Benefits Payable	637,127,074	577,844,087
Total	637,127,074	577,844,087

19. NET ASSETS/EQUITY

19.1 Share Capital

NPC's authorized capital stock is divided into 500 million shares, P100 par value, of which 270,488,708 were issued and paid-up.

19.2 Other Equity Instruments

This pertains to the Donated Capital on which a portion of land (1,600 sq. m.) owned by the Municipal Government of Agutaya which 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 and CEO Pio J. Benavidez.

Adjustment on donated capital pertains to lands/lots situated in protected areas which are subject for application of Special Land Use Agreement on Protected Areas (SAPA) or Forest Land Use Agreement (FLAg), which are merely permits to use these lands/lots. In CY 2019, NPC derecognized these lands/lots which were initially recorded as part of donated capital presented in the Retained Earnings and as Property, Plant and Equipment presented in NPC's assets.

The following are the details of the land/lots subject for application of SAPA or FLAg:

NPC Power Plant	Area (sq. m.)	Recorded Land's Assessed Value
Cabilao DPP, Bohol I Mini Grid	442 sq. m.	154,700.00
Pamilican DPP, Bohol I Mini Grid	150 sq.m.	28,950.00
Balicasag DPP, Bohol I Mini Grid	42 sq.m.	8,106.00
Bagongbanwa DPP, Bohol II Mini Grid	42 sq.m.	7,938.00
Batasan DPP, Bohol II Mini Grid	42 sq.m.	7,938.00
Bilangbilangan DPP, Bohol II Mini Grid	42 sq.m.	7,938.00
Hambongan DPP, Bohol II Mini Grid	42 sq.m.	7,938.00
Mocaboc DPP, Bohol II Mini Grid	42 sq.m.	7,938.00
Pangapasan DPP, Bohol II Mini Grid	42 sq.m.	7,938.00
Ubay DPP, Boholo II Mini Grid	42 sq.m.	7,938.00
Cuaming DPP, Bohol I Mini Grid	42 sq.m.	6,762.00
Mantatao DPP, Bohol I Mini Grid	42 sq.m.	5,334.00
Cabul-an DPP, Bohol I Mini Grid	625 sq.m.	2,955.44
Total		262,373.44

19.3 Accumulated Surplus/(Deficit)

NPC's Dividends Payable in CY 2019 amounted to P987,130,057.35 which will be due and payable on May 15, 2020. Also, NPC will remit the amount of P594,188,676 on September 30, 2020 representing the payment for its dividend arrearages (4th installment) covering the period 2012 to 2015. The dividend payments to be remitted to the Bureau of the Treasury (BTr) in CY 2020 totaled P1,581,318,733.35.

In 2019, NPC remitted to the BTr a total cash dividend of P1,436,570,659.14 representing its CY 2018 share in net earnings, inclusive of dividend arrearages in CYs 2012-2015 amounting to P594,188,676 (3rd installment payment).

Prior period adjustments in the aggregate amount of P540,051,000 are shown in Note 4 hereof.

20. SERVICE AND BUSINESS INCOME (See Note 4.35.i)

Particulars	2019	2018 (As Restated)
Net Sales	2,182,636,481	2,098,098,362
Sales Revenue-Utility Operating Income	2,299,246,534	2,208,291,624
<i>Sales Discounts-Prompt Payment Discount</i>	(42,085,244)	(40,476,759)
<i>Mandatory Rate Reduction</i>	(74,524,809)	(69,716,503)
Power Supply System–Transmission Service Operating Income	11,330,672	10,181,016
Interest Income	1,122,742,841	868,617,959
Interest on Power Supply System Revenue Receivables	411,835,273	380,632,952
Interest on Bank Deposits & Temporary Investments	701,659,376	487,646,414
Other Interest Income	9,248,192	338,593
Income from Management Fee	989,073,025	1,114,404,089
Rent/Lease Income	21,160,467	11,730,086
Fines and Penalties-Business Income	12,176,106	16,116,584
Other Business Income	73,321	226,863
Total	4,339,192,913	4,119,374,959

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.

Power Supply System–Transmission Service 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 Supply System Revenue (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.

Income from Management Fees are administrative 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. It also includes income from rental of a portion of land in Irawan, Viga, Brooke's Point and facilities in Puerto Princesa, Palawan and Calapan, Oriental Mindoro.

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 NPC as well as penalty for late completion of projects.

Other Business Income consists of:

- 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
- Income from fuel related transactions.

21. SHARES, GRANTS AND DONATIONS

Particulars	2019	2018
Share in Universal Charge	15,411,179,101	13,589,697,010
Income from Grants and Donations in Kind	8,420,686	8,792,351
Income from Grants and Donations in Cash	1,192,879	164,149
Total	15,420,792,666	13,598,653,510

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 distribution utilities. This is imposed and collected to all power consumers in the country for the recovery of the shortfall between the True Cost of Generation and the Subsidized/Approved Generation Rate (SAGR) in SPUG areas. The notable increase was mainly attributed to the higher revenue requirement of the Corporation to cover NPP subsidies for the year.

Income from Grants and Donations in Cash and in Kind is used by NPC to recognize income derived from the implementation of Angat, Dam and Dyke Strengthening Project (ADDSP) as per Memorandum of Agreement (MOA) entered into by MWSS and NPC in 2016. The increase in Income from Donation was attributed to donations received during the year from the Ministry of Health-Japan and MWSS. MWSS recognition of income is a decrease from the recorded advances

under GL 262 because of the partial performance of condition attached to the donation.

22. PERSONNEL SERVICES (See Note 4.35.j)

22.1 Salaries and Wages

Particulars	2019	2018 (As Restated)
Salaries and Wages-Regular	887,253,045	816,521,788
Salaries and Wages-Casual/Contractual	29,009,840	28,288,830
Total	916,262,885	844,810,618

The increase on salaries and wages was due to the implementation of the Modified Salary Schedule (MSS).

22.2 Other Compensation

Particulars	2019	2018 (As Restated)
Personnel Economic Relief Allowance (PERA)	43,287,241	43,485,140
Representation Allowance (RA)	10,921,722	10,938,382
Transportation Allowance (TA)	9,741,483	9,964,034
Clothing/Uniform Allowance	10,927,835	10,884,000
Productivity Incentive Allowance	100,604,067	79,829,952
Honoraria	8,785,747	11,484,925
Longevity Pay	0	755,000
Overtime and Night Pay	99,034,909	109,889,945
Year End Bonus	77,728,217	70,790,004
Cash Gift	8,915,500	8,983,000
Mid-Year Bonus	75,912,693	68,690,078
Other Bonuses and Allowances	3,977,002	2,120,000
Total	449,836,416	427,814,460

The increase of above accounts were attributed to the increase in Productivity Incentive Allowance, Year End Bonus and other bonuses and allowances brought about by the implementation of the Modified Salary Schedule (MSS). Also, increase in clothing allowance from P5,000 to P6,000.

22.3 Personnel Benefits Contributions

Particulars	2019	2018 (As Restated)
Retirement and Life Insurance Premiums	109,394,013	100,816,140
Pag-IBIG Contributions	2,191,400	2,191,300
PhilHealth Contributions	9,400,489	9,076,713

Particulars	2019	2018 (As Restated)
Employees Compensation Insurance Premiums	2,160,600	2,174,875
Total	<u>123,146,502</u>	<u>114,259,028</u>

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

22.4 Other Personnel Benefits

Particulars	2019	2018 (As Restated)
Terminal Leave Benefits	143,612,240	93,322,301
Other Personnel Benefits	13,312,428	13,421,948
Total	<u>156,924,668</u>	<u>106,744,249</u>

23. MAINTENANCE AND OTHER OPERATING EXPENSES (See Note 4.35.j)

23.1 General Services

Particulars	2019	2018 (As Restated)
Janitorial Services	96,621,412	97,757,676
Security Services	114,341,211	108,485,262
Other General Services	309,055,102	199,674,027
Total	<u>520,017,725</u>	<u>405,916,965</u>

23.2 Other Maintenance and Operating Expenses

Particulars	2019	2018 (As Restated)
Advertising, Promotional and Marketing Expenses	4,876,142	7,612,000
Printing and Publication Expenses	2,396,429	84,000
Representation Expenses	5,039,200	2,470,010
Representation/Entertainment	2,484,359	1,510,634
Contingency Fund-Board	2,435,646	959,376
Director's & Committee Member's Fee	67,553	0
Contingency Fund-President	51,642	0
Transportation and Delivery Expenses	9,525,541	5,301,884
Rent/Lease Expenses	380,172,506	451,398,233
Donations	119,524	0
Other Maintenance and Operating Expenses	12,487,095	13,022,820
Athletics and Recreation	2,304,318	2,567,943

Particulars	2019	2018 (As Restated)
Financial Aid	6,278,936	6,679,462
Cultural Expenses	543,232	741,667
Christmas and Anniversary Expenses	2,152,094	1,650,784
Share in the National Wealth	1,027,750	753,324
Miscellaneous MOOE	180,765	629,640
Total	<u>414,616,437</u>	<u>479,888,947</u>

23.3 Generation, Transmission and Distribution Expenses

Particulars	2019	2018 (As Restated)
Operation-Hydro Plant	27,866,084	23,653,998
Operation-Diesel Plant	317,566,297	212,737,470
Operation-Transmission & Substation	11,784,110	8,822,075
Total	<u>357,216,491</u>	<u>245,213,543</u>

23.4 Repairs and Maintenance

Particulars	2019	2018 (As Restated)
Repairs and Maintenance-Infrastructure Assets	291,783,531	327,861,191
Hydro Plant	122,334,491	125,137,365
Diesel Plant	58,955,726	25,423,859
Transmission & Substation	3,273,811	2,384,854
Technical Services	424,629	566,230
Job Order for Maintenance	106,794,874	174,348,883
Repairs and Maintenance-Buildings and Other Structures	9,601,885	6,811,511
Repairs and Maintenance-Land Improvement	404,355	705,961
Repairs and Maintenance-Machinery and Equipment	19,277,557	12,453,889
Office/Laboratory Equipment	1,512,517	548,844
Store Equipment	42,333	395,477
Tools/Shop Garage	737,130	150,978
Power Operated Equipment	5,957,365	80,589
Communications Equipment	305,403	1,419,485
Computers	1,657,727	1,009,109
Miscellaneous Equipment	9,065,082	8,849,407
Repairs and Maintenance-Transportation Equipment	9,186,780	9,061,162
Total	<u>330,254,108</u>	<u>356,893,714</u>

23.5 Taxes, Insurance Premiums and Other Fees

Particulars	2019	2018 (As Restated)
Taxes, Duties and Licenses	146,097,863	111,927,524
Licenses	6,179,762	11,264,189
Realty Tax	1,649,869	1,701,244
Other Taxes	138,268,232	98,962,091
Insurance Expenses	47,319,920	43,331,053
Total	193,417,783	155,258,577

23.6 Travelling Expenses

Particulars	2019	2018 (As Restated)
Travelling Expenses-Local	98,001,548	96,692,647
Travelling Expenses-Foreign	1,496,688	690,201
Total	99,498,236	97,382,848

The increase in travelling expenses was attributed to the increase in daily travel allowance for official local and foreign travels of government personnel prescribed under EO No. 77 effective March 15, 2019.

23.7 Awards/Rewards, Prizes, and Indemnities

Particulars	2019	2018 (As Restated)
Awards/Rewards Expenses	87,168,022	118,668,620
Indemnities	259,500	0
Total	87,427,522	118,668,620

23.8 Supplies and Materials Expenses

Particulars	2019	2018 (As Restated)
Office Supplies Expenses	13,720,010	16,441,595
Fuel, Oil and Lubricants Expenses	17,643,925	18,380,909
Other Supplies and Materials Expenses	19,091,226	35,273,724
Total	50,455,161	70,096,228

23.9 Professional Services

Particulars	2019	2018 (As Restated)
Auditing Services	30,907,678	5,694,629
Consultancy Services	5,056,127	22,692,316
Total	35,963,805	28,386,945

23.10 Utility Expenses

Particulars	2019	2018 (As Restated)
Water Expenses	6,803,102	7,309,093
Electricity Expenses	20,747,221	27,489,702
Total	<u>27,550,323</u>	<u>34,798,795</u>

23.11 Communication Expenses

Particulars	2019	2018 (As Restated)
Postage and Courier Services	1,424,992	1,247,218
Telephone Expenses	12,633,661	15,710,473
Internet Subscription Expenses	10,659,731	7,172,502
Cable, Satellite, Telegraph & Radio Expenses	7,643	4,959
Total	<u>24,726,027</u>	<u>24,135,152</u>

The increase was due to implementation of HRD training programs of the Corporation.

23.12 Training and Scholarship Expenses

Particulars	2019	2018 (As Restated)
Training Expenses	13,857,018	14,226,986
Total	<u>13,857,018</u>	<u>14,226,986</u>

23.13 Confidential, Intelligence and Extraordinary Expenses

Particulars	2019	2018 (As Restated)
Extraordinary and Miscellaneous Expenses	885,600	880,923
Total	<u>885,600</u>	<u>880,923</u>

24. FINANCIAL EXPENSES

Particulars	2019	2018
Interest Expenses	2,841,199	5,703,443
Bank Charges	154,747	39,154
Total	<u>2,995,946</u>	<u>5,742,597</u>

25. DIRECT COSTS

Particulars	2019	2018
Direct Cost (Fuel & Additives-Diesel Plant)	4,502,511,517	4,388,500,183
Total	4,502,511,517	4,388,500,183

This account represents the cost of fuel and thermal chemicals used by diesel plants for operations. The increase was attributed to the increase in volume of fuel consumed due to increase in power generation.

26. NON-CASH EXPENSES

26.1 Depreciation (See Note 4.35.k)

Particulars	2019	2018 (As Restated)
Depreciation-Infrastructure Assets	412,334,965	396,970,530
Depreciation-Buildings and Other Structures	35,017,367	31,508,829
Depreciation-Machinery and Equipment ⁵	97,446,376	68,462,648
Total	544,798,708	496,942,007

26.2 Depreciation – Other Assets

Particulars	2019	2018
Depreciation - Other Assets	25,117,800	25,725,500
Total	25,117,800	25,725,500

26.3 Impairment Loss

Particulars	2019	2018
Impairment Loss-Loans and Receivables	425,992,698	431,784,328
Total	425,992,698	431,784,328

27. NET FINANCIAL ASSISTANCE/SUBSIDY

Particulars	2019	2018
Subsidy from National Government	1,502,923,493	349,890,463
Financial Assistance to Local Government Units	(4,302,184)	(4,271,657)
Financial Assistance/Subsidy-Others	(8,344,885,638)	(7,108,371,802)
Total	(6,846,264,329)	(6,762,752,996)

Subsidy from National Government is a funding support thru the issuance of a Special Allotment Release Order (SARO) to cover for the Capital Expenditures

⁵ Includes depreciation of furniture and fixtures, transportation equipment and leased assets.

requirements of the Corporation. This amount accounts for the unexpended balance of subsidies received by NPC from CY 2014 to CY 2018.

Financial Assistance to Local Government Units This refers to financial assistance/benefits payable by NPC to Local Government Units (LGUs) that host the energy and/or energy generating facility pursuant to ER No. 1-94.

Financial Assistance/Subsidy-Others refers to subsidy paid to New Power Providers (NPPs) in missionary electrification areas.

Significant increase of afore-said account was attributed to the following:

- a. Higher energy off-take/new/additional NPPs, such as Renesons Energy Polillo, Inc., Philippine Hybrid Energy Systems Inc., and Sabang Renewable Energy Corp.; and
- b. Accrual for subsidy expenses covering December 25 to December 31 (6 days) was recorded as prescribed by the COA. The list of New Power providers in the SPUG areas, with the corresponding subsidy in CY 2019 are as follows:

New Power Provider	Area	2019	2018
DMCI Masbate Power Corporation	Masbate	1,313,357,723	1,169,118,654
Delta (Paragua)	Palawan (PPC)	781,187,445	806,289,518
Palawan Power Generation Incorporated (PPGI)	Palawan (Tinguiban, Narra)	327,758,593	330,853,643
Powersource Philippines Incorporated	Rio Tuba, Rizal Palawan	55,808,564	74,205,254
Powersource Philippines Incorporated (Liminangcong)	Taytay, Palawan	34,079,037	30,575,302
Ormin Power Inc.	Oriental Mindoro	247,631,023	235,245,098
Inabasan Mini Hydro	Oriental Mindoro	5,477,557	0
Power One Corporation	Oriental Mindoro	316,994,795	315,716,336
Mindoro Grid Corporation	Oriental Mindoro	511,453,642	698,131,914
DMCI Palawan Power Corporation	Irawan, Quezon, Roxas	911,655,910	855,914,328
Calamian Island Power Corporation	Palawan (Busuanga, Coron)	394,642,433	337,888,865
Occidental Mindoro Consolidated Power Corporation (OMCPC)	Occidental Mindoro	926,711,363	793,891,399
DMCI Power Corporation-Calapan	Oriental Mindoro	416,913,791	431,460,571
Sunwest Water and Electric Company, Inc.	Tablas, Romblon	606,986,060	213,388,041
Sunwest Water and Electric Company, Inc.-Catanduanes	Solong, Catanduanes	395,607,601	227,346,867
Cantingas Mini-Hydro Power Corp.	Romblon	0	12,550,798
Powersource Philippines Incorporated (PSP)-Rizal	Palawan	9,776,539	1,485,908
Renesons Energy Polillo, Inc. (REP)	Polillo	76,553,429	0
Sabang Renewable Energy Corp. (SREC)	Puerto Prinsesa, Palawan	713,704	0
Philippine Hybrid Energy Systems, Inc. (PHESI)	Mindoro/Romblon	7,006,309	0
Bantayan Island Power Corporation	Bantayan, Cebu	216,759,447	167,584,751
S. I. Power Corporation (SIPCOR)	Siquijor	228,428,727	188,397,007
Powersource Philippines Incorporated (Malapascua)	Bantayan, Cebu	23,820,252	22,257,350
Kaltimex Rural Energy Corporation (KREC)	Tawi-Tawi	535,561,694	196,070,198
Total		8,344,885,638	7,108,371,802

28. NON-OPERATING INCOME, GAIN OR LOSSES

28.1 Other Non-Operating Income/Expenses

Particulars	2019	2018
Miscellaneous Income		
OMA Income	938,947,737	1,073,138,728
Personnel Related Expenses (PSALM-OMA)	510,768,221	588,643,624
MOOE (PSALM-OMA)	428,179,516	484,495,104
Non-OMA Income	42,734,033	75,108,246
Bid Related Income	8,388,863	10,394,948
Other Miscellaneous Income	17,503,067	15,882,410
Income from Penalties for Shortfall Capacity	16,842,103	48,830,888
Total	<u>981,681,770</u>	<u>1,148,246,974</u>

Particulars	2019	2018
Miscellaneous Expense		
OMA Expenses	897,983,742	949,050,419
Personnel Related Expenses	532,183,142	518,435,706
MOOE - Others	363,571,011	425,888,160
Honorarium BAC	2,229,589	4,726,553
Non-OMA Expenses	21,064,556	62,160,110
Decommissioned Plants: Non-Operating Plants	15,997,318	56,827,737
Personnel Related expenses	10,040,151	48,185,236
MOOE - Others	5,957,167	8,642,501
Honorarium BAC	5,067,238	5,332,373
Total	<u>919,048,298</u>	<u>1,011,210,529</u>

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 afore-cited request.

Further, the subject Miscellaneous expenses were included as part of Personnel Services and Maintenance and Other Operating Expenses, classified based on the description of accounts provided under the Revised Government Chart of Accounts as recommended in COA AOM No. 2018-021 dated April 8, 2019.

28.2 Gains

Particulars	2019	2018
Gain on Foreign Exchange Fluctuation	35,342,307	1,341,863
Gain on Disposal/Retirement of Assets	0	3,490
Other Gains / Extraordinary Gain	254,465	0
Total	35,596,772	1,345,353

28.3 Losses

Particulars	2019	2018
Loss on Foreign Exchange Fluctuation	0	0
Loss of Disposal/Retirement of Assets	85,857	4,978,520
Other Losses	0	0
Total	85,857	4,978,520

29. RECONCILIATION OF BUDGET AND ACTUAL INFORMATION

The annual budget of the Corporation is prepared on a cash basis in compliance with Executive Order No. 91 dated September 19, 2019 and Section 36, Chapter 5, Book VI of Executive Order No. 292 or the "Administrative Code of 1987" and is published in the government website.

Cash-based budgeting is a budget system that proposes cash-based appropriations, which guarantees and authorizes payments for the items (goods and services) that are included in the budget over a limited period of time, generally corresponding to the fiscal year in consideration.

An explanation of variance in the final budget and actual amounts of receipts is as follows:

Particulars	Final Budget (a)	Actual Amounts (b)	Difference (a-b)
Receipts			
Services and Business Income	2,700,316,388	2,138,777,621	561,538,767
Assistance and Subsidy	4,522,574,219	1,502,923,493	3,019,650,726
Shares, Grants and Donations	20,209,639,060	13,241,584,000	6,968,055,060
Others	1,561,492,349	2,196,406,941	(634,914,592)
Total	28,994,022,016	19,079,692,055	9,914,329,961

In CY 2019, final budget was higher as compared to the actual amounts due to the following factors:

- a. Higher projected energy sales at 525 GWh versus 430GWh actual energy sales in CY 2019;
- b. Final budget includes NG subsidy of P1.228 billion for the current year and P3.400 billion for prior years, while the actual subsidy received in CY 2019 only amounted to P1.503 billion; and
- c. Higher revenue requirement was computed in the final budget which is due to higher projected fuel and New Power Providers (NPP) expenses.

The foregoing variances were partly offset by lower projection on the amounts withheld from employees/contractors presented in final budget.

A reconciliation of expenses presented in the Statement of Financial Performance and in the SCBAA is also presented as follows:

Particulars	Final Budget (a)	Actual Amounts (b)	Commitments and Obligations (c)	Difference [a-(b+c)]
Payments				
Personnel Services	1,958,171,000	688,333,368	160,062,290	1,109,775,342
Non-OMA	1,331,277,000	688,333,368	142,278,929	500,664,703
OMA	626,894,000	0	17,783,361	609,110,639
Maintenance and Other Operating Expenses	11,364,072,050	7,625,815,368	2,938,184,563	800,072,119
Capital Outlay	9,126,391,219	2,098,726,013	4,246,585,132	2,781,080,074
Financial Expenses	61,334,525	58,951,532	0	2,382,993
Others (NPP Subsidy, VAT and Dividends)	13,583,599,232	12,874,975,655	2,022,764,992	(1,314,141,415)
Total	36,093,568,026	23,346,801,936	9,367,596,977	3,379,169,113

The material difference of final budget than the actual amounts after deducting committed funds covered by Purchase Orders, contracts and obligations is mainly due to the following factors:

- a. Higher Personnel Services (PS) in the final budget for OMA-related PS amounting to P626.894 million assumed to be incurred in 2019 did not materialize. Also, the amount of P383 million which pertains to the separation pay of various SPUG personnel assigned in decommissioned plants was budgeted but such was not implemented in CY 2019;
- b. Higher fuel budget due to higher projected generation at 543 GWh versus 451 GWh actual generation in CY 2019 and higher projection of Diesel price at P44.48/kWh versus P35.62/kWh actual average price;
- c. Lower actual contracted generation sets in SPUG Mindanao area;
- d. Dry-docking activity for Power Barge (PB) 119 budgeted at P14 million was not implemented during the year.

- e. Lower utilization of budget for Capital Expenditure (CAPEX) for CY 2019 due to: (i.) revision/re-packaging of some projects to address issues/problems encountered in the implementation of similar projects and to attract participation of more bidders for competitive bidding; (ii.) failure of biddings (i.e. no interested bidder, post disqualification of bidders due to non-compliance with the requirements); (iii.) lot acquisition/right of way issues; (iv.) re-routing of transmission line projects during project implementation; (v.) remaining punchlists for rectification of the Contractor and pending approval of energized lines shut down by the Electric Cooperatives; (vi.) weather condition for sea travels; and (vii.) higher projection of foreign exchange rate.

The foregoing was partly offset by payments made for prior year expenses related to NPP Subsidy amounting to P1.294 billion; and MOOE amounting to P413.567 million as presented below:

Particulars	Actual Amounts	Current Expenses paid in CY 2019	Prior Year Expenses paid in CY 2019
Personnel Services	688,333,368	667,137,825	21,195,543
Maintenance and Other Operating Expenses	7,625,815,368	7,197,448,899	413,566,700
Capital Outlay	2,098,726,013	0	0
Financial Expenses	58,951,532	2,881,569	0
Others (NPP Subsidy, VAT and Dividends)	12,874,975,655	9,304,668,231	1,293,547,351
Total Payments	23,346,801,936	17,172,136,524	1,728,309,594

NPC reported a total of P23.347 billion cash outflows for the year 2019, P17.172 billion of which pertains to payment of expenses incurred during the year, while P1.728 billion pertains to payment of expenses incurred in previous years.

30. FINANCIAL MANAGEMENT

30.1 Risk Management Objectives and Policies

The Corporation has significant financial risks from the following:

a. Credit Risk

This pertains to the risk of default in payment of power customers. The Corporation manages its credit risk through close risk monitoring. It regularly sends out Notice of Collection to demand delinquent customers to pay their bills and/or negotiate for a restructuring payment scheme of overdue power bills and close monitoring of customers' account.

However, we take exception to the management of credit risk applicable to Basilan, Sulu and Tawi-Tawi customers which is aimed at least minimizing, if not eliminate, huge financial exposure in terms of unpaid billings.

Because of the inherent peculiarity of the aforesaid customers or counterparty, the Corporation manages its credit risk through requests of assistance from local government units (LGUs) in the area, customer's forum and constant follow-ups since application of the Corporation's disconnection policy with the end in view of limiting transaction is hindered by political interventions coupled with economic and perennial peace and order problem in these areas.

b. Physical Risk

This pertains to the loss of or damage to the insurable assets of the Corporation either by accident and/or dangers that pose a threat to physical assets.

The Corporation manages its physical risk by obtaining insurance covers through the Government Service Insurance System's (GSIS) which provides comprehensive protection against accidents, property loss, pilferage, damage, sabotage, and terrorism.

c. Liquidity Risk

This refers to the risk that funding or cash flow of the Corporation will be inadequate in meeting obligations associated with financial liabilities that are settled by delivering cash.

The Corporation manages its liquidity risk mainly through the following: (i) tariff rate petition/application with the Energy Regulatory Commission (ERC) to update the cost of electricity generation to its current level and UCME/UCEC Subsidy pursuant to the EPIRA; and (ii) to request subsidy from the National Government for the Corporation's Capital Expenditures' budget support/funding.

30.2 Financial Performance

NPC realized an operating revenue amounting to P19,759,985,579 higher by 11.52 per cent or P2,041,957,111 compared to last year's operating revenue of P17,718,028,469.

NPC generated an operating income amounting to P10,456,512,203 higher by 18.23 per cent or P1,612,554,947 when compared with last year of P8,843,957,256.

The Corporation's financial performance had increased from a Net Income of P1,726,736,940 in 2018 to P3,193,630,792 in 2019, higher by 84.95 per cent or P1,466,893,852.

The increase in CY 2019 Net Income was mainly attributed to the increase in UCME and NG Subsidy.

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

a. CY 2016 True-up

On January 11, 2019, NPC filed its application for the recovery/refund of revenue shortfall/surplus from the Universal Charge for Missionary Electrification (UCME) for CY 2016 before the ERC. The case was docketed under ERC Case No. 2019-004 RC.

NPC proposed to offset the amount of **P1.484 billion**, or equivalent to **P0.0162/kWh** from the existing Basic UCME under the Provisional Authority or to offset against the unrecovered true-up petitions for CY 2016 in compliance with ERC Resolution No. 21, Series of 2011 and ERC Resolution No. 22, Series of 2006, respectively.

b. 18th GRAM and 18th ICERA Deferred Accounting Adjustments (DAA)

On April 05, 2019, NPC filed its application for the 18th Generation Rate Adjustment Mechanism (GRAM) and 18th Incremental Currency Exchange Rate Adjustment (ICERA) before the ERC as part of its compliance to the directives of the power rate regulation and were docketed under ERC Case Nos. 2019-025 RC and 2019-026 RC, respectively.

Adjustments corresponding to these filings covering the CY 2017 test/recovery period are referred to as Deferred Accounting Adjustments or DAAs which are pass-thru costs in NPC's rates.

The proposed recovery amounted to **P2.0078 billion** if approved would translate into upward adjustments of rates in Luzon, Visayas and Mindanao areas amounting to P1.9017/kWh, P1.7718/kWh and P1.7316/kWh respectively, or an average increase of **P1.8235/kWh** and will also have a corresponding reduction in the UCME True-up Recovery for the same year. The proposed recovery for the 18th GRAM and 18th ICERA is spread into 24 months and 12 months, respectively.

c. CY 2020 Basic UCME

NPC filed its petition of Basic UCME for the year 2020 before the ERC and was docketed under ERC Case No. 2019-069 RC on September 12, 2019. In the said filing, NPC prayed for the adoption of the Proposed UCME for CY 2020 of **P18.461 billion**, with the corresponding rate of **P0.1920/kWh** and a recovery period of 12 months.

d. CY 2017 True-up

NPC also filed a petition for CY 2017 True-up under ERC Case No. 2019-084 RC on October 28, 2019. NPC proposed to recover the amount of **P849 million**, or equivalent to **P0.0381** in 3 months. Subsequently, on

November 19, 2019 ERC issued an Order and Notice of Public hearing which will start on March 11, 2020.

e. Proposed New SAGR, Basic UCME, True-up, GRAM and ICERA public hearings

Completed public hearings for CY 2019 conducted in Luzon, Visayas and Mindanao areas for the following petitions/applications for recovery:

- 19 public hearings for CY 2016 True-up, 18th GRAM, 18th ICERA and CY 2020 UCME including attendance in the 14th Sangguniang Panlungsod (SP) of Cebu City Executive Session on (April 02, 2019 and June 11, 2019).
- 36 public hearings for NPC’s Petition on the Proposed New Subsidized Approved Generation Rate (SAGR) under ERC Case No. 2018-048 RC for Luzon, Visayas and Mindanao areas.

31. OPERATIONAL HIGHLIGHTS

In furtherance of NPC’s mandate to bring power as catalyst for development to the farthest, smallest, and remotest areas and islands in the country, the following are the Corporation’s programs and project accomplishments in CY 2019:

31.1 Small Power Utilities Group (SPUG)

The Small Power Utilities Group (SPUG) manages and ensures quality operation of off-grid generating assets, transmission, and substation facilities nationwide. The Group implements projects in accordance with the Missionary Electrification Program including administration of subsidies.

Among the notable accomplishments of SPUG in CY 2019, are the following:

a. Power plants with increased operating hours

No.	SPUG Power Plants	Province	Operating Hours		Date Implemented
			From	To	
1	Tandubanak DPP	Tawi-Tawi	16	24	January 15, 2019
2	Tandubas DPP	Tawi-Tawi	16	24	January 15, 2019
3	West Simunul DPP	Tawi-Tawi	16	24	January 15, 2019
4	Pangutaran DPP	Sulu	12	16	January 24, 2019
5	Sitangkay DPP	Tawi-Tawi	16	24	February 04, 2019
6	Balabac DPP	Palawan	16	24	March 20, 2019
7	Manuk Mangkaw DPP	Tawi-Tawi	12	16	April 22, 2019
8	Agutaya DPP	Palawan	16	24	April 27, 2019
9	Tingloy DP P	Batangas	12	16	May 17, 2019
10	Cabra DPP	Occidental Mindoro	8	16	June 04, 2019
11	Palumbanes DPP	Catanduanes	8	16	June 12, 2019
12	Patnanungan DPP	Quezon	16	24	September 05, 2019
13	Mongpong DPP	Marinduque	16	24	September 12, 2019
14	Calayan DPP	Cagayan	12	16	September 25, 2019
15	Palanan DPP	Isabela	16	24	October 29, 2019
16	Sacol DPP	Zamboanga	16	24	November 08, 2019

b. New Power Plants

Areas	Province	Remarks
Polillo Island (Polillo DPP)	Quezon	Not operational. Generation was taken over by Renesons Energy Polillo, Inc. last May 25, 2019
Mongpong Island (Mongpong DPP)	Marinduque	Interconnected to Marinduque mainland on February 09, 2019.
PB 108		On stand-by since October 10, 2017 due to rapid increase of seawater at the bottom bilge space. The power barge was dry-docked at Cebu on July 31, 2019
PB 109		On standby. For dry-docking. Towed from Romblon Island to Bantigue, Isabela on November 29, 2019.
Haponan Island (Haponan DPP)	Camarines Sur	On standby. CASURECO IV requested to stop its operation due to low collection efficiency since June 04, 2014
Burias Island, Municipality of Claveria (Claveria DPP)	Masbate	Claveria DPP was on standby since December 13, 2018 due to the takeover of generation by Solar Philippines

31.2 Dams Management Department (DMD)

NPC manages twenty-two dams all over the country and conducts semi-annual inspection to the five major dams in Luzon and 7 dams in Mindanao to ensure their integrity and the safety of the people that live downstream of the dams. It also practices efficient reservoir management with partner agencies to help conserve water while optimizing water utilization. NPC conducts Information and Education Campaigns (IEC) to educate the public on the operations and importance of dams.

a. Information and Education Campaign (IEC)

The objective of IECs is to impart important information and increase the level of awareness of concerned LGUs and the communities at the downstream of the dams with regards to the benefits of the dams and its operations in accordance with Dam Safety Program. Also, this is a continuing activity to prepare the communities and the LGUs in dealing with flood-related hazards that may be caused by dam operations. Twenty-two (22) IEC sessions were conducted with breakdown as follows: Ambuklao and Binga Dams (5), San Roque Dam (4), Angat Dam (10) and Caliraya-Lumot Dams (3).

b. Reliability Testing of Spillway Gates

Annual spillway gates testing are 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 – August 20-21, 2019
- San Roque Dam – February 27-March 06, 2019
- Angat Dam – June 19, 2019
- Caliraya Dam – July 5 and 12, 2019

31.3 Dams, Reservoirs and Waterways Division (DRWD)

a. Dams Integrity Surveillance

The DMD-DRWD conducted 10 mandatory safety inspections and 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 (PSALM) Corporation.

The safety inspections and 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 or findings and recommendations were reported and conveyed to the concerned Plant Management or Operator, and its compliance to the reported recommendations is diligently monitored.

Dam instrumentation monitoring is a continuing activity for DMD-DRWD. Reliable and suitable scientific data gathering, and surveillance are aimed at ensuring 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.

b. Reservoir Water Utilization/Optimization

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

c. Emergency Action Plan of Caliraya and Lumot Dams

As part of the NPC Dam Safety Program, DRWD drafted the Emergency Action Plan (EAP) for Caliraya and Lumot Dams. This is to ensure that in the event of an emergency (e. g. a dam break scenario), all parties or stakeholders are aware of their individual roles in ensuring that the correct mitigation and communication measures are undertaken. Coordination meeting with LGUs and other stakeholders was conducted on October 22, 2019. A follow-up meeting with OCD was conducted in November 2019.

31.4 Flood Forecasting and Warning System Division (FFWSD)

It is FFWSD's mandate to provide reliable flood forecasting and efficient dam discharge warning operation in order to protect the lives and properties of the communities at the 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; and in order to get abreast of the latest and innovative technologies, improvements are introduced or implemented to further enhance NPC's FFWSDO.

Relative to these undertakings are the following accomplishments this CY 2019:

a. Flood Forecasting and Dam Discharge Warning Operation

The FFWSD has conducted flood forecasting and dam discharge warning operations in Ambuklao, Binga and Angat Dams due to Tropical Cyclones (TC) and enhanced Southwest Monsoons. Details are as follows:

Location	Count	Inclusive Dates
Ambuklao Dam	3	
Southwest Monsoon		August 13-15, 2019
TC Liwayway		September 2-3, 2019
Southwest Monsoon		September 8-10, 2019
Binga Dam	5	
Southwest Monsoon		August 13-15, 2019
Southwest Monsoon enhanced by TC Ineng		August 24, 2019
TC Jenny		August 27-28, 2019
TC Liwayway		September 2-3, 2019
Southwest Monsoon		September 8-10, 2019
Angat Dam	1	
TC Usman		January 1-4, 2019

b. FFWSDO Project

- **Rehabilitation of Caliraya Flood Forecasting and Warning System for Dams Operations (FFWSDO) Project**

This Project aims to provide reliable Flood Forecasting and Warning System for Dam Operations at Caliraya which will enhance monitoring and analysis of the data gathered using rain gauge stations, warning stations and water level stations and provide efficient way to disseminate warning announcements to areas located nearby the downstream of Caliraya Dam.

Electrical works, Automation and Programming and Instrumentation are on-going. Testing and commissioning for Telemetry component already approved by ESD.

As of December 31, 2019, the actual accomplishment is 77.21 per cent.

▪ **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 seven rain gauge and seven water level stations and additional ten warning stations to improve the current flood forecasting and warning system of Angat. Only the Testing and Commissioning works including the Joint Final Inspections remains to be completed. As of December 31, 2019, the actual accomplishment is 94.68 per cent.

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 PDRRMC in Malolos, Bulacan thus improving communication during dam releases. Testing and Commissioning with Joint Final Inspection were already completed. Rectification works are on-going. As of December 31, 2019, the actual accomplishment is 98.85 per cent.

31.5 Power Engineering Services (PES)

The Power Engineering Service manages and supervises the implementation of power projects including construction, quality, and cost control. The Group provides specialty services such as engineering surveys, hydrological studies, geological services, materials investigation and testing, social engineering, and right-of-way acquisition. It also prepares conceptual and detailed studies, design and tender documents for new facilities and rehabilitation of existing facilities.

The Power Engineering Services' major accomplishments for CY 2019 are as follows:

Item No.	Project Title	Work Order No.	Status / Accomplishment
TRANSMISSION LINE PROJECTS			
1	Rehabilitation of Calapan - Bansud "1" 69kV T/L Project (44 km.)	F304I01	<ul style="list-style-type: none"> ▪ Energized Calapan-Naujan and Naujan-Victoria T/L Sections on May 25, 2018 and June 20, 2018, respectively ▪ Certificate of Provisional Acceptance effective May 25, 2018 was already issued.

Item No.	Project Title	Work Order No.	Status / Accomplishment
			<ul style="list-style-type: none"> ▪ Project Close-Out Report was submitted to Finance and other concerned offices on January 04, 2019. ▪ Certificate of Final Acceptance was issued on June 18, 2019.
2	Virac - San Miguel 69kV T/L Project (15.15 km.)	J312A01	<ul style="list-style-type: none"> ▪ Project accomplishment, 100 per cent completed. ▪ For issuance of Certificate of Project Completion. ▪ Energized at 13.8kV as of July 26, 2019. ▪ Actual length was increased from 15.15 km. to 15.67 km. ▪ Preparation of Project Close-Out Report, 60 per cent completed.
3	Rehabilitation of Calapan - Bansud "2" 69kV T/L Project (42 km.)	F304I02	<ul style="list-style-type: none"> ▪ Project accomplishment, 99.43 per cent completed. ▪ Project completed as of September 13, 2019 ▪ Certificate of Project Completion was already issued. ▪ With rectified punchlist items for close-out. ▪ Preparation of Project Close-Out Report, 90 per cent completed.
4	Bansud - Mansalay 69kV T/L (64.53 km.)	F303A01	<ul style="list-style-type: none"> ▪ Project accomplishment, 98.88 per cent completed. ▪ Remaining correction works (1.12 per cent) for completion by January 2020. ▪ Preparation of Project Close-Out Report, 60 per cent completed.
5	Rehabilitation of Calapan - Puerto Galera 69kV T/L Project (41 km.)	F305I01	<ul style="list-style-type: none"> ▪ Project accomplishment, 98.60 per cent completed. ▪ Energized and completed as of April 28, 2018. ▪ Commercially operated on May 12, 2018. ▪ Certificate of Final Completion was already issued. ▪ Remaining correction works (1.40 per cent) for completion by January 2020. ▪ Project Close-Out Report was submitted to Finance and other concerned offices on November 29, 2018.
6	Rehabilitation of Boac - Torrijos 69kV T/L (47 km.)	I305I01	<ul style="list-style-type: none"> ▪ Project accomplishment, 98.11 per cent completed. ▪ Project completed as of November 14, 2019 with minor correction works (1.89 per cent) for completion. Ready for energization. ▪ Certificate of Project Completion was already issued. ▪ Preparation of Project Close-Out Report, 30 per cent completed.
7	Mansalay - San Jose 69kV T/L Project, Schedule 1 & 2 (60 km.)	I324A02	<p>Schedule 1:</p> <ul style="list-style-type: none"> ▪ Project accomplishment, 86.77 per cent completed ▪ Stringing of Power Conductor and OHGW, 4 km. completed. ▪ Suspension of works for Schedule 1 was issued effective June 20, 2019 due to Right-of-Way issues with the affected Indigenous People (IP) and request for re-routing of the transmission line approximately 9.28 km. by the Local Government Unit. ▪ For resumption of work. <p>Schedule 2:</p> <ul style="list-style-type: none"> ▪ Project accomplishment, 95.19 per cent completed. ▪ For verification of rectified punch list items (4.81 per cent).

Item No.	Project Title	Work Order No.	Status / Accomplishment
			<ul style="list-style-type: none"> ▪ Project completed as of September 24, 2019. ▪ Certificate of Project Completion already issued. ▪ Stringing of Power Conductor and OHGW, 26 km. completed. ▪ Preparation of Project Close-Out Report, 40 per cent completed.
8	Rehabilitation of Minolo (Puerto Galera) - Mamburao 69kV Transmission Line Project (52 km.)	I321I01	<ul style="list-style-type: none"> ▪ Project accomplishment, 36.85 per cent completed. ▪ Delivery of first batch of steel poles completed on December 19, 2019. ▪ Factory Acceptance Test for insulator and steel poles (batch 2) was conducted on January 11, 2020. ▪ Contract expiry/Target completion on August 16, 2020.
9	Supply and Erection/ Installation of Roxas -Taytay 69kV T/L Project Roxas Substation - Alimanguan Junction (Schedule 1) (Structure 1-232)	J302A02	<ul style="list-style-type: none"> ▪ Project accomplishment, 5.29 per cent completed. ▪ Ongoing check survey/staking of pole sites, delivery of steel poles at site and submission of brochures/drawings for NPC's approval. ▪ Contract expiry/Target completion on October 02, 2020.
10	Supply and Erection/ Installation of Roxas-Taytay 69kV T/L Project Alimanguan Junction-Taytay Substation (Schedule 2) (Structure 232-434)	J302A02	<ul style="list-style-type: none"> ▪ Project accomplishment, 26.19 per cent completed. ▪ Ongoing delivery of steel poles at Contractor's stockyard. ▪ Contract expiry/Target completion on August 08, 2020.
SUBSTATION PROJECTS			
1	Virac (Marinawa) 69kV Substation Project (10 MVA)	I324A01	<ul style="list-style-type: none"> ▪ Energized on September 21, 2019. ▪ Project completed as of May 02, 2018. ▪ Certificate of Final Acceptance was already issued. ▪ Preparation of Project Close-Out Report, 95 per cent completed.
2	Supply, Delivery, Construction/ Installation, Test and Commissioning 5 MVA Codon 69kV Substation Project	I315A04	<ul style="list-style-type: none"> ▪ Energized on September 21, 2019. ▪ Project completed as of January 24, 2019 and inaugurated on July 25, 2019. ▪ Remaining punchlist item is the delivery of spare parts. ▪ Preparation of Project Close-Out Report, 50 per cent completed.
3	Supply, Delivery, Construction, Installation, Testing & Commissioning of 5 MVA Taytay Substation Project	J310A02	<ul style="list-style-type: none"> ▪ Project accomplishment, 99.09 per cent completed. ▪ Temporarily energized at 13.8kV. ▪ Remaining punchlist item is the delivery of spare parts. ▪ Preparation of Project Close-Out Report, 60 per cent completed.
4	Supply, Delivery, Construction, Installation, Testing and Commissioning of 5 MVA San Miguel Substation	J310A01	<ul style="list-style-type: none"> ▪ Project accomplishment, 58.59 per cent completed. ▪ Works were suspended on April 10, 2019 due to change in design plans to suit actual field condition; lifted on July 26, 2019. ▪ Contract expiry/Target completion on April 22, 2020.
5	Construction of New Rizal DPP, Punta Baja, Rizal, Palawan	E600M11	<ul style="list-style-type: none"> ▪ Project accomplishment, 43.66 per cent completed. ▪ Show Cause Order was issued on September 11, 2019. ▪ Contract expiry/Target completion on March 8, 2020.
6	Rehabilitation and Transfer of Existing 10 MVA Power	I324A03	<ul style="list-style-type: none"> ▪ Project accomplishment, 6.40 per cent completed.

Item No.	Project Title	Work Order No.	Status / Accomplishment
	Transformer at Boac Substation Including Supply, Delivery, Construction, Installation, Test & Commissioning of New 10 MVA Mogpog Substation		<ul style="list-style-type: none"> ▪ Kick-off meeting was conducted on October 28, 2019. ▪ Ongoing clearing, materials testing and survey/staking lay-out. ▪ Contract expiry/Target completion on August 24, 2020.
7	Supply, Delivery, Installation & Commissioning including Transfer of 5 MVA Transformer from Narra Substation to Brooke's Point Substation in Palawan	J310A04	<ul style="list-style-type: none"> ▪ NOA was issued on October 23, 2019. ▪ NTP for conformance of the Contractor. ▪ Target completion on 4th Quarter of 2020.
CAPACITY ADDITION PROJECTS AND ASSOCIATED FACILITIES			
1	Supply, Delivery, Installation, Test and Commissioning of 13 x 600 kW Gensets for various SPUG Areas	E810A08	<ul style="list-style-type: none"> ▪ 12 out of 13 units (7.2 MW/7.8 MW) commercially operated as of June 2017. One (1) unit (0.6 MW) commercially operated on January 2018. ▪ Certificate of Final Acceptance (CFA) for all sites was already issued. ▪ Project Close-Out Report submitted to Finance and other concerned groups on October 18, 2019.
2	Supply, Delivery, Installation, Test and Commissioning of 1 x 1.5 MW Modular Generating Sets for Dinagat DPP	K607A01	<ul style="list-style-type: none"> ▪ Commercially operated as of December 20, 2017. ▪ Project completed as of October 02, 2017. ▪ Certificate of Final Acceptance effective September 09, 2019 was already issued. Remaining punchlists JIF Nos. 2 & 5 and T & C punchlists, which were indicated in the Certificate of Acceptance, were already closed ▪ Project Close-Out Report was submitted to Finance and to other concerned groups on January 29, 2018.
3	Supply, Delivery, Installation, Test and Commissioning of 1 x 90 kW Modular Diesel Generating Sets and Associated Electrical Equipment for Rama Cinco DPP	E810A16	<ul style="list-style-type: none"> ▪ 1x90 kW Gensets were commissioned in June 2018. ▪ Project completed as of 15 March 2019. ▪ Project Close-Out Report already submitted to Finance and other concerned groups on July 16, 2019.
4	Construction of Power Facilities (Civil Works) including Relocation Works, Supply, Delivery, Erection/Installation, and Test of Balance of Plant for Calayan DPP	E400A01	<ul style="list-style-type: none"> ▪ Project completed as of February 06, 2019. ▪ With rectified punchlist items for close-out. ▪ Preparation of Project Close-Out Report, 70 per cent completed.
5	Construction of Power Facilities including Supply, Delivery, Erection/Installation, Test & Commissioning of 1 x 100 kW Genset & its Auxiliaries and Associated Electrical Equipment for the Electrification of Six (6) Barangays at Camandag Island, Sto. Niño, Samar	E800A06	<ul style="list-style-type: none"> ▪ Project completed and inaugurated as of March 19, 2019. ▪ Certificate of Project Completion was already issued ▪ Project Close-Out Report 100 per cent completed. For submission to concerned groups on the 1st week of January 2020.
6	Construction of Power Facilities including Supply, Delivery, Erection/Installation, Test & Commissioning of 1 x 90 kW Genset & its Auxiliaries and Associated Electrical Equipment	E800A05	<ul style="list-style-type: none"> ▪ Project completed as of May 16, 2019 ▪ Certificate of Project Completion was already issued. ▪ Project Close-out Report was submitted to Finance and other concerned groups on October 16, 2019.

Item No.	Project Title	Work Order No.	Status / Accomplishment
	for the electrification of three (3) Barangays at Calaguas Group of Islands, Vinzons, Camarines Norte Under the Off-Grid Electrification Project		
7	Supply, Delivery, Installation/ Erection of two (2) units twenty (20) ft. Collapsible Containerized Control Room for Tambo and Tabao, Lubang, Occidental Mindoro	E810A25	<ul style="list-style-type: none"> ▪ Project completed as of April 17, 2018. ▪ Certificate of Acceptance/ Complete Delivery was already issued. ▪ Project Close-out Report was submitted to Finance and other concerned groups on October 16, 2019.
8	Contract for the Supply, Delivery, and Test of 31 Units of Quick Response Modular Diesel Gensets and Associated Electrical Equipment for SPUG Areas	E810A18	<ul style="list-style-type: none"> ▪ Project completed as of February 20, 2019. ▪ Project Close-out Report was submitted to Finance and other concerned groups on December 19, 2019.
9	Construction of Power Facilities of 2 x 200 kW Generator Sets for Languyan DPP	E610A06	<ul style="list-style-type: none"> ▪ Project accomplishment, 96.36 per cent completed. ▪ 2x200 kW Gensets for Languyan DPP were energized/inaugurated on December 10, 2018. ▪ Conducted JFI on November 18-20, 2019 and identified 38 punchlist items for rectification. ▪ Preparation of Project Close-Out Report, 90 per cent completed.
10	Construction of Power Facilities incl. Supply, Delivery, Erection/Installation, 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 Off-Grid Electrification Project	E610A14	<ul style="list-style-type: none"> ▪ Project accomplishment, 92.12 per cent completed. ▪ Conducted JFI on December 20-22, 2019. ▪ Ongoing rectification of 44 identified punchlist items. ▪ Preparation of Project Close-Out Report, 74.5 per cent completed. ▪ Show Cause Order was issued to the Contractor on 09 August 2018. ▪ Target commissioning by end of January 2020.
11	Construction of Power Facilities Including Supply, Delivery, Installation, Test and Commissioning of 5 x 1.0 MW Containerized Generating Sets, Auxiliaries and Balance of Plant for Basilan Power Plant	E810A15	<ul style="list-style-type: none"> ▪ Project accomplishment, 85.79 per cent completed. ▪ Five (5) units of diesel gensets already delivered at site. ▪ Preparation of Project Close-Out Report, 45 per cent completed. ▪ Target energization/commissioning by end of January 2020.
12	Construction of Power Facilities including Supply, Erection/Installation and Test of Balance of Plant for 2 x 150 kW Pandami Diesel Power Plant	E610A08	<ul style="list-style-type: none"> ▪ Project accomplishment, 84.60 per cent completed. ▪ 2x150 kW Gensets for Pandami were energized/commercially operated on October 24, 2018. ▪ Remaining works include tank foundation activities. ▪ FOST Leak Testing, fuel oil unloading/transfer pump, domestic water supply system and electrical services/accessories. ▪ Target project completion by end of February 2020. ▪ Preparation of Project Close-Out Report, 51 per cent completed.
13	Construction of Power Facilities including Supply, Delivery, Erection, Installation, Test and Commissioning of 90 kW	E610A10	<ul style="list-style-type: none"> ▪ Project accomplishment, 83.36 per cent completed. ▪ The 90 kW diesel genset was already delivered at site. ▪ Remaining works include delivery &

Item No.	Project Title	Work Order No.	Status / Accomplishment
	Modular Generating Sets Including BOP for Electrification of Five (5) Barangays at Tagubanhan Island		<ul style="list-style-type: none"> installation of remaining switchyard appurtenances, XLPE cables and delivery of spare parts. ▪ Final Show Cause Order already issued to the Contractor. ▪ Target commissioning by 3rd quarter CY 2020.
14	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	<ul style="list-style-type: none"> ▪ Overall accomplishment: 81.43 per cent completed. Schedule 1: 77.17 per cent Schedule 2: 88.41 per cent Schedule 3: 81.90 per cent ▪ All nine (9) units were delivered at site. ▪ Ongoing delivery and installation of transformers, cables, instrumentation, and switchyard appurtenances to respective sites. ▪ For preparation of Project Close-Out Report. ▪ Target commissioning by 3rd quarter CY 2020.
15	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 accomplishment, 80.53 per cent completed as of suspension. ▪ NPC is holding in abeyance implementation of all remaining activities unless all pending issues are resolved. ▪ Under arbitration case.
16	Construction of Power Facilities incl. Supply, Erection/ Installation, Test & Commissioning of Forty-Seven (47) Units of Modular Diesel Generating Sets and Electrical Equipment for Luzon SPUG Areas under Schedule 1	H820A01	<ul style="list-style-type: none"> ▪ Project accomplishment, 80.37 per cent completed. ▪ 44 out of 47 units were delivered to 17 project sites. ▪ Test & Commissioning for Rizal DPP, Culion DPP and Linapacan DPP conducted in December 2019 with identified punchlist items for rectification. ▪ Work suspended effective May 02, 2019 due to difficulty in hauling/delivery of gensets and electrical equipment to project sites and design changes to suit actual field condition ▪ Resumption of works was issued on November 19, 2019 where four (4) sites (Itbayat, Sabtang Rapu-Rapu and San Pascual) remained suspended. ▪ For delivery of remaining three (3) Units of diesel gensets. ▪ Final Show Cause Order was issued to the Contractor last April 1, 2019. ▪ Target commissioning of remaining units by 1st quarter CY 2020. ▪ For preparation of Project Close-Out Report.
17	Construction of Power Facilities including Supply, Delivery, Erection, Test and Commissioning of 2 x 180 kW Modular Generating Sets and Associated Electrical Equipment and BOP for the Electrification of 4 Barangays at Naro Island, Masbate	E610A13	<ul style="list-style-type: none"> ▪ Project accomplishment, 75.33 per cent completed. ▪ 2 Units of diesel gensets and electrical appurtenances already delivered at site. ▪ Final Show Cause Order was issued to the Contractor last April 01, 2019. ▪ Target commissioning of remaining units by 1st quarter CY 2020.
18	Construction of Power Facilities including Supply, Delivery, Installation, Test and Commissioning of 4 x 1.0 MW Containerized D/G Sets and Auxiliaries for Boac DPP	E610A18	<ul style="list-style-type: none"> ▪ Project accomplishment, 71.98 per cent completed. ▪ Four (4) Units of diesel gensets were already delivered at site. ▪ Target completion is on March 11, 2020.
19	Construction of Power Facilities Including Supply,	E610A11	<ul style="list-style-type: none"> ▪ Project accomplishment, 30.33 per cent completed as of suspension of works.

Item No.	Project Title	Work Order No.	Status / Accomplishment
	Delivery, Installation, Test and Commissioning of 190 kW Modular Gensets for the Electrification of Five (5) Barangays (Tictabon, Tumaloptap, Pangapuyan, Manalipa and Great Sta. Cruz DPP) at Zamboanga Del Sur		<ul style="list-style-type: none"> ▪ Contract was suspended since October 18, 2019 due to unavailability of Special Agreement on Protected Areas (SAPA) from DENR. ▪ Four (4) Units of diesel gensets and electrical appurtenances were already delivered at respective sites. One (1) Unit remains at Zamboanga City Port Area. ▪ PMD, SPUG-MOD and Contractor conducted site inspection at Great Sta. Cruz, Pangapuyan and Tictabon DPPs on 21 December 2019 to assess Contractor's accomplishment and remaining activities. ▪ Project Close-Out Report, 39.28 per cent completed. ▪ 0.18 MW Target commissioning by end of February 2020. ▪ 0.01 MW Target commissioning by end of June 2020.
20	Supply, Delivery, Installation, Test and Commissioning of 2 x 100 kW Modular Diesel Gensets, Associated Electrical Equipment and BOP for Tausan DPP under the Off-Grid Electrification Project	K840A02	<ul style="list-style-type: none"> ▪ Project accomplishment, 11.26 per cent completed. ▪ Delays were due to insufficient construction materials, equipment for site grading and manpower resources. ▪ Target completion is on March 09, 2020.
21	Construction of Power Facilities for the 2 x 150 kW D/G & 13.8kV Distribution Line Including Supply, Delivery, Erection/Installation, Test & Commissioning of BOP in Pag-asa Kalayaan Island, Palawan	E610A28	<ul style="list-style-type: none"> ▪ Project accomplishment, 2.86 per cent completed as of suspension of works. ▪ Notice to Proceed was conformed on October 23, 2019. ▪ The Contract took effect on October 30, 2019. ▪ Suspension of works effective November 12, 2019 is due to LGU of Kalayaan's advice to suspend mobilization due to prevailing rough waters in the West Philippine Sea.
22	Supply, Delivey, Erection/ Installation, Test & Commissioning of 22 Units of Modular Generating Sets & Electrical Equipment for Mindanao SPUG Areas - Schedule III	K840A01	<ul style="list-style-type: none"> ▪ Kick-off meeting was conducted on August 13, 2019. ▪ NOA and NTP were issued on August 20, 2019 and November 12, 2019, respectively. ▪ The Contractor has not yet mobilized at site. ▪ For submission of implementation schedule for approval.
23	Supply & Installation, Test & Commissioning of Eight (8) Units of Modular D/G including BOP for Electrification of New Areas in Occidental Mindoro in Two (2) Schedules (Schedule 2)	E610A28	<ul style="list-style-type: none"> ▪ Project accomplishment, 4.23 per cent completed (estimated). ▪ NOA and NTP were issued on April 12, 2019 and August 15, 2019, respectively. ▪ Kick-off meeting was conducted on September 12, 2019. ▪ Ongoing submission of drawings/plans and brochures for NPC's approval.
24	Supply, Delivery, Installation, Test and Commissioning of Generator Transformers and Line Materials for Connection of 300 kW, 160 kW and 80 kW D/G Sets for Various SPUG Diesel Power Plants in Three (3) Packages	E810A29	<ul style="list-style-type: none"> ▪ Project accomplishment, 29.48 per cent completed (estimated). ▪ For submission of implementation schedule for approval. ▪ Target completion date is on May 23, 2020.
25	Supply & Installation, Test & Commissioning of Thirteen (13) Units of Modular D/G and Associated Electrical Equipment for Six (6) Areas of BAPA in Palawan in Three	E610A23	<ul style="list-style-type: none"> ▪ NOA was issued on September 14, 2019. ▪ Contract is still for signature of the Contractor. Follow-up letters dated October 21, 2019 and November 08, 2019 were already sent to the Contractor to return the signed Contract.

Item No.	Project Title	Work Order No.	Status / Accomplishment
	(3) Schedules (Schedule 1)		
26	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 November 22, 2016., ▪ Payment of billings/claim on hold until all pending issues are resolved.
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	<ul style="list-style-type: none"> ▪ Project completed as of May 08, 2019. ▪ Certificate of Project Completion was already issued. ▪ Preparation of Project Close-Out Report, 95 per cent completed. For submission to Finance and other concerned groups by end of January 2020.
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 under Batch 1, Schedule 4	E810A07	<ul style="list-style-type: none"> ▪ Project completed as of August 23, 2019. ▪ Preparation of Project Close-Out Report, 95 per cent completed. For submission to Finance and other concerned groups.
3	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 6	E810A05	<ul style="list-style-type: none"> ▪ Project completed as of December 14, 2018. ▪ Project was turned over to SPUG on May 18, 2019. ▪ Project Close-Out Report was already submitted to Finance and other concerned groups on September 12, 2019.
4	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, Schedule 1	E610A05	<ul style="list-style-type: none"> ▪ Overall accomplishment: 97.13 per cent ▪ Actual accomplishment per site: <ul style="list-style-type: none"> Maripipi: 96.68 per cent Kerikite: 99.12 per cent Sto. Niño: 96.85 per cent Biasong: 98.71 per cent Costa Rica: 96.84 per cent Biri: 95.15 per cent Almagro: 98.07 per cent Batag: 97.02 per cent San Vicente: 96.66 per cent ▪ Target project completion by end of January 2020. ▪ Final Show Cause Order was issued on August 15, 2018. ▪ For preparation of Project Close-Out Report.
PLANT/FACILITIES BETTERMENT PROJECTS			
1	Construction of New Mechanized Warehouse for Agus 2 HEP	B110A63	<ul style="list-style-type: none"> ▪ Project completed as of November 06, 2018. ▪ Project Close-out Report 100 per cent completed. For transmittal to concerned groups.
2	Rehabilitation of AGUS 6 HEP Unit No. 3 Draft Tube Liner	B145I75	<ul style="list-style-type: none"> ▪ Project completed as of October 24, 2018. ▪ Project Close-out Report, 100 per cent completed. For transmittal to concerned groups.
3	Installation of Concrete Barrier at Units 3,4 & 5 Tailrace at AGUS 6 HEP	B145Z74	<ul style="list-style-type: none"> ▪ Project completed as of January 12, 2019. ▪ First and Final Billing was already audited at MinGen Office, waiting for the processing and approval of Reversion of Funds for the Variation Order. ▪ Preliminary Project Close-Out Report was already submitted to Finance and other concerned groups on May 23, 2019.
4	Construction of Operator's Quarter and Office in Languyan DPP	E782A14	<ul style="list-style-type: none"> ▪ Project completed as of April 26, 2019. ▪ Certificate of Project Completion was already issued. ▪ Ceremonial Turn-Over was held on December 03, 2019.

Item No.	Project Title	Work Order No.	Status / Accomplishment
			<ul style="list-style-type: none"> Preparation of Project Close-Out Report, 98 per cent completed.
5	Construction of SPUG Mindanao Central Office Building, Davao City (Mintal)	K990A01	<ul style="list-style-type: none"> Project completed as of December 10, 2019. Three (3) JFI remaining punchlist items for rectification by the Contractor. Land title was already forwarded to LLRD on October 19, 2019 and the request for consolidation plan is under filing of petition at court. Inauguration is scheduled on February 06, 2020. Preparation of Project Close-Out Report, 69.64 per cent completed.
6	Construction of SPUG- Bicol Operation's Warehouse at Ligao City, Albay	E60W1S1	<ul style="list-style-type: none"> Project completed as of August 16, 2019. Certificate of Project Completion was already issued. Project Close-out Report 100 per cent completed. For transmittal to concerned groups.
7	Construction of SPUG Bohol Office and Staff House	E990A01	<ul style="list-style-type: none"> Project completed as of August 29, 2019. Certificate of Project Completion was already issued. Preparation of Project Close-Out Report, 60 per cent completed.
8	Design, Supply, Delivery, Installation, Test and Commissioning of Limasawa Solar Photovoltaic (PV) with Energy Storage System (ESS) – Diesel Hybrid Power Plant	E810A28	<ul style="list-style-type: none"> Project accomplishment, 98.37 per cent completed. Ongoing rectification of remaining 19 out of 42 JFI punchlist items by the Contractor. Preparation of Project Close-Out Report, 80.36 per cent completed.
9	Construction of SPUG MQNLOD Satellite Building located at Regional Government Center (RGC), Carig Sur, Tuguegarao City, Cagayan	E600A25	<ul style="list-style-type: none"> Project accomplishment, 90.17 per cent completed. Target schedule of Joint Final Inspection by end of January 2020. For preparation of Project Close-Out Report.
10	Sacol DPP Renovation & Facilities Improvement	E781A12	<ul style="list-style-type: none"> Project accomplishment, 79.57 per cent completed. Show Cause Order was issued on 26 April 2019. Preparation of Project Close-Out Report, 63.87 per cent completed.
11	Rehabilitation of Office/ Administration Building at Pulanglupa DPP	L991I01	<ul style="list-style-type: none"> Project accomplishment, 81.20 per cent completed. Contractor's request for time extension is under evaluation by PIC B. For preparation of Project Close-Out Report.
12	Rehabilitation of Caliraya Flood Forecasting & Warning System for Dam Operations (FFWSDO) Project	A100A07	<ul style="list-style-type: none"> Project accomplishment, 80.40 per cent completed. Target schedule of Test and Commissioning and Joint Final Inspection of Telemetry Stations by end of January 2020. For preparation of Project Close-Out Report.
13	Construction of Power Facilities for the Transfer of Sabtang Diesel Power Plant	L990A01	<ul style="list-style-type: none"> Project accomplishment, 79.52 per cent completed as of suspension. Contract was suspended since 01 August 2019 due to unfavorable weather condition and unavailability of motorboats following the recent earthquake incident in Batanes.
14	Tandubanak DPP Renovation & Facilities Improvement	E781A36	<ul style="list-style-type: none"> Project accomplishment, 40.41 per cent completed. Delays were due to insufficient construction materials, manpower resources and late submission of drawings and brochures. Show Cause Order was issued on June 26,

Item No.	Project Title	Work Order No.	Status / Accomplishment
			<ul style="list-style-type: none"> ▪ 2019. ▪ Target project completion by end of February 2020. ▪ Preparation of Project Close-Out Report, 33.33 per cent completed.
15	Contract for the Expansion of Powerhouse and Construction of Bunkhouse for Pilar Diesel Power Plant located at Pilar, Camotes Island, Cebu	K610K01	<ul style="list-style-type: none"> ▪ Suspension of work effective November 26, 2019 due to non-availability of the building permit pending the submission of required ECC. ▪ ECC was received on December 13, 2019. ▪ Ongoing processing of Building Permit for the eventual resumption of work.
PRE-CONSTRUCTION ACTIVITIES			
1	Service Contract for the Investigation (Route) and Parcellary Survey of Abo-Abo-Quezon-Rizal 69kV T/L and Switching Station	J306D01	<ul style="list-style-type: none"> ▪ All required works were completed as of June 26, 2018. ▪ Certificate of Acceptance was already issued. ▪ Preparation of Project Close-Out Report, 90 per cent completed.
2	Service Contract for the Parcellary Survey of Roxas-Taytay 69kV T/L Project	J308P01	<ul style="list-style-type: none"> ▪ All required works were completed as of July 20, 2018. ▪ Certificate of Acceptance was already issued. ▪ Preparation of Project Close-Out Report, 75 per cent completed.
3	Service Contract for Parcellary Survey of Lots Affected by the Existing Puerto Princesa-Narra 69kV T/L Project	J309P01	<ul style="list-style-type: none"> ▪ All required works were completed on July 11, 2018. ▪ Certificate of Acceptance was already issued. ▪ Project Close-Out Report was already submitted to Finance and other concerned groups on September 17, 2019.
4	Service Contract for the Parcellary Survey of the Proposed 32 km. Brooke's Point-Bataraza 69kV T/L Project	J320D01	<ul style="list-style-type: none"> ▪ All required works were completed on September 28, 2018. ▪ Certificate of Final Acceptance was already issued. ▪ Project Close-Out Report was already submitted to Finance and concerned groups on September 02, 2019.
5	Investigation (Route) Parcellary Survey for Taytay-EI Nido 69kV T/L	J307P01	<ul style="list-style-type: none"> ▪ Project accomplishment, 99.00 per cent completed. ▪ Plan & Profile of the re-routed portion was already approved. ▪ For finalization of Masterlist and actual site verification of contractor's accomplishment. ▪ Show Cause Order was issued to the Contractor on January 24, 2019. ▪ Preparation of Project Close-Out Report, 50 per cent completed.
6	Parcellary Survey of Codon-Pandan-Viga-San Miguel 69kV T/L in 3 Schedules (Catanduanes)	J300D02	<ul style="list-style-type: none"> ▪ Project accomplishment, 95 per cent completed. ▪ Suspension of work effective September 14, 2018 due to delay on the final evaluation of the submitted Plan and Profile for spotting of pole sites was lifted effective December 16, 2019. ▪ For preparation of Project Close-Out Report ▪ Revised contract expiry/Target completion on January 02, 2020.

31.6 Watershed Management Department

NPC manages eleven watershed areas with a total land area of 485,199 hectares through its Watershed Management Department. These

watersheds, which support power generation, domestic water supply and irrigation, are managed through rehabilitation, protection, and resources development.

Rehabilitation programs like reforestation and agroforestry sustain propagation of high value and good quality seedlings of indigenous and fruit-bearing trees, and re-vegetation of open areas.

NPC likewise performs watershed protection through rigorous foot patrolling and law enforcement in partnership with the Philippine Army, Philippine National Police, Philippine Coast Guard, local government units and stakeholders.

The corporation also conducts information and education campaigns and livelihood trainings to teach people the importance of a sustainable environment and to encourage them to venture into alternative income-generating activities.

These programs are funded through the Universal Charge-Environmental Charge (UC-EC) as approved by the Energy Regulatory Commission.

a. Watershed Rehabilitation

- Rehabilitated/Restored a total of 70.36 hectares of open and denuded areas of the watersheds in partnership with various stakeholders/communities through NPC's cooperative tree planting and seedling dispersal program.
- Produced a total of 437,748 indigenous seedlings of various species (both forest trees and fruit bearing).
- Maintained and protected about 3,000 hectares as part of the three (3) year maintenance and protection program of previously established plantations (Reforestation, Agroforestry and Non-Timber Forest Resource Management)

b. Watershed Protection

- Intensified forest law enforcement activity through conduct of 539 patrol operations (mobile/foot patrols and checkpoint operations) in intermittent schedule including weekends and holidays in partnership with local police/military personnel, LGUs, NGOs/NPOs, and other watershed stakeholders.
- Complementing these partnerships is the mobilization and deployment of about 275 Bantay Watershed Task Force (BWTF) volunteers for the first quarter of 2019. These strengthened alliances resulted to confiscation of around 5,829.50 bd. ft. of logs/lumber, 1 unit of conveyance, and 4 sacks of charcoal.

- The authority of NPC encompasses regulation including the granting or issuance 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 11 permits, 10 Notice of Violations (NOV) and 5 Cease and Desist Orders (5) were issued in CY 2019.

c. Resource Development

- Supplemental to NPC’s forest protection efforts, is encouraging the support of the local communities inside the watersheds by sharing to them NPC’s mandates and policies. Various avenues of information, education, and campaigns such as lectures/film showing (54) were undertaken.
- Communities and stakeholders were also mobilized during the different environment related celebrations such as Earth Day and Arbor Day with a total of forty-eight (48) social mobilization activities conducted and about 1,100 pieces of information materials such as calendars, brochures were produced and distributed.
- Provision of alternative livelihood opportunities to communities, forms part of the community development and extension activities of NPC for 2019. At least 224 swine gilts were dispersed to qualified beneficiaries/indigents within the watersheds selected farmers-cooperators.

Likewise, at least 19 livelihood trainings were initiated by the Watershed Area Teams which varies from communal fuelwood farming, charcoal briquetting, rattan, and bamboo production.

32. CONTINGENCIES

The status of pending cases filed by or against the Corporation as of December 31, 2019 are summarized below for both Non-OMA and OMA:

Nature of Case	Non-OMA			OMA			Total
	No. of Cases without amount involved	Contingent Liabilities		No. of Cases without amount involved	Contingent Liabilities		
		No. of Cases	Estimated Amount		No. of Cases	Estimated Amount	
Expropriation ⁶	36	8	115,314,674.75	21	19	53,915,792.57	169,230,467.32
Land Registration	4	0	0.00	266	0	0.00	0.00
ERC	51	0	0.00	33	2	616,551,486.98 ⁷	616,551,486.98
Tax	1	0	0.00	3	29	16,414,970,082.82	16,414,970,082.82
Other Civil Cases	5	1	41,656,184.41	61	9	6,919,797.85	48,575,982.26
Ejectment ⁸	12	3	3,683,780.00	44	66	5,181,752,092.71	5,185,435,872.71
Just Compensation	5	1	4,738,800.00	40	4	12,316,905.65	17,055,705.65
Administrative	3	0	0.00	4	0	0.00	0.00
Labor	0	0	0.00	16	2	721,606,114.21	721,606,114.21
Criminal	0	0	0.00	3	0	0.00	0.00
Total	117	13	165,393,439.16	491	131	23,008,032,272.79	23,173,425,711.95

⁶ Plant related.

⁷ Or \$7,034,000.00.

⁸ Or Recovery of Possession and Damages.

Of this list, there are seven additional OMA cases which were co-handled with the National Transmission Corporation (TransCo).

Contingent receivables are also expected to arise from various OMA cases. However, these are not recognized in the financial statements but are appropriately disclosed considering the favorable assessment of probability of inflow of economic benefits to the Corporation (*See also Note 3.12.c*).

For both Non-OMA and OMA cases, the amounts pertaining to all notices of disallowances issued by COA 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 amount.

Also, on the basis of COA's audit observation and recommendation, NPC is contingently liable for basic tax for the 3rd GRAM and ICERA collections in CY 2012 to 2018 subject to the result of the tax investigation of the BIR per the latter's Electronic Letter of Authority (eLOA) No. eLA201700018354.

33. RELATED PARTY TRANSACTIONS

33.1 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.

a. Board of Directors

The Members of the Governing Board are as follows:

Ex-Officio-Chairman	- Carlos G. Dominguez III Secretary Department of Finance (DOF)
Ex-Officio-Vice Chairman	- Alfonso G. Cusi Secretary Department of Energy (DOE)
Appointive Member	- Pio J. Benavidez President and CEO National Powe Corporation (NPC)
Ex-Officio-Member	- William D. Dar Secretary Department of Agriculture (DA)
Ex-Officio-Member	- Wendel E. Avisado Secretary Department of Budget and Management (DBM)
Ex-Officio-Member	- NEDA Ernesto M. Pernia Secretary National Economic Development Authority (NEDA)
Ex-Officio-Member	- Ramon M. Lopez Secretary Department of Trade and Industry (DTI)
Ex-Officio-Member	- Eduardo M. Año Secretary Department of Interior and Local Government (DILG)
Ex-Officio-Member	- Roy A. Cimatu Secretary Department of Environment & Natural Resources (DENR)

b. Designated Alternates

The BOD members' designated alternates are as follows:

Department of Finance	- Mr. Bayani H. Agabin
	Ms. Danielle Marie S. Rieza-Culangen
Department of Energy	- Mr. Felix William B. Fuentebella
	Mr. Emmanuel P. Juaneza
Department of Agriculture	- Mr. Emmanuel P. Juaneza
Department of Budget & Management	- Mr. Ryan S. Lita
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. Sherwin S. Rigor
	Mr. Rabindranath P. Quilala
	Ms. Analiza Rebuelta-The
	Ms. Nonita S. Caguioa

c. 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
OIC-Vice President, Power Engineering Services	- Rafael L. Abergas
Vice President, Corporate Affairs Group	- Rene B. Barrueta
Vice President, Legal Counsel	- Melchor P. Ridulme
Vice President, Small Power Utilities Group	- Rogel T. Teves
Vice President, Mindanao Generation	- Edmundo A. Veloso, Jr.
Sr. Department Manager, Resource Management Services	- Manuel Luis B. Plofino

33.2 Key Management Personnel Compensation

The aggregate remuneration of the Members of the Management Committee is as follows:

Particulars	2019	2018
Salaries and Wages	11,883,412	11,709,450
Other Compensation	6,144,789	5,885,836
Total	<u>18,028,201</u>	<u>17,595,286</u>

34. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATION (RR) No. 15-2010

In compliance with the requirements set forth by the BIR Revenue Regulation (RR) No. 15-2010, the following are the information on taxes, duties, licenses, and fees paid or accrued during the taxable year 2019:

34.1 VATable Revenues and Output tax:

Particulars	Net Sales/Receipts	Output VAT
VATable Sales	1,853,638,292	222,436,595
Sales to Government	1,061,020,627	127,322,475
Zero-rated Sales	81,891	0
Total	<u>2,914,740,810</u>	<u>349,759,070</u>

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 RA 9337, otherwise known as the RVAT Law of 2005, which took effect on November 1, 2005, NPC’s sales of electricity were subjected to VAT.
- b. **Sales to Government** – these are sales of electricity to government entities who subject their payment to NPC to five per cent withholding final VAT.
- c. **Zero-rated Sales** – the sale of electricity using renewable energy is 0 per cent VAT.

34.2 Purchases and Input Taxes:

Particulars	Input VAT
Balance at January 1, 2019	6,158,160,960
<i>Add: Input tax on depreciation deferred from previous period</i>	205,577,208
Total balance at January 1, 2019	6,363,738,169
<i>Add: Current year's domestic purchases/payments for:</i>	
Purchase of capital goods exceeding P1 million	334,125,039
Domestic goods	577,091,413
Services	1,445,492,225
Subtotal	2,356,708,677
Total Input Tax	8,720,446,846
<i>Less: Deferred Depreciation</i>	456,490,253
Total Allowable Input Tax for CY 2019	8,263,956,593

34.3 Withholding Taxes:

Particulars	Amount
VAT and Other Percentage Taxes	1,023,769,799
Expanded Withholding Taxes	353,809,970
Withholding Taxes on Compensation and Benefits	136,318,831
Total	1,513,898,600

35. RESTATEMENT OF ACCOUNTS (See Note 4)

The presentation of figures in CY 2019 financial statements has made it necessary, for comparative purposes, to restate relevant figures in CY 2018.