



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
National Power Corporation
BIR Road corner Quezon Avenue
Diliman, Quezon City 1100

Report on the Audit of Financial Statements

Adverse Opinion

We have audited the financial statements of **National Power Corporation (NPC)**, which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of financial performance, statements of changes in net assets/equity, and statements of cash flows for the years then ended, and statement of comparison of budget and actual amounts for the year ended December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the Bases for Adverse Opinion section of our report, the accompanying financial statements do not present fairly, in all material respects, the financial position of the NPC as at December 31, 2020 and 2019, and its financial performance and cash flows for the years then ended, in accordance with International Public Sector Accounting Standards (IPSASs).

Bases for Adverse Opinion

The excess collection of the Universal Charge-Missionary Electrification (UCME) from the provisional rate approved by the Energy Regulatory Commission (ERC), and the 3rd Generation Rate Adjustment Mechanism (GRAM) by P3.566 billion and P852.860 million, respectively, or a total of P4.419 billion, remained recorded in the NPC books as Cash and Cash Equivalents, thus, overstating the said account and understating the Other Assets account both by P4.419 billion, while overstating the Other Unearned Revenue and understating the Trust Liabilities accounts both by P852.860 million. Also, the Accumulated Surplus/(Deficit) account was overstated by P1.960 billion and Other Unearned Revenue account is understated by the same amount due to the inclusion of various unallowable items in the computation of the ERC-approved 12 per cent Return on Rate Base (RORB) for the years 2016 to 2019.

While as regards the Property Plant and Equipment (PPE) account, the following errors/misstatements noted in audit affected the fair presentation of the account in the financial statements: a) unreconciled variance of P1.449 billion between the books and the Physical Inventory Report (PIR) as at year-end; b) existence of abnormal balances of PPE and Accumulated Depreciation accounts amounting to P395.214 million and P52.041

million, respectively; c) non-provision of impairment loss and non-reclassification of unserviceable PPEs amounting to P92.515 million; d) unrecorded NPC-owned land costing P19.678 million and various land with undetermined cost understated the PPE account by undetermined amount; and e) non-reclassification of completed projects from CYs 2018 to 2020 recorded as PPE–Construction in Progress totaling P1.306 billion as at year-end, to the appropriate PPE account, and unrecorded depreciation expense consequent to the reclassification. The total misstatement of PPE and related accounts is not fairly determined due to unavailable details, schedules and sufficient and reliable information regarding individual items of PPE as basis for any adjustments to the accounts.

In addition, the existence of abnormal balances in various asset and liability accounts with the total absolute amount of P750.993 million resulted to understatement of the affected accounts by the same amount, contrary to the requirement of faithful representation of the effects of transactions under paragraph 27 of IPSAS 1. The appropriate adjustments to specific asset and liability accounts and corresponding amounts are not reasonably determined due to lack of sufficient and reliable details as basis for such adjustments.

Further, the reliability of the balance of the Trust Assets account with PSALM, a reciprocal account under the Other Assets account was not established due to: (a) variance of P431.425 million (absolute value) which remained unreconciled and unaccounted over the years; (b) abnormal and dormant accounts in the temporary inventory account amounting to P8.551 million and P66.905 million, respectively; (c) unreconciled difference totaling P0.649 million between the books and the physical inventory report; and (d) depository accounts under Trust Assets-Restricted Fund of P1.299 billion are without supporting documents. Also, the Temporary Registry accounts (TRA) with the National Transmission Corporation (TransCo) under the Other Assets account amounting to P1.843 billion have been dormant for more than 10 years and were not supported with documents, hence, of doubtful validity. The amounts of misstatements to specific Other Assets accounts were not reasonably determined due to lack of sufficient and reliable information as basis for the adjustments.

Furthermore, the reliability of the balance of Other Assets-Abandoned/Surrendered Property/Assets of P408.446 million as at December 31, 2020 is doubtful due to: a) unreconciled variance of P239.095 million between the balance per books and the physical inventory; and (b) absence of status report on the condition of the assets as basis in the recognition of impairment loss.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are 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 adverse opinion.

Other Matter

In our report dated August 20, 2020, we expressed a qualified opinion on the fairness of presentation of the financial statements for the years ended December 31, 2019 and 2018,

in accordance with the IPSASs. The bases, however, for the qualified opinion rendered in prior years were not yet resolved in CY 2020.

The accounts Cash and Cash Equivalents, Property, Plant and Equipment (PPE) and Other Non-Current Assets (NCA) totaling P28.840 billion represent 61.82 % of the total assets of P46.649 billion. The magnitude and pervasiveness of the misstatements of the said accounts were evident on the following: (a) P4.419 billion erroneous recording of the excess collection of UCME and the 3rd GRAM as Cash Equivalent; and (b) P6.762 billion pertaining to various deficiencies in the PPE and NCA accounts, which total comprise 34.14% of the balances of PPE and NCA accounts and 14.49% of the total assets of NPC, including the understatement of various asset and liability accounts due to the existence of abnormal balances amounting to P750.993 million. Accordingly, our present opinion on the 2019 financial statements is different from that expressed in our previous report.

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.

Report on Other 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 required in Revenue Regulations No. 15-2010 in Note 34 to the financial statements is presented for the purpose 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. Because of the significance of the matters described in the Bases for Adverse Opinion paragraphs, it is inappropriate to, and we do not, express an opinion on the supplementary information referred to above.

COMMISSION ON AUDIT


CYNTHIA C. HERRERA
OIC-Supervising Auditor

June 7, 2021

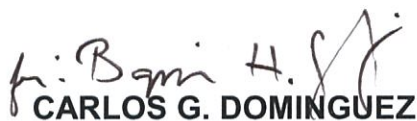


NATIONAL POWER CORPORATION

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 2020, 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

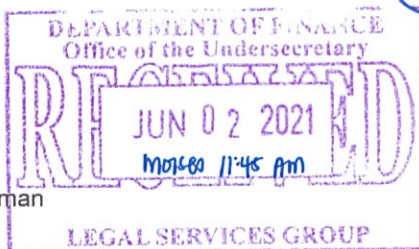
4/30/21
Date


ALEXANDER P. JAPON
VP - Administration & Finance

4/29/21
Date


PIO J. BENAVIDEZ
President & CEO

4/29/21
Date



NATIONAL POWER CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020 and 2019

	<u>NOTE</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	9,035,293,590	13,468,373,431
Receivables	6	4,255,266,906	4,017,040,932
Inventories	7	1,825,178,052	1,442,020,155
Other Current Assets	12	9,687,435,576	8,520,456,334
Total Current Assets		<u>24,803,174,124</u>	<u>27,447,890,852</u>
Non-Current Assets			
Receivables	6	389,541,072	425,252,387
Investment Property	8	2,316,949	2,316,921
Property, Plant and Equipment	9	12,881,840,411	11,744,183,147
Deferred Tax Assets	10	1,647,450,285	1,477,886,260
Other Investment	11	1,719,970	1,719,970
Other Non-Current Assets	12	6,923,190,367	7,079,645,177
Total Non-Current Assets		<u>21,846,059,054</u>	<u>20,731,003,862</u>
Total Assets		<u>46,649,233,178</u>	<u>48,178,894,714</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	13	5,594,847,952	6,348,213,914
Inter-Agency Payables	14	484,937,156	590,378,080
Trust Liabilities	15	55,351,210	77,199,236
Deferred Credits/Unearned Revenue	16	1,097,797,058	962,273,150
Other Payables	17	567,028,676	425,836,626
Total Current Liabilities		<u>7,799,962,052</u>	<u>8,403,901,006</u>
Non-Current Liabilities			
Financial Liabilities	13	484,981,084	497,869,445
Trust Liabilities	15	6,228,866,634	5,579,852,471
Deferred Credits/Unearned Revenue	16	2,570,950,099	2,203,253,265
Provisions	18	576,555,051	637,127,074
Total Non-Current Liabilities		<u>9,861,352,868</u>	<u>8,918,102,255</u>
Total Liabilities		<u>17,661,314,920</u>	<u>17,322,003,261</u>
Net Assets (Total Assets Less Total Liabilities)		<u>28,987,918,258</u>	<u>30,856,891,453</u>
NET ASSETS/EQUITY			
Government Equity	19	1,924,578,275	3,793,551,470
Stockholder's Equity	19	27,063,339,983	27,063,339,983
Total Net Assets/Equity		<u>28,987,918,258</u>	<u>30,856,891,453</u>

The notes on pages 11 to 84 form part of these statements.

NATIONAL POWER CORPORATION
STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	<u>NOTE</u>	<u>2020</u>	<u>2019</u>
Revenue			
Service and Business Income	20	4,038,609,732	4,339,192,913
Shares, Grants and Donations	21	11,618,712,924	15,420,792,666
Total Revenue		15,657,322,656	19,759,985,579
Current Operating Expenses			
Personnel Services	22	(1,558,953,985)	(1,646,170,471)
Maintenance and Other Operating Expenses	23	(2,084,694,209)	(2,155,886,236)
Financial Expenses	24	(2,228,245)	(2,995,946)
Direct Costs	25	(3,806,199,887)	(4,502,511,517)
Non-Cash Expenses	26	(1,127,157,819)	(995,909,206)
Total Current Operating Expenses		(8,579,234,145)	(9,303,473,376)
Surplus from Current Operations		7,078,088,511	10,456,512,203
Other Non-Operating Income	28	25,864,374	42,734,032
Gains	28	506,804	35,596,772
Losses	28	(24,636,425)	(85,857)
Surplus Before Tax		7,079,823,264	10,534,757,150
Income Tax Expense		(209,772,493)	(494,862,029)
Surplus After Tax		6,870,050,771	10,039,895,121
Net Financial Assistance/Subsidy	27	(4,345,703,588)	(6,846,264,329)
Net Surplus for the Period		2,524,347,183	3,193,630,792

The notes on pages 11 to 84 form part of these statements.

NATIONAL POWER CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	Accumulated Surplus/ (Deficit)	Share Capital	Other Equity Instruments (Donated Capital)	Total
BALANCE AT JANUARY 1, 2019	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
Changes in Net Assets/Equity for CY 2020				
Add/(Deduct):				
Surplus/(Deficit) for the Period	2,524,347,183	0	0	2,524,347,183
Dividends declared (2019)	(4,000,000,000)	0	0	(4,000,000,000)
Other Adjustments	(393,320,378)	0	0	(393,320,378)
BALANCE AT DECEMBER 31, 2020	1,924,578,275	27,048,870,789	14,469,194	28,987,918,258

The notes on pages 11 to 84 form part of these statements.

NATIONAL POWER CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Revenue	14,016,046,381	15,380,361,621
Receipt of Assistance/Subsidy	1,688,890,824	1,502,923,493
Collection of Other Receivables	118,030,964	120,217,303
Receipt of Intra-Agency Fund Transfers	76,272,097	52,085,589
Trust Receipts	3,270,465	29,443,306
Other Receipts	1,047,355,461	1,368,132,043
Total Cash Inflows	<u>16,949,866,192</u>	<u>18,453,163,355</u>
Cash Outflows		
Payment of Expenses	2,034,349,050	2,021,265,683
Purchase of Inventories	4,215,648,616	4,640,269,276
Grant of Cash Advances	1,709,112	7,585,460
Refund of Deposits	26,691,795	6,684,310
Remittance of Personnel Benefit Contributions and Mandatory Deductions	3,346,355,133	4,280,331,287
Grant of Financial Assistance/Subsidy/Contribution	6,684,693,729	7,927,576,684
Other Disbursements	24,477,640	28,651,619
Total Cash Outflows	<u>16,333,925,075</u>	<u>18,912,364,319</u>
Net Cash Provided by/(Used In) Operating Activities	<u>615,941,117</u>	<u>(459,200,964)</u>
 CASH FLOW FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipts of Interest Earned	190,519,206	527,528,700
Investment in Government & Other Corporation	955,908,595	99,000,000
Total Cash Inflows	<u>1,146,427,801</u>	<u>626,528,700</u>
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	2,151,451,092	2,098,726,013
Total Cash Outflows	<u>2,151,451,092</u>	<u>2,098,726,013</u>
Net Cash Provided by/(Used In) Investing Activities	<u>(1,005,023,291)</u>	<u>(1,472,197,313)</u>
 CASH FLOW FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of Cash Dividends	4,000,000,000	1,436,570,659
Payment of Long-Term Liabilities	37,973,955	56,069,963
Payment of Interest on Loans	2,119,550	2,881,569
Transfer to Restricted Cash Account	0	840,189,413
Total Cash Outflows	<u>4,040,093,505</u>	<u>2,335,711,604</u>
Net Cash Provided by/(Used In) Financing Activities	<u>(4,040,093,505)</u>	<u>(2,335,711,604)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>(4,429,175,679)</u>	<u>(4,267,109,881)</u>
Effects of Exchange Rate Changes on Cash and Cash Equivalents	<u>(3,904,162)</u>	<u>(4,058,813)</u>
Cash and Cash Equivalents, January 1	<u>13,468,373,431</u>	<u>17,739,542,125</u>
Cash and Cash Equivalents, December 31	<u>9,035,293,590</u>	<u>13,468,373,431</u>

The notes on pages 11 to 84 form part of these statements.

NATIONAL POWER CORPORATION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Particulars	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference of Final Budget and Actual	
	Original	Final			
NOTE					
RECEIPTS					
Services and Business Income	29	3,132,783,311	2,361,399,324	2,026,240,381	335,158,943
Assistance and Subsidy	29	2,095,977,727	1,931,117,000	1,688,890,824	242,226,176
Shares, Grants and Donations	29	23,169,718,138	12,945,010,000	11,989,806,000	955,204,000
Others	29	1,161,946,028	1,322,300,526	2,391,356,788	(1,069,056,262)
Total Receipts		29,560,425,204	18,559,826,850	18,096,293,993	463,532,857
PAYMENTS					
Personnel Services	29	2,351,490,143	2,351,490,143	738,977,805	1,612,512,338
Maintenance and Other Operating Expenses	29	12,163,189,105	9,201,948,957	7,526,194,490	1,675,754,467
Capital Outlay	29	6,396,025,000	5,848,077,494	2,151,451,092	3,696,626,402
Financial Expenses	29	43,202,657	43,202,657	40,093,505	3,109,152
Others	29	12,467,542,418	15,330,430,656	12,068,752,780	3,261,677,876
Total Payments		33,421,449,323	32,775,149,907	22,525,469,672	10,249,680,235
NET RECEIPTS/PAYMENTS		(3,861,024,119)	(14,215,323,057)	(4,429,175,679)	(9,786,147,378)

The notes on pages 11 to 84 form part of these statements.

NATIONAL POWER CORPORATION NOTES TO FINANCIAL STATEMENTS

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 on 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 cost 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 (PSALM) Corporation. 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 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, to compensate for 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 No. 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 April 30, 2021.

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 goods 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 *Notes 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 No. 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 No. 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 No. 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 No. 2020-002-“Adoption of the Updated Revised Chart of Accounts for Government Corporations (2019)”, dated January 28, 2020, the accounts reported in the CY 2020 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, 2020, NPC complied with COA Circular No. 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 with the above Circular, the prescribed line items used in the preparation and presentation of financial statements are 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 No. 2014-003 and after January 1, 2017 thru COA Resolution No. 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 2020 financial statements:

IPSAS	Reason for Non-Application
IPSAS 5 - <i>Borrowing Costs</i>	The Corporation has no outstanding borrowing costs incurred that are directly attributable to the acquisition, construction, or production of a qualifying asset.
IPSAS 6 - <i>Consolidated and Separate Financial Statements</i>	Superseded by IPSAS 34 - <i>Separate Financial Statements</i> and IPSAS 35- <i>Consolidated Financial Statements</i> .

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

IPSAS	Reason for Non-Application
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>	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. It does not apply when, for example, a first-time adopter: <ul 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 Non-current Classification

The NPC presents assets and liabilities in the statements of financial position based on current and non-current 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 non-current. Deferred tax assets and liabilities are classified as non-current.

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, 2020.

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 Supply System Revenue Receivables**

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

- iii. **Derecognition**

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

- 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 supply system revenue 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 six 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, 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 write down of inventories 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 the 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 for 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 are 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 Machinery 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 statement 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 is 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;
- The fair value of the asset can be measured reliably; and
- An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

b. Recognition of revenue from non-exchange transactions

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

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

c. Measurement of revenue from non-exchange transactions

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

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

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

e. Taxes

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

f. Fees and Fines not related to taxes

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

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

g. Gifts and Donations

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

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and recognized as revenue when 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 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 the interest income for 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 an 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 Contingent 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 (paragraphs 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 No. 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 from Repairs and Maintenance expenses incurred for the major repair of 4.2 MVA power transformer at PB 116 to Electric Plant in Service account in the amount of P1,283,715.82, net of the drop-off cost of damaged power transformer.
- 4.2 An adjustment on Electric Plant for Disposal account for the cost of asset disposed in the amount of P87,759.21.
- 4.3 An adjustment on Construction Work in Progress account due to: (a) closing of unutilized set-up of work orders with corresponding certified obligations for suppliers and contractors in the amount of P36,793,592.77; (b) a reclassification to expense account in the amount of P388,446.48; and (c) an adjustment on inventory of Project Implementation Group-Cluster C under Work Order No. 7335101 in the amount of P6,293,111.10.
- 4.4 A reclassification from Other Utility Plants account to expense account for items below P15,000 was undertaken to comply with the recommendation of the COA, in Audit Observation Memorandum (AOM) No. 2017-024 dated May 22, 2018 which states that, "Tangible items below the capitalization threshold of P15,000 shall be recognized as expenses upon issue to end-user". The said reclassification amounted to P257,316.62. A reclassification from expense account to asset account for unrecorded cost of forklift in the total amount of P4,233,224.59; an adjustment due to variances per books against per count in the amount of P258,474,156.44; and a loss on retirement in the amount of P239,575.99.
- 4.5 A partial adjustment was made in compliance with COA AOM No. 2019-021 dated July 2, 2020, specifically on the Accumulated Depreciation of Electric Plants account for plants leased to Puerto Princesa DPP and Calapan DPP due to understated depreciation in the amount P89.76.
- 4.6 An adjustment on Accumulated Depreciation of Plant in Service account: (a) entry for prior years depreciation expenses of newly unitized Calaguas DPP, fuel storage tanks at Itbayat, Balatubat, and depreciation expenses of PB 116 4.2 MVA power transformer in the amount of P1,298,835.00; (b) an adjustment due to over-depreciation of Camotes DPP in compliance with COA AOM No. 2019-021 in the amount of P5,881,628.52; and (c) over-depreciation of Limasawa, Biri, Zumarraga, San Antonio, Caluya, Doong, Gigantes and various DPPs in the aggregate amount of P9,680,617.78.
- 4.7 An adjustment on prior years Accumulated Depreciation of Construction Work Completed account but unclassified in the amount of P107,630.
- 4.8 Adjustments on Accumulated Depreciation of Other Utility Plants account due to: (a) over-depreciation of Angat, Upper Agno, Magat, Pulangi, Agusan and Talomo

watersheds in compliance with COA AOM No. 2019-21 dated July 2, 2020 in the aggregate amount of P16,899,867.46; (b) a reclassification from Other Utility Plants account to expense account of less than P15,000 in the amount of P5,387.74; and (c) an adjustment on prior years reported deprecation expenses due to variances reported per books against per count and erroneous recording of depreciation of general plant and equipment to operation of diesel plant in the aggregate amount of P19,706,633.36.

- 4.9 An entry for cash receipts from prior year's miscellaneous income and insurance proceeds from the damaged 4.2 MVA power transformer in the aggregate amount of P961,017.01.
- 4.10 An entry for payment of prior year's expenses thru working fund in the amount of P6,648.00 and adjustment due to dormant account in the amount of P684,305.14.
- 4.11 An entry for adjustment on Power Supply System Revenue Receivables of Masbate PRES due to: (a) maintenance of tagging from January 2009 to September 2010 and January 2019 to September 2019 in the total amount of P325,374.69; (b) availment of prompt payment discount by power customers in the amount of P3,533,397.00; and (c) prior year's utility operating income in SPUG Luzon and Visayas in the amount of P1,233,316.28.
- 4.12 An entry for adjustment of Allowance for Impairment - Power Supply System Revenue Receivables account in the amount of P68,951.15 based on the aging of receivables from electric cooperatives in Claveria, Masbate and Catbalogan.
- 4.13 An entry to reverse the accrual on Interest Receivables on Temporary Investment account and adjustment on prior year's Interest from Power Supply System Revenue Receivables account in the aggregate amount of P25,480,195.95.
- 4.14 An adjustment on Receivable from National Government account attributed to adjustment on prior year's expenses incurred by NPC on the maintenance of BNPP and overstated interest on the outstanding receivables.
- 4.15 An entry on Receivable from Officers & Employees account due to overpayment of transportation and representation allowance, salaries, 13th month pay, leave without pay, overtime disallowance and liquidation of cash advances in the aggregate amount of P418,703.52.
- 4.16 An entry on Accounts Receivable - Others account to effect the prior year's income from liquidated damages, penalty on genset rental, rental of NPC facilities in the amount of P27,147,820.19, adjustment due to booking of administrative fee, net of VAT, and cancellation of debit memo in the amount of P4,425,376.08.
- 4.17 Adjustments were made on the inventory accounts: (a) Diesel Stock - adjustment on the hauling cost of SPUG Visayas for the period November 25 to December 31, 2019, fuel consumption in CY 2017 and CY 2019 of SPUG Luzon, and adjustment of fuel cost based on the actual payment of fuel delivered; (b) adjustment on Stock Transfer-Clearing Accounts due to dormant account status; (c) Materials Supplies and Equipment Inventory - adjustment due to erroneous

account used and difference on the amount per Inspection Receiving Report (IRR) and Material Issued Voucher (MIV) in the net amount of P576,339.96; (d) Fuel Oil Stock - adjustment on the fuel consumption of SPUG Luzon in CY 2018 and CY 2019 and adjustment in SPUG Mindanao due to moving weighted average costing of fuel based on the actual payment of fuel delivered in the aggregate amount of P15,253,185.49; (e) Materials & Equipment in Transit-Operating Plants - adjustment due to its dormant account from Watershed; (f) Materials & Supplies Temporary Adjustments - adjustment due to CY 2019 reconciliation of inventory of Kalayaan Hydro Electric Power Plant amounting to P294,180.36; and (g) Other Oil Products – adjustment due to reconciliation CY 2019 variances in the amount of P872,317.59.

- 4.18 An adjustment on Prepaid Charges due to prior years travelling expenses in the amount of P16,342.
- 4.19 An adjustment in the net amount of P10,376,143.75 was made to close the set-up of CY 2019 Deferred Tax Liability on Allowance for Impairment-Power Supply System Revenue Receivables and an adjustment on Deferred Tax Assets due to settlement of overdue accounts of Claveria Electric Service.
- 4.20 An adjustment on Gasoline and Other Oil Products Payable account in the amount of P3,437,159.56 due to erroneous booking of prior year's payable and abnormal balance due to erroneous DCE used by SPUG Luzon.
- 4.21 An adjustment on Fuel Payable account due to the moving weighted average costing of the actual payment of fuel delivered in the amount of P177,217.77 in SPUG Luzon and Mindanao.
- 4.22 An adjustment to Materials & Supplies Equipment Payable account in the net amount of P2,836,104.08 due to closed set-up of account and double booking in the amount of P3,236,191.93 and variances in value per books against per count and correction of GL (General Ledger) account used in the aggregate amount of P6,072,296.01.
- 4.23 Accounting entries for prior year's expenses paid in CY 2020 for salaries, overtime, incentive award, year-end bonus, terminal and accrued leave credit, separation pay, NPP subsidies, security and janitorial, outside services, genset rental, travelling expenses, postage, and insurance expenses in the aggregate amount of P257,887,309.88.
- 4.24 An adjustment on Check Vouchers Payable account to restate cancelled checks in the amount of P409,233.28; adjustment for dormant accounts, cancelled check and adjustment based on the audited disbursement vouchers in the total amount of P3,910,674.15.
- 4.25 Accounting entries for prior year's expenses paid in the amount of P901,931.85 for claims on medical benefits, overtime, travelling expense, postage, light and water, and outside services thru cash vouchers payable, and adjustment on prior year's personnel claims in the amount of P175,139.60.

- 4.26 An entry for Certified Obligation due to NPC employees in the amount of P52,031,113.82 for the CY 2020 Energy Conservation incentive and closing of unutilized prior years certified obligations in the amount of P22,253,038.15.
- 4.27 An adjustment on GSIS Premiums and Loan Payable account to restate the prior year's payable in the amount of P3,340,110.09 and to derecognize the amount of P10,968,497.97.
- 4.28 An adjustment was made to Phil. Health Insurance Payable account for the prior year's payable in the amount of P420,713.43.
- 4.29 An entry for additional income tax due in the amount of P466,698.74 for the CY 2019 net earnings per audited financial statements.
- 4.30 Adjustment to Retention on Contract Payments account to close the unutilized set-up and the remaining balance after the actual payments to contractors and suppliers in the amount of P11,361,943.02.
- 4.31 An adjustment to Other Deferred Credits account in the amount of P258,097,504.47 due to erroneous offsetting of over collection of 3rd GRAM from SPUG Luzon and Visayas in compliance with COA AOM No. 2019-003 dated March 4, 2020.
- 4.32 An adjustment on Unearned Interest Income account to close the prior year's interest income on overdue power receivables of LGU Calayan in the amount of P181.33.
- 4.33 An adjustment on Deferred Credits-Accrued Leave account for the actual terminal leave benefits of Non-OMA personnel as of December 2019 in the amount of P240,626,706.79.
- 4.34 An adjustment to Retained Earnings account due to transfer of payables from OMA to Non-OMA (reciprocal entry) in the amount of P3,414,101.11.
- 4.35 An adjustment on Certified Obligations (CO) to Suppliers and Contractors account due to: (a.) reclassification of current expenses to prior year's expenses paid in CY 2020 in the amount of P8,866,276.74; (b.) closing of unutilized certified obligations on genset rental, work orders, NPP subsidies and maintenance and other operating expenses in the amount of P528,730,997.53; (c.) adjustment on the actual payments against set-up and abnormal balances in the amount of P52,116,740.35; and (d.) restatement of CO in the amount of P6,626,649.14.
- 4.36 An entry on Accounts Payable Others account due to BIR in the amount of P214,153.85, withheld from CY 2019 overtime claims of NPC employees and security services provider; set up of payables in the amount of P5,910,577.84 due to over remittance of Final and Expanded Withholding Taxes as a result of the replacement check issued to contractor; adjustment due to prior year's set-up of over/understated payable in the amount of P1,815,054.66; and dormant account in the amount of P783,669.29.

Accounting entries for the set-up of prior year's expenses in the amount of P51,183,509.45 for the Final VAT and Expanded Withholding Taxes remitted to BIR is in compliance with Section 4 of Revenue Regulation No. 12-2001, Revenue Memorandum Circular No. 10-2018 and COA AOM No. 2018-12 dated March 20, 2019. The said withholding taxes intended for the goods and services covered by certified obligations to contractors and suppliers were not utilized or partially utilized in CY 2020.

- 4.37 An adjustment to prior year's set-up on input tax credit on CAPEX for depreciable and non-depreciable in the aggregate amount of P20,314,924.99 were reversed due to unutilized certified obligations.

5. CASH AND CASH EQUIVALENTS

Particulars	2020	2019
Cash on Hand	0	962
Cash in Bank - Local Currency	899,058,776	550,202,875
Cash in Bank - Foreign Currency	5,207,403	22,807,167
Cash Equivalents	8,131,027,411	12,895,362,427
Total	9,035,293,590	13,468,373,431

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 are made for a period of two months or less.

6. RECEIVABLES

Particulars	2020			2019		
	Current	Non-Current	Total	Current	Non-Current	Total
Loans and Receivables	2,668,326,020	389,541,072	3,057,867,092	2,464,297,870	425,252,387	2,889,550,257
Lease Receivables	22,374,785	0	22,374,785	23,864,626	0	23,864,626
Inter-Agency Receivables	228,811,956	0	228,811,956	198,160,315	0	198,160,315
Other Receivables	1,335,754,145	0	1,335,754,145	1,330,718,121	0	1,330,718,121
Total	4,255,266,906	389,541,072	4,644,807,978	4,017,040,932	425,252,387	4,442,293,319

6.1 Loans and Receivables

Particulars	2020		
	Current	Non-Current	Total
Power Supply System Revenue Receivable			
Power Supply System Revenue Receivable	7,198,444,248	403,418,217	7,601,862,465
Allowance for Impairment-Power Supply System Revenue Receivable	(5,450,851,245)	(13,877,145)	(5,464,728,390)
Power Supply System Revenue Receivable-Output Tax	508,952,260	0	508,952,260

Particulars	2020		
	Current	Non-Current	Total
Net Power Supply System Revenue Receivable	2,256,545,263	389,541,072	2,646,086,335
Power Supply System Revenue Receivable- Restructured Receivables			
Power Supply System Revenue Receivable- Restructured Receivables	47,372,227	0	47,372,227
Power Supply System Revenue Receivable- Output Tax on Restructured Receivables	861,595	0	861,595
Net Power Supply System Revenue Receivable- Restructured Receivables	48,233,822	0	48,233,822
Net Power Supply System Revenue Receivable- Accrued Utility Revenue	37,232,478	0	37,232,478
Power Supply System Revenue Receivable- Interest Receivables	326,314,457	0	326,314,457
Total	2,668,326,020	389,541,072	3,057,867,092

The COA, in its Circular No. 2020-002 dated January 28, 2020 - *Adoption of the Updated Revised Chart of Accounts for Government Corporations (2019)* has prescribed a list of updated accounts, among others, the “Power Supply System Revenue Receivable” and “Allowance for Impairment-Power Supply System Revenue Receivable”. Thus, in CY 2020, NPC has adopted the aforementioned accounts in lieu of its “Sales Contract Receivable” and “Allowance for Impairment-Sales Contract Receivable” accounts, respectively.

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

Power Supply System Revenue Receivable refers to amount due from power customers for power generation charges. The Non-Current pertains to the portion of restructured customers’ accounts which are not subject to current settlement.

Power Supply System Revenue Receivable-Output Tax on Power Receivable pertains to VAT due from customers for the sale of power. This account excludes Deferred Value Added Tax (VAT) in the amount of P407,837,587 for CY 2020 and P409,343,287 for CY 2019 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-Power Supply System Revenue Receivable presents a net increase of P506.142 million or 10.21 per cent from CY 2019 which was mainly due to the increase of Allowance for Impairment from Basilan, Sulu, Tawi-Tawi (BASULTA) customers.

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

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

Power Supply System Revenue 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, 2020

Particulars	Total	Not Past Due	Past Due		
			<30 days	30-60 days	>60 days
Power Supply System Revenue Receivable	7,198,444,248	323,968,036	53,861,355	46,926,069	6,773,688,788
Luzon	126,020,830	84,983,769	2,412,010	1,259,467	37,365,584
Visayas	26,422,817	19,367,150	871,788	923,541	5,260,338
Mindanao	7,046,000,601	219,617,117	50,577,557	44,743,061	6,731,062,866

Particulars	Total	Not Past Due	Past Due		
			<30 days	30-60 days	>60 days
Output Tax (VAT) Power Supply System Revenue Receivable³	508,952,260	39,034,111	6,456,133	5,626,955	457,835,061
Luzon	14,248,514	10,294,767	284,049	148,804	3,520,894
Visayas	3,173,520	2,340,543	102,777	108,984	621,216
Mindanao	491,530,226	26,398,801	6,069,307	5,369,167	453,692,951
Non-Current Power Supply System Revenue Receivable	403,418,217	389,541,072	0	0	13,877,145
Restructured	389,541,072	389,541,072	0	0	0
Visayas	13,877,145	0	0	0	13,877,145
Power Supply System Revenue Receivable- Restructured Power	47,372,227	47,372,227	0	0	0
Luzon	45,226,500	45,226,500	0	0	0
Mindanao	2,145,727	2,145,727	0	0	0
Output Tax - Restructured Account	861,595	861,595	0	0	0
Luzon	417,233	417,233	0	0	0
Mindanao	444,362	444,362	0	0	0
Power Supply System Revenue Receivable-Accrued Utility Revenue	37,232,478	37,232,478	0	0	0
Interest Receivable⁴	326,314,457	154,826,133	16,293,881	8,442,600	146,751,843
Luzon	112,404,051	112,401,583	1,112	1,356	0
Mindanao	213,910,406	42,424,550	16,292,769	8,441,244	146,751,843
Operating Lease Receivable	19,348,283	983,750	967,035	967,036	16,430,462
Output Tax - Operating Lease Receivable	3,026,502	118,050	116,044	116,044	2,676,364
Other Receivable	1,338,111,509	34,010,052	360,671	8,721	1,303,732,065
Due from Officers and Employees	11,119,873	14,766	9,613	1,047	11,094,447
Accounts Receivable - Others	1,023,499,019	3,585,218	312,694	7,674	1,019,593,433
Interest Receivable – Non-Power	274,192,021	30,358,750	0	0	243,833,271
Output Tax – Non-Power	29,300,596	51,318	38,364	0	29,210,914
Total	9,883,081,776	1,027,947,504	78,055,119	62,087,425	8,714,991,728

a. Power Supply System Revenue Receivable

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 P7.046 billion past due accounts inclusive of interest, or 99 per cent of the total past due accounts for power receivables.

Pursuant to the passage of RA No. 11469 and RA No. 11494 signed on March 24, 2020 and September 11, 2020, respectively; Presidential Proclamation Nos. 929 and 1021 signed on March 16, 2020 and September 11, 2020, respectively; and, DOE/ERC advisories, the payment period of power billings from January 26 to April 25, 2020 were extended until January 25, 2021. While the due date for prompt payment discount was extended for 10 days for power bills covering the period January 26, 2020 to July 25, 2021.

b. Accounts Receivable-Others

Notices of Collection based on the statement of account were regularly sent to the concerned debtors and suppliers/contractors with outstanding account balance to the Corporation.

³ >60 days Past Due excludes Deferred VAT totaled P407,837,587 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.

Also, demand letters were issued thru the NPC's Office of the Legal Counsel.

6.3 Lease Receivables

Particulars	2020	2019
Operating Lease Receivable	19,348,283	20,678,498
Output Tax - Operating Lease Receivable	3,026,502	3,186,128
Total	22,374,785	23,864,626

Operating Lease Receivable pertains to lease agreement entered by DMCI Power Corporation, Palawan Electric Cooperative, Inc., Oriental Mindoro Electric Cooperative, Inc., Sunwest Water & Electric Company, Inc. and SUWECO Tablas Energy Corporation for the rentals of NPC properties in Calapan DPP, Viga DPP, Puerto Princesa DPP, Irawan and Brookes Point Property and Fuel Storage Tank at Tablas DPP, respectively.

6.4 Inter-Agency Receivables

Particulars	2020	2019
Due from National Government Agencies	228,433,863	197,782,222
Due from Government Corporations	378,093	378,093
Total	228,811,956	198,160,315

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

Particulars	2020	2019
Due from Officers and Employees	11,119,873	7,578,468
Accounts Receivable – Others	1,023,499,019	1,027,370,709
Allowance for Impairment – Accounts Receivable – Others	(2,357,364)	(2,357,364)
Accounts Receivable – Others, net	1,021,141,655	1,025,013,345
Output Tax Receivable – Non-Power	29,300,596	28,813,967
Interest Receivable – Non-Power	274,192,021	269,312,341
Total	1,335,754,145	1,330,718,121

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

Accounts Receivable-Others represents 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

Particulars	2020	2019
Asset In Trust		
Carrying Amount, January 1	64,101,837	65,145,808
Additions/Acquisitions during the year	654,145	64,103,681
Expensed during the year except write-down	(39,509)	(65,147,652)
Carrying Amount, December 31	64,716,473	64,101,837
Gasoline		
Carrying Amount, January 1	184,145	195,747
Additions/Acquisitions during the year	141,580	469,685
Expensed during the year except write-down	(184,145)	(481,287)
Carrying Amount, December 31	141,580	184,145
Diesel Stock		
Carrying Amount, January 1	453,342,873	320,546,544
Additions/Acquisitions during the year	5,957,581,645	7,034,533,851
Expensed during the year except write-down	(5,916,822,548)	(6,901,737,522)
Carrying Amount, December 31	494,101,970	453,342,873
Stock Transfer-Clearing Accounts		
Carrying Amount, January 1	8,973,116	10,282,054
Additions/Acquisitions during the year	71,407,110	30,517,585
Expensed during the year except write-down	(5,572,586)	(31,826,523)
Carrying Amount, December 31	74,807,640	8,973,116
Materials, Supplies & Equipment Inventory		
Carrying Amount, January 1	699,138,702	613,547,701
Additions/Acquisitions during the year	1,488,364,096	753,072,080
Expensed during the year except write-down	(1,177,156,339)	(667,481,079)
Carrying Amount, December 31	1,010,346,459	699,138,702
Fuel Oil Stock		
Carrying Amount, January 1	41,497,837	14,032,866
Additions/Acquisitions during the year	136,224,693	316,459,681
Expensed during the year except write-down	(166,823,026)	(288,994,710)
Carrying Amount, December 31	10,899,504	41,497,837
Thermal Chemical Stock		
Carrying Amount, January 1	270,144	247,826
Additions/Acquisitions during the year	11,969	311,388
Expensed during the year except write-down	(26,621)	(289,070)
Carrying Amount, December 31	255,492	270,144
Materials and Equipment In Transit		
Carrying Amount, January 1	96,790,850	104,033,936
Additions/Acquisitions during the year	7,589,970	12,514,985
Expensed during the year except write-down	(9,158,154)	(19,758,071)
Carrying Amount, December 31	95,222,666	96,790,850
Materials and Supplies Temporary Adjustment		
Carrying Amount, January 1	42,844,984	50,223,340
Additions/Acquisitions during the year	477,805	3,926,770
Expensed during the year except write-down	(1,331,578)	(11,305,126)
Carrying Amount, December 31	41,991,211	42,844,984
Other Oil Products		
Carrying Amount, January 1	34,875,667	43,169,635
Additions/Acquisitions during the year	81,754,714	41,817,208
Expensed during the year except write-down	(83,935,324)	(50,111,176)
Carrying Amount, December 31	32,695,057	34,875,667
Total	1,825,178,052	1,442,020,155

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 machinery 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 machinery 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

Particulars	2020	2019
Land and Building	2,316,949	2,316,921
Total	2,316,949	2,316,921

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

9. PROPERTY, PLANT AND EQUIPMENT

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

As at December 31, 2020

Particulars	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment ⁵	Construction in Progress	Total
Cost, January 1, 2020	148,987,172	12,585,594,771	2,237,541,619	2,028,277,159	4,477,184,180	21,477,584,901
Additions and/or Acquisitions in CY 2020	0	218,459,277	12,638,031	60,849,726	1,337,870,647	1,629,817,681
Adjustments in CY 2020	0	197,015,682	108,858,442	(141,248,330)	330,808,757	495,434,551
Disposals in CY 2020	0	0	0	(2,270,075)	0	(2,270,075)
Cost, December 31, 2020	148,987,172	13,001,069,730	2,359,038,092	1,945,608,480	6,145,863,584	23,600,567,058
Less: Accumulated Depreciation						
Accumulated Depreciation, January 1, 2020	0	7,243,403,034	1,527,795,974	962,202,746	0	9,733,401,754
Depreciation Expense in CY 2020	0	390,055,027	46,680,070	159,170,653	0	595,905,750
Adjustments in CY 2020	0	173,926,249	42,069,255	177,935,287	0	393,930,791
Disposals in CY 2020	0	0	0	(4,511,648)	0	(4,511,648)
Accumulated Depreciation, December 31, 2020	0	7,807,384,310	1,616,545,299	1,294,797,038	0	10,718,726,647
Carrying Amount, December 31, 2020	148,987,172	5,193,685,420	742,492,793	650,811,442	6,145,863,584	12,881,840,411

As at December 31, 2019

Particulars	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment ⁵	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	2,082,277,159	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

⁵ Includes Furniture and Fixtures, and Transportation Equipment

10. DEFERRED TAX ASSETS

The components of the NPC's net Deferred Tax Assets (Liabilities) are as follows:

Particulars	2020	2019
Unadjusted Beginning Balance	1,477,886,260	1,367,826,500
Add: Adjustment made to recognize deferred tax asset from taxable temporary difference for prior periods	(20,685)	0
Adjusted Beginning Balance	1,477,865,575	1,367,826,500
Deferred Tax Assets		
Allowance for Impairment-Power Supply System Revenue Receivable	506,211,075	401,471,986
Unrealized Loss in Forex Fluctuations	24,415,195	0
Deferred Tax Liabilities		
Unrealized Gain in Forex Fluctuations	0	(34,656,097)
Recovery in Forex Fluctuation	34,656,097	49,977
Total deferred items charged to surplus for the year	565,282,367	366,865,866
Applicable Tax Rate	30%	30%
Adjustment to Deferred Tax	169,584,710	110,059,760
Ending net deferred tax assets	1,647,450,285	1,477,886,260

11. OTHER INVESTMENT

Particulars	2020	2019
Other Investment	1,719,970	1,719,970
Total	1,719,970	1,719,970

This pertains to 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

Particulars	2020			2019		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances	10,273,055	0	10,273,055	12,531,266	0	12,531,266
Advances to Special Disbursing Officer	10,210,976	0	10,210,976	12,499,087	0	12,499,087
Advances to Officers & Employees	62,079	0	62,079	32,179	0	32,179
Prepayments	9,670,601,646	81,011,151	9,751,612,797	8,501,389,355	0	8,501,389,355
Advances to Contractors	297,503,440	0	297,503,440	447,217,594	0	447,217,594
Creditable Input Tax Withholding Tax at Source	9,313,721,948	0	9,313,721,948	7,998,135,805	0	7,998,135,805
Other Prepayments	0	81,011,151	81,011,151	0	0	0
Other Prepayments	59,376,258	0	59,376,258	56,035,956	0	56,035,956
Deposits	6,560,875	0	6,560,875	6,535,713	0	6,535,713
Guaranty Deposits	3,073,419	0	3,073,419	3,048,258	0	3,048,258
Other Deposits	3,487,456	0	3,487,456	3,487,455	0	3,487,455
Restricted Fund	0	4,626,917	4,626,917	0	844,590,933	844,590,933
Other Non-Current Assets	0	6,837,552,299	6,837,552,299	0	6,235,054,244	6,235,054,244
Other Assets (Stock for Disposal)	0	408,445,797	408,445,797	0	463,325,913	463,325,913
Deferred Charges/Losses	0	437,716,868	437,716,868	0	437,607,860	437,607,860
Other Assets (PSALM)	0	4,147,953,005	4,147,953,005	0	3,490,683,842	3,490,683,842

Particulars	2020			2019		
	Current	Non-Current	Total	Current	Non-Current	Total
Other Assets (TransCo)	0	1,843,436,629	1,843,436,629	0	1,843,436,629	1,843,436,629
Total	9,687,435,576	6,923,190,367	16,610,625,943	8,520,456,334	7,079,645,177	15,600,101,511

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

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

Advances to Contractors includes 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 represents deposits by contractors or suppliers to guarantee the fulfillment of obligation to the Corporation.

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) refers 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) No. 71-2012.

Other Assets [Trust Assets-Power Sector Assets & Liabilities Management (PSALM) Corporation] pertains to balances of accounts set-up as working capital for the operation, maintenance and management of the facilities and generating plants of the main grid under the 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 No. 1*.

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

Particulars	2020	2019
Cash in Bank	394,247,193	249,315,754
Other Investment	722,588,708	258,322,122

Particulars	2020	2019
Due from Officers and Employees	0	3,506,278
Fuel, Oil and Lubricants	20,872,319	18,288,760
Other Supplies and Materials Inventory	1,693,135,309	1,648,708,939
Advances to Officers and Employees	4,431,160	3,576,347
Other Prepayments	0	1,113,495
Abandoned/Surrendered Property	5,615,933	5,829,467
Restricted Fund	1,307,062,383	1,302,022,680
Total Assets	4,147,953,005	3,490,683,842
Accounts Payable	1,072,210,920	1,272,297,270
Due to Officers and Employees	0	72,231,895
Insurance Premium Payable	0	4,346
Due to GSIS	0	21,967,191
Due to Pag-IBIG	0	425,510
Due to PhilHealth	0	1,965,191
Output Tax	0	74,020,955
Guaranty/Security Deposits Payable	2,038,442	3,181,714
Leave Benefits Payable	0	344,074,231
Other Payables	76,261,171	90,676,328
Trust Liabilities	4,037,192,988	1,607,754,630
Retained Earnings	(1,039,750,516)	2,084,581
Total Liabilities and Equity	4,147,953,005	3,490,683,842

In compliance with COA AOM No. 2019-016 dated June 26, 2020, the balances of liability accounts pertaining to Personnel Services were transferred to Non-OMA books of accounts as at year-end.

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	2020	2019
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

Particulars	2020	2019
Retained Earnings	1,843,436,629	1,843,436,629
Total Equity	1,843,436,629	1,843,436,629

13. FINANCIAL LIABILITIES

Particulars	2020			2019		
	Current	Non-Current	Total	Current	Non-Current	Total
Payables	5,553,772,771	7,519,714	5,561,292,485	6,310,289,692	0	6,310,289,692
Loans	41,075,181	477,461,370	518,536,551	37,924,222	497,869,445	535,793,667
Total	5,594,847,952	484,981,084	6,079,829,036	6,348,213,914	497,869,445	6,846,083,359

13.1 Payables

Particulars	2020		2019	
	Current	Non-Current	Current	Non-Current
Accounts Payable	5,093,563,042	0	5,940,206,796	0
Fuel Payable	261,067,199	0	469,658,111	0
Gasoline and Other Oil Products Payable	45,217,610	0	38,019,840	0
Materials, Supplies & Equipment Payable	409,956,116	0	210,579,249	0
Accounts Payable-Others	350,656,707	0	335,400,839	0
Check Vouchers Payable	1,226,979,458	0	1,188,090,923	0
Certified Obligations-Suppliers & Contractors	2,767,661,345	0	3,675,876,775	0
Cash Vouchers Payable	32,024,607	0	22,581,059	0
Due to Officers and Employees	267,876,067	0	202,438,170	0
Finance Lease Payable	5,633,143	7,519,714	0	0
Operating Lease Payable	186,696,173	0	167,644,726	0
Insurance Premium Payable	4,346	0	0	0
Total	5,553,772,771	7,519,714	6,310,289,692	0

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 was due to payment of obligations to suppliers and contractors during the year.

Certified Obligations-Suppliers & Contractors refers to obligations for payment as of year-end to suppliers, contractors and other third-party creditors. The account balance includes the amount of P411,362.42 representing salaries reimbursable to project consultants in relation to the European Union (EU) grant agreement for Access to Sustainable Energy Project (ASEP).

The ASEP is a World Bank-administered component of the Department of Energy (DOE)-European Union Access to Sustainable Energy Program. The project also included co-financing from the Global Partnership on Output-Based Aid (GPOBA). The implementation of the GPOBA grant was completed and closed as of December 31, 2018. Due to the dissolution of the Local Government Unit Guarantee Corporation (LGUGC) on December 31, 2018, the project was

restructured to reassign the EU grant and implementation to the NPC. The agreement providing for the assignment, assumption, amendment and restatement of the EU Grant Agreement was signed by LGUGC, NPC and the World Bank on December 9, 2019. A retroactive extension of the closing date of the project from October 31, 2019 to September 30, 2021 was approved by World Bank on December 30, 2019. The grant amounts to 18,400,000 Euros. There is no drawdown and disbursement yet made by NPC using the project funds.

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, 2020 with details as follows:

Particulars	2020	2019
Undiscounted Minimum Lease Payments		
Not later than one year	5,633,143	0
Later than one year and not later than five years	7,519,714	0
Total Undiscounted Minimum Lease Payments	13,152,857	0

The above finance lease pertains to NPC's leases of desktop, notebook, and laptop computers contracted with Advance Solutions, Inc. in CY 2020. Ownership of the leased equipment shall be transferred to NPC at no extra cost at the end of the contract period.

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

13.2 Loans

Particulars	2020		2019	
	Current	Non-Current	Current	Non-Current
Loans Payable - Foreign	41,075,181	477,461,370	37,924,222	497,869,445
Total	41,075,181	477,461,370	37,924,222	497,869,445

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	8,835,117	518,536,551	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	8,835,117	518,536,551	

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 with IPSAS 4-*The Effects of Changes in Foreign Exchange Rates*, as follows:

Currency	2020	2019
EUR/P	58.6904	56.3512
USD/P	48.0360	50.7440

14. INTER-AGENCY PAYABLES

Particulars	2020	2019
Due to BIR	431,463,307	517,764,847
Due to GSIS	16,896,530	26,486,108
Due to Pag-IBIG	1,135,243	898,725
Due to PhilHealth	611,960	94,036
Due to Other Government Corporation	9,020,371	10,655,136
Due to LGUs	25,809,745	21,548,854
Income Tax Payable	0	12,930,374
Total	484,937,156	590,378,080

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	2020		2019	
	Current	Non-Current	Current	Non-Current
Guaranty/Security Deposits Payable	52,161,661	0	75,605,121	0
Customers' Deposits Payable	3,189,549	0	1,594,115	0
Advances for Other Work in Progress	0	237,477,000	0	245,732,000
Trust Liabilities-PSALM	0	4,147,953,005	0	3,490,683,842
Temporary Registry Accounts	0	1,843,436,629	0	1,843,436,629
Total	55,351,210	6,228,866,634	77,199,236	5,579,852,471

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 with 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 decrease was due to the refund of Performance Security (penalty bond) on contract entered into with S.L. Harbor Bulk Terminal Corporation equivalent to five per cent of the total contract price.

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

Particulars	2020		2019	
	Current	Non-Current	Current	Non-Current
Unearned Revenue				
Unearned Revenue-UCME	0	1,606,459,178	0	1,226,975,245
Unearned Revenue-Rent	0	1,555,766	0	1,035,393
Unearned Revenue-GRAM	0	852,860,406	0	840,189,413
Unearned Interest Revenue from				
Restructured Accounts	0	108,630,187	0	134,540,767
Other Unearned Revenue	0	1,444,562	0	512,447
Deferred Credits				
Output Tax	1,097,797,058	0	962,273,150	0
Total	1,097,797,058	2,570,950,099	962,273,150	2,203,253,265

Unearned Revenue-UCME represents the unearned portion of Universal Charge - Missionary Electrification (UCME) collections 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 foregoing recognition was based on the provisional authority granted by ERC per ERC Case No. 2014-135 RC dated November 3, 2014. This provisional approval however, was extended by ERC on August 17, 2015, which prescribes that, "*the provisional authority granted in the Order dated November 3, 2014 is hereby EXTENDED until revoked or made permanent by the Commission*".

Hence, NPC shall seek guidance from ERC as to its final disposition, in compliance with COA's recommendation, in its AOM No. 2021-011 dated May 29, 2021, as a reiteration of AOM No. 2019-002 dated March 4, 2020.

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)
2020	11,989,806,000	0	(11,610,322,067)	379,483,933
Total	60,747,152,682	(3,459,341,532)	(55,681,351,972)	1,606,459,178

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

Unearned Revenue-GRAM represents the amount collected in excess of the total ERC-approved 3rd GRAM per ERC Case No. 2007-097 RC dated September 24, 2012.

However, it is worthy to mention that NPC has also accounted an under collection of 3rd GRAM from Mindanao missionary area consumers and ICERA from Luzon, Visayas and Mindanao based on the ERC-approved 3rd GRAM and ICERA. These excess collection/under collection in the 3rd GRAM and ICERA is subject to reconciliation.

NPC shall seek guidance from ERC on the proper disposition of the aforesaid collection of the 3rd GRAM and ICERA from the Luzon, Visayas and Mindanao missionary area consumers, in compliance with COA's recommendation, in its AOM No. 2021-011 dated May 29, 2021, as a reiteration of AOM No. 2019-003 dated March 04, 2020.

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	2020	2019
Retention on Contract Payments	567,028,676	425,836,626
Total	567,028,676	425,836,626

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

Particulars	2020	2019
Leave Benefits Payable	576,555,051	637,127,074
Total	576,555,051	637,127,074

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

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 donations of land, generating sets, power plants, and industrial buildings to various NPC power plants by their respective Local Government Units, and 12 diesel plants from Bohol Electric Cooperative (BOHECO) in accordance with its Memorandum of Agreement with NPC.

The following are the details of the aforesaid donations to NPC:

NPC Power Plant	Donation	Amount
Kabugao Diesel Power Plant	Land	240,426
Rizal Diesel Power Plant	Land	360,000
Taytay Diesel Power Plant	Land	1,647,000
Cuyo Diesel Power Plant	Land	4,122,680
Linapacan Diesel Power Plant	Land	217,500
Agutaya Diesel Power Plant	Land	176,000
Araceli Diesel Power Plant	Land	431,734
Balabac Diesel Power Plant	Land	639,600
San Vicente Diesel Power Plant	Land	1,132,800
Concepcion Diesel Power Plant	Land	105,060
Tandubas Diesel Power Plant	Land	76,710
Sitangkai Diesel Power Plant	Land	62,500
Sibutu Diesel Power Plant	Land	58,400
Balimbing Diesel Power Plant	Land	174,800
Manuk-Mangkaw Diesel Power Plant	Land	160,000
Balut Diesel Power Plant	Land	180,800
Rizal Diesel Power Plant	Generating Sets	160,000
Culion Diesel Power Plant	Generating Sets	2,084,334
Rizal Diesel Power Plant	Buildings	26,668
SPUG Luzon Workshop, Maintenance & Technical Services Division	Spare Parts for Generating Sets	481,260
Bohol 1 Mini Grid	Power Plants	1,060,620
Bohol 2 Mini Grid	Power Plants	870,302
Total		14,469,194

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), and 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 2020 amounted to P604,507,149.19 which will be due and payable on May 15, 2021.

In CY 2020, NPC remitted to the BTr a total cash dividend of P4.000 billion on April 17, 2020 representing the following:

- a. 100 per cent dividend for the CY 2019 amounting to P1,974,260,114.70;
- b. Full payment/settlement of the remaining dividend arrearages (fourth and fifth amortizations) to the NG amounting to P1,188,377,352.00;
- c. Remittance of P51,007,328.44 as a consequence of the erroneous offsetting by the Corporation against its second amortization on dividend in arrears; and
- d. Remittance of additional 47 per cent dividend on the CY 2018 net earnings amounting to P786,355,204.86.

Upon the recommendation of NPC Management, the National Power Board, in its Board Resolution No. 2020-15 dated April 2, 2020 as amended by Board Resolution No. 2020-18 dated April 28, 2020, authorized the NPC to remit to the BTr the afore-mentioned dividends to NG pursuant to RA No. 11469 and RA No. 7656.

Prior period adjustments in the aggregate amount of P290,733,839.80 are shown in *Note 4* hereof.

20. SERVICE AND BUSINESS INCOME

Particulars	2020	2019
Net Sales	2,155,877,365	2,182,636,481
Sales Revenue-Utility Operating Income	2,267,476,598	2,299,246,534
Sales Discounts-Prompt Payment Discount	(34,505,316)	(42,085,244)
Mandatory Rate Reduction	(77,093,917)	(74,524,809)
Power Supply System-Transmission Service Operating Income	12,158,737	11,330,672
Interest Income	787,657,132	1,122,742,841
Interest on Power Supply System Revenue Receivables	487,382,912	411,835,273
Interest on Bank Deposits & Temporary Investments	295,353,910	701,659,376
Other Interest Income	4,920,310	9,248,192
Income from Management Fee	1,051,853,271	989,073,025
Rent/Lease Income	19,175,486	21,160,467
Fines and Penalties-Business Income	11,134,167	12,176,106
Other Business Income	753,574	73,321
Total	4,038,609,732	4,339,192,913

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

Interest Income pertains to the interest earned, net of taxes, on Power Supply System Revenue Receivables, regular deposits, and temporary investments. The increase in Interest Income on Bank Deposits & Temporary Investments was a result of maximization of temporary investments which ranges from seven, 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).

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	2020	2019
Share in Universal Charge	11,610,322,067	15,411,179,101
Income from Grants and Donations in Kind	8,390,857	8,420,686
Income from Grants and Donations in Cash	0	1,192,879
Total	11,618,712,924	15,420,792,666

Share in Universal Charge pertains to the non-bypassable 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 decrease was mainly attributed to the following: (a) lower revenue requirement for the year due to the decrease in fuel cost, other operating expenses of NPP subsidy, and Return on Rate Base (RORB); and (b) exclusion of the unallowable items in the computation of the 12 per cent RORB prescribed by the COA in its Audit Observation Memorandum (AOM) No. 2019-002 dated March 4, 2020.

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) per Memorandum of Agreement (MOA) entered into by Metropolitan Waterworks & Sewerage System (MWSS) and NPC in CY 2016.

22. PERSONNEL SERVICES

Particulars	2020	2019
Salaries and Wages	923,149,300	916,262,885
Other Compensation	411,811,354	449,836,416
Personnel Benefits Contributions	127,245,992	123,146,502
Other Personnel Benefits	96,747,339	156,924,668
Total	1,558,953,985	1,646,170,471

22.1 Salaries and Wages

Particulars	2020	2019
Salaries and Wages-Regular	894,864,002	887,253,045
Salaries and Wages-Casual/Contractual	28,285,298	29,009,840
Total	923,149,300	916,262,885

The increase on salaries and wages was due to the filling up of vacant positions.

22.2 Other Compensation

Particulars	2020	2019
Personnel Economic Relief Allowance (PERA)	43,518,759	43,287,241
Representation Allowance (RA)	11,277,750	10,921,722
Transportation Allowance (TA)	10,054,409	9,741,483
Clothing/Uniform Allowance	10,890,000	10,927,835
Productivity Incentive Allowance	55,678,784	100,604,067
Honoraria	12,571,088	8,785,747
Hazard Pay	11,524,767	0
Longevity Pay	2,000	0
Overtime and Night Pay	91,807,028	99,034,909
Year End Bonus	77,326,851	77,728,217
Cash Gift	8,941,450	8,915,500
Mid-Year Bonus	76,252,468	75,912,693
Other Bonuses and Allowances	1,966,000	3,977,002
Total	411,811,354	449,836,416

The decrease of above accounts was attributed to the decrease in Overtime and Night Pay and Other Bonuses and Allowances offset by Hazard Pay given to employees who reported to office during the Enhanced Community Quarantine (ECQ) period.

22.3 Personnel Benefits Contributions

Particulars	2020	2019
Retirement and Life Insurance Premiums	110,337,054	109,394,013
Pag-IBIG Contributions	2,186,400	2,191,400
PhilHealth Contributions	12,548,912	9,400,489
Employees Compensation Insurance Premiums	2,173,626	2,160,600
Total	127,245,992	123,146,502

22.4 Other Personnel Benefits

Particulars	2020	2019
Terminal Leave Benefits	83,307,994	143,612,240
Other Personnel Benefits	13,439,345	13,312,428
Total	96,747,339	156,924,668

23. MAINTENANCE AND OTHER OPERATING EXPENSES

Particulars	2020	2019
General Services	625,387,944	520,017,725
Other Maintenance and Operating Expenses	416,201,909	411,805,729
Generation, Transmission and Distribution Expenses	347,293,462	357,216,491
Repairs and Maintenance	291,664,723	330,254,108
Taxes, Insurance Premiums and Other Fees	121,147,480	193,417,783
Travelling Expenses	39,257,333	99,498,236
Awards/Rewards, Prizes and Indemnities	91,449,532	87,427,522
Supplies and Materials	59,229,314	50,455,161
Professional Services	30,608,524	35,963,805
Utility Expenses	32,793,205	27,550,323
Communication Expenses	24,297,191	24,726,027
Training and Scholarship	3,472,068	13,857,018
Confidential, Intelligence and Extraordinary Expenses	1,891,524	3,696,308
Total	2,084,694,209	2,155,886,236

23.1 General Services

Particulars	2020	2019
Janitorial Services	97,253,692	96,621,412
Security Services	119,014,359	114,341,211
Other General Services	409,119,893	309,055,102
Total	625,387,944	520,017,725

23.2 Other Maintenance and Operating Expenses

Particulars	2020	2019
Advertising Expenses	864,686	2,065,434
Printing and Publication Expenses	330,357	2,396,429
Representation Expenses	4,159,078	5,039,200
Representation/Entertainment	3,023,404	2,484,359
Contingency Fund-Board	1,135,674	2,435,646
Director's & Committee Member's Fee	0	67,553
Contingency Fund-President	0	51,642
Transportation and Delivery Expenses	8,581,819	9,525,541
Rent/Lease Expenses	394,069,989	380,172,506
Donations	0	119,524
Other Maintenance and Operating Expenses	8,195,980	12,487,095
Athletics and Recreation	522,914	2,304,318
Financial Aid	4,388,045	6,278,936
Cultural Expenses	189,050	543,232
Christmas and Anniversary Expenses	1,893,282	2,152,094
Miscellaneous MOOE	1,109,405	1,027,750
Share in the National Wealth	93,284	180,765
Total	416,201,909	411,805,729

23.3 Generation, Transmission and Distribution Expenses

Particulars	2020	2019
Operation-Hydro Plant	23,621,009	27,866,084
Operation-Diesel Plant	307,746,235	317,566,297
Operation-Transmission & Substation	15,926,218	11,784,110
Total	347,293,462	357,216,491

23.4 Repairs and Maintenance

Particulars	2020	2019
Repairs and Maintenance-Infrastructure Assets	254,970,112	291,783,531
Hydro Plant	113,135,414	122,334,491
Diesel Plant	57,173,563	58,955,726
Transmission & Substation	2,462,000	3,273,811
Technical Services	639,062	424,629
Job Order for Maintenance	81,560,073	106,794,874
Repairs and Maintenance-Buildings and Other Structures	12,970,642	9,601,885
Repairs and Maintenance-Land Improvement	482,144	404,355
Repairs and Maintenance-Machinery and Equipment	9,416,427	19,277,557
Office/Laboratory Equipment	718,023	1,512,517
Store Equipment	352,707	42,333
Tools/Shop Garage	278,818	737,130
Power Operated Equipment	75,024	5,957,365
Communications Equipment	458,550	305,403
Computers	966,756	1,657,727
Miscellaneous Equipment	6,566,549	9,065,082
Repairs and Maintenance-Transportation Equipment	13,825,398	9,186,780
Total	291,664,723	330,254,108

23.5 Taxes, Insurance Premiums and Other Fees

Particulars	2020	2019
Taxes, Duties and Licenses	71,317,613	146,097,863
Licenses	11,474,976	6,179,762
Realty Tax	789,312	1,649,869
Other Taxes	59,053,325	138,268,232
Insurance Expenses	49,829,867	47,319,920
Total	121,147,480	193,417,783

23.6 Travelling Expenses

Particulars	2020	2019
Travelling Expenses-Local	39,257,333	98,001,548
Travelling Expenses-Foreign	0	1,496,688
Total	39,257,333	99,498,236

The decrease in travelling expenses was attributed to the decrease in travel of officials and employees due to travel restrictions brought about by COVID-19 pandemic.

23.7 Awards/Rewards, Prizes and Indemnities

Particulars	2020	2019
Awards/Rewards Expenses	91,449,532	87,168,022
Indemnities	0	259,500
Total	91,449,532	87,427,522

23.8 Supplies and Materials Expenses

Particulars	2020	2019
Office Supplies Expenses	17,893,854	13,720,010
Fuel, Oil and Lubricants Expenses	14,616,165	17,643,925
Other Supplies and Materials Expenses	26,719,295	19,091,226
Total	59,229,314	50,455,161

23.9 Professional Services

Particulars	2020	2019
Auditing Services	25,672,825	30,907,678
Consultancy Services	4,935,699	5,056,127
Total	30,608,524	35,963,805

23.10 Utility Expenses

Particulars	2020	2019
Water Expenses	2,825,898	6,803,102
Electricity Expenses	29,967,307	20,747,221
Total	32,793,205	27,550,323

23.11 Communication Expenses

Particulars	2020	2019
Postage and Courier Services	1,261,254	1,424,992
Telephone Expenses	12,425,032	12,633,661
Internet Subscription Expenses	10,595,645	10,659,731
Cable, Satellite, Telegraph & Radio Expense	15,260	7,643
Total	24,297,191	24,726,027

23.12 Training and Scholarship Expenses

Particulars	2020	2019
Training Expenses	3,472,068	13,857,018
Total	3,472,068	13,857,018

The decrease in training expenses was due to the decrease of HRD training programs of the Corporation due to imposition of health protocols brought about by COVID-19 pandemic.

23.13 Confidential, Intelligence and Extraordinary Expenses

Particulars	2020	2019
Extraordinary and Miscellaneous Expenses	905,603	885,600
Public Relations & Project Acceptance Expenses	985,921	2,810,708
Total	1,891,524	3,696,308

The Public Relations and Project Acceptance expense presented under Advertising Expenses from the previous year is presented under Confidential, Intelligence and Extraordinary Expenses.

24. FINANCIAL EXPENSES

Particulars	2020	2019
Interest Expenses	2,119,550	2,841,199
Bank Charges	108,695	154,747
Total	2,228,245	2,995,946

25. DIRECT COST

Particulars	2020	2019
Direct Cost (Fuel & Additives-Diesel Plant)	3,806,199,887	4,502,511,517
Total	3,806,199,887	4,502,511,517

This account represents the cost of fuel and thermal chemicals used by diesel plants for operations. The decrease was attributed to the lower fuel price in CY 2020 compared to CY 2019, offset by the minimal increase in fuel consumption (in liters). The average price per liter in CY 2020 is P29.68 compared with P35.62 in CY 2019.

26. NON-CASH EXPENSES

Particulars	2020	2019
Depreciation	595,905,750	544,768,708
Depreciation - Other Assets	25,040,994	25,147,800
Impairment Loss	506,211,075	425,992,698
Total	1,127,157,819	995,909,206

26.1 Depreciation

Particulars	2020	2019
Depreciation-Infrastructure Assets	390,055,027	412,334,965
Depreciation-Buildings and Other Structures	46,680,070	34,987,367
Depreciation-Machinery and Equipment ⁶	159,170,653	97,446,376
Total	595,905,750	544,768,708

⁶ Includes depreciation of furniture and fixtures, transportation equipment and leased assets.

26.2 Depreciation – Other Assets

Particulars	2020	2019
Depreciation-Other Assets	25,040,994	25,147,800
Total	25,040,994	25,147,800

The Depreciation on disposal assets in CY 2019 which was incorporated in Note 26.1 amounting to P30,000 was reclassified/presented under this account.

26.3 Impairment Loss

Particulars	2020	2019
Impairment Loss-Loans and Receivables	506,211,075	425,992,698
Total	506,211,075	425,992,698

27. NET FINANCIAL ASSISTANCE/SUBSIDY

Particulars	2020	2019
Subsidy from National Government	1,688,890,824	1,502,923,493
Financial Assistance to Local Government Units	(4,260,890)	(4,302,184)
Financial Assistance/Subsidy-Others	(6,030,333,522)	(8,344,885,638)
Total	(4,345,703,588)	(6,846,264,329)

Subsidy from National Government is a funding support thru the issuance of a Special Allotment Release Order (SARO) to cover for the Capital Expenditures requirements of the Corporation. This amount accounts for the unexpended balance of subsidies received by NPC from CY 2014 to CY 2020.

Financial Assistance to Local Government Units 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 decrease of this account was attributed to the following: (a.) Lower energy off-take; and (b.) End of contract with Delta P effective on April 3, 2020.

Accrual for subsidy expenses covering December 25 to December 31 (six days) was recorded as prescribed by the COA.

The list of New Power Providers in the SPUG areas, with the corresponding subsidy in CY 2020 are as follows:

New Power Provider	Area	2020	2019
DMCI Masbate Power Corporation	Masbate	950,547,522	1,313,357,723
Delta (Paragua)	Palawan (PPC)	486,484,714	781,187,445
Palawan Power Generation Incorporated (PPGI)	Palawan (Tiniguiban, Narra)	236,426,776	327,758,593
Powersource Philippines Incorporated	Rio Tuba, Rizal, Palawan	42,121,142	55,808,564
Powersource Philippines Incorporated (Liminangcong)	Taytay, Palawan	31,371,278	34,079,037
Ormin Power Inc.	Oriental Mindoro	209,227,950	247,631,023
Ormin Inabasan Mini Hydro	Oriental Mindoro	10,599,401	5,477,557
Power One Corporation	Oriental Mindoro	188,739,826	316,994,795

New Power Provider	Area	2020	2019
Mindoro Grid Corporation	Oriental Mindoro	152,282,321	511,453,642
DMCI Palawan Power Corporation	Irawan, Quezon, Roxas	731,463,130	911,655,910
Calamian Island Power Corporation	Palawan (Busuanga, Coron)	281,859,214	394,642,433
Occidental Mindoro Consolidated Power Corporation (OMCPC)	Occidental Mindoro	751,711,541	926,711,363
DMCI Power Corporation-Calapan	Oriental Mindoro	323,938,904	416,913,791
Sunwest Water and Electric Company, Inc.	Tablas, Romblon	301,097,492	606,986,060
Sunwest Water and Electric Company, Inc.-Catanduanes	Solong, Catanduanes	336,538,614	395,607,601
PowerSource Philippines Incorporated (PSPI)-Rizal	Palawan	0	9,776,539
Renesons Energy Polillo, Inc. (REP)	Polillo	141,244,717	76,553,429
Sabang Renewable Energy Corp. (SREC)	Puerto Prinsesa, Palawan	1,450,540	713,704
Philippine Hybrid Energy Systems, Inc. (PHESI)	Mindoro/Romblon	0	7,006,309
Bantayan Island Power Corporation	Bantayan, Cebu	165,599,221	216,759,447
S. I. Power Corporation (SIPCOR)	Siquijor	199,745,588	228,428,727
Powersource Philippines Incorporated (Malapascua)	Bantayan, Cebu	14,434,833	23,820,252
Kaltimex Rural Energy Corporation (KREC)	Tawi-Tawi	473,448,798	535,561,694
Total		6,030,333,522	8,344,885,638

28. NON-OPERATING INCOME, GAIN OR LOSSES

28.1 Other Non-Operating Income

Particulars	2020	2019
Bid Related Income	7,637,532	8,388,863
Other Miscellaneous Income	3,797,844	17,503,067
Income from Penalties for Shortfall Capacity	14,428,998	16,842,102
Total	25,864,374	42,734,032

Other Non-Operating Income includes NPC's income from bid documents and other miscellaneous income of NPC.

28.2 Gains

Particulars	2020	2019
Gain on Foreign Exchange Fluctuation	0	35,342,307
Other Gains/Extraordinary Gain	506,804	254,465
Total	506,804	35,596,772

28.3 Losses

Particulars	2020	2019
Loss on Foreign Exchange Fluctuation	24,636,425	0
Loss on Disposal/Retirement of Assets	0	85,857
Total	24,636,425	85,857

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	2,361,399,324	2,026,240,381	335,158,943
Assistance and Subsidy	1,931,117,000	1,688,890,824	242,226,176
Shares, Grants and Donations	12,945,010,000	11,989,806,000	955,204,000
Others	1,322,300,526	2,391,356,788	(1,069,056,262)
Total	18,559,826,850	18,096,293,993	463,532,857

In CY 2020, final budget was higher as compared to the actual amounts due to the following factors:

- a. Higher projected energy sales at 457.95 GWh versus 426.09 GWh actual energy sales in CY 2020 due to lower demand caused by COVID-19 pandemic;
- b. Final budget includes NG subsidy of P1.021 billion (net of P164.861 million for NPC's share to the NG contributed to the "Bayanihan to Heal as One Act") for the current year and P0.910 billion for prior years, compared to the actual CY 2020 subsidy received amounting to P1.689 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)	Certified Obligations (c)	Difference [a-(b+c)]
Payments				
Personnel Services	2,351,490,143	738,977,805	168,959,481	1,443,552,857
Non-OMA	1,709,511,143	738,977,805	147,457,993	823,075,345
OMA	641,979,000	0	21,501,488	620,477,512
Maintenance and Other Operating Expenses	9,201,948,957	7,526,194,490	561,737,440	1,114,017,027
Capital Outlay	5,848,077,494	2,151,451,092	1,088,979,935	2,607,646,467
Financial Expenses	43,202,657	40,093,505	0	3,109,152
Others (NPP Subsidy, VAT and Dividends)	15,330,430,656	12,068,752,780	1,373,198,572	1,888,479,304
Total	32,775,149,907	22,525,469,672	3,192,875,428	7,056,804,807

The material difference of final budget than the actual amounts after deducting certified obligations is mainly due to the following factors:

- a. Higher Personnel Services (PS) in the final budget due to provision of P393.682 million for separation pay and P81.241 million for terminal leave in the proposed NPC reorganization, retirement of SPUG personnel assigned in decommissioned plants not implemented in CY 2020, and provision for 355 vacant positions as of December 2020;
- b. Higher fuel budget due to higher projected generation at 583 GWh versus 448 GWh actual generation in CY 2020 and projected increase in fuel price (diesel price at P38.42/kWh versus P29.89/kWh actual price, and bunker at P30.6/l versus actual price of P24.52/l);
- c. Dry-docking activity for Power Barge (PB) 119 budgeted at P24.000 million was not implemented during the year due to delay in procurement activities brought about by COVID-19 pandemic;
- d. Resulting Net Loss in the projected CY 2020 Income Statement hence, no provision was made for Income Tax;
- e. The COVID-19 pandemic slowed-down the operation and maintenance activities of power plants, Transmission Lines and Substation Systems, and mobilization of support services which contributed to lower actual Other Operating Expenses;
- f. Higher projected generation for New Power Providers in CY 2020 was not realized due to lower demand brought about by the COVID-19 pandemic and projected operation of NPPs, Philippine Hybrid Energy Systems Inc. (PHESIS) and Power Source Rizal, did not materialize; and
- g. Lower utilization of budget for Capital Expenditure (CAPEX) primarily due to COVID-19 pandemic resulting to the following: (i) problem in manpower mobilization required in the implementation of the strict health protocols; (ii) 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; (iii) failure of biddings (i.e. no interested bidder, post disqualification of bidders due to non-compliance with the requirements); (iv) lot acquisition/right of way issues; (v) re-routing of transmission line projects during project implementation and other lot acquisition/right of way issues; (vi) remaining punch lists for rectification of the contractors; 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 P1.911 billion and MOOE amounting to P762.177 million as presented below:

Particulars	Actual Amounts	Current Expenses paid in CY 2020	Prior Year Expenses paid in CY 2020
Personnel Services	738,977,805	714,094,082	24,883,723
Maintenance and Other Operating Expenses	7,526,194,490	6,735,616,704	762,176,879
Capital Outlay	2,151,451,092	0	0
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Particulars	Actual Amounts	Current Expenses paid in CY 2020	Prior Year Expenses paid in CY 2020
Financial Expenses	40,093,505	2,119,550	0
Others (NPP Subsidy, VAT and Dividends)	12,068,752,780	6,157,664,955	1,911,087,826
Total Payments	22,525,469,672	13,609,495,291	2,698,148,428

NPC reported a total of P22.525 billion cash outflow for the year 2020, P13.609 billion of which pertains to payment of expenses incurred during the year, while P2.698 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 (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 P15,657,322,656 lower by 21 per cent or P4,102,662,923 compared to last year's operating revenue of P19,759,985,579.

NPC generated an operating income amounting to P7,078,088,511 lower by 32 per cent or P3,378,423,692 when compared with last year of P10,456,512,203.

The Corporation's financial performance had decreased from a Net Income of P3,193,630,792 in CY 2019 to P2,524,347,183 in CY 2020, lower by 21 per cent or P669,283,609.

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

a. CY 2018 True-up

On January 20, 2020, National Power Corporation filed its application for the recovery of revenue shortfall from the Universal Charge for Missionary Electrification (UCME) for CY 2018 before the Energy Regulatory Commission (ERC) and docketed under ERC Case No. 2020-004 RC. NPC proposed to recover the amount of **P5.919 billion**, or equivalent to **P0.0591/kWh**.

b. CY 2021 Basic UCME

NPC filed its petition for the CY 2021 Basic UCME docketed under ERC Case No. 2020-011 RC on March 13, 2020. In the said filing, NPC proposed a basic UCME of **P20.730 billion** or an equivalent UCME rate of **P0.2055/kWh** with a recovery period of 12 months. The proposed basic UCME is inclusive of subsidy for NPC SPUG, New Power Providers (NPP), Qualified Third Parties and the cash incentive for Renewable Energy Developers.

c. 19th GRAM and 19th ICERA DAA

On October 15, 2020, NPC electronically filed its application for the 19th Incremental Currency Exchange Rate Adjustment (ICERA) under ERC Case No. 2020-034 RC while the 19th Generation Rate Adjustment Mechanism (GRAM) was filed before the ERC and docketed under ERC Case No. 2020-

036 RC on October 22, 2020. Adjustments corresponding to these filings covering the CY 2018 test period are referred to as Deferred Accounting Adjustments or DAAs which are pass-thru costs in NPC's rates. NPC proposed to recover the amount of **P3.262 billion** with a proposed rate for Luzon, Visayas and Mindanao areas equivalent to P1.9976/kWh, P1.7874/kWh and P1.7429/kWh respectively, or an average increase of **P1.8745/kWh** to be charged to the electricity consumers in the missionary areas. This in effect will have a corresponding reduction in the UCME True-up Recovery for the same year. The proposed recovery period for the 19th GRAM is spread into 36 months and the 19th ICERA recovery period is 12 months.

Subsequently, ERC issued an Order and Notice of Virtual Hearings on October 30, 2020 and November 3, 2020 for the 19th ICERA and 19th GRAM Applications, respectively.

d. Proposed True-up and Basic UCME public/virtual hearings

Completed public hearings for CY 2020 in Luzon, Visayas and Mindanao stakeholders for the following:

- The initial hearing for CY 2017 True-up was conducted thru public hearing on March 11, 2020 while the succeeding scheduled hearings were cancelled due to the implementation of Enhanced Community Quarantine brought about by COVID-19. ERC issued an Order for the continuation thru virtual hearing via Zoom/MS Teams in the third quarter of the year and concluded on October 2, 2020.
- CY 2018 True-up was scheduled for public hearing in the second quarter of the year but was cancelled due to the pandemic. An Order of resumption of public hearing was issued by ERC in the third quarter thru virtual hearing via Zoom/MS Teams and concluded at the end of the year.
- Virtual hearings for the CY 2021 Basic UCME for Luzon, Visayas and Mindanao stakeholders started in the third quarter of the year.
- On August 18, 2020, ERC issued an Order for the continuation of hearing via Zoom on the presentation of NPC's additional witness for CY 2014 True-up.

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 2020:

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 2020, are the following:

a. Power plants with increased operating hours

No.	SPUG Power Plants	Province	Operating Hours		Date Implemented
			From	To	
1	Languyan DPP	Tawi-Tawi	12	16	January 22, 2020
2	San Jose DPP	Romblon	16	24	January 30, 2020
3	Jomalig DPP	Quezon	16	24	April 23, 2020
4	Linapacan DPP	Palawan	16	24	May 1, 2020
5	Cagayancillo DPP	Palawan	8	16	May 7, 2020
			16	24	May 18, 2020
6	Calayan DPP	Cagayan	16	24	May 26, 2020
7	Palumbanes DPP	Catanduanes	16	24	June 13, 2020
8	Cabra DPP	Occ. Mindoro	16	24	June 23, 2020
9	Batan DPP	Albay	16	24	July 8, 2020
10	Gilotongan DPP	Masbate	8	16	August 18, 2020
11	Balatubat DPP	Cagayan	8	16	September 2, 2020
12	Concepcion DPP	Romblon	16	24	September 5, 2020
13	Malaking Ilog DPP	Masbate	8	16	December 21, 2020

b. New Power Plants

No.	Plant Name	Province	Capacity		Date Commissioned	Date of Commercial Operation
			Rated	Dep		
1	Gibusong DPP	Dinagat	100	80	February 13, 2020	March 6, 2020
2	Pilas DPP	Basilan	200	160	August 14, 2020	October 29, 2020

c. Take-over Power Plants

No.	Plant Name	Province	Capacity		Date Commissioned	Date of Commercial Operation
			Rated	Dep		
1	Mangsee DPP	Palawan	200	200	July 30, 2020	July 30, 2020
2	Calandagan DPP	Palawan	88	88	September 7, 2020	September 7, 2020

d. New Hybrid Power Plant

No.	Plant Name	Province	Capacity (kW)	Date Commissioned	Date of Commercial Operation

31.2 Dams Management Department (DMD)

a. Information and Education Campaign (IEC)

The main objective of the IECs is to impart important information and increase the level of awareness of concerned LGUs and communities located downstream of NPC dams, regarding the benefits of dams and its operations in accordance with NPC Dam Safety Program. The IEC is a continuing activity that also aims to prepare the LGUs and downstream communities in dealing with flood-related hazards that may be caused by dam operations.

Due to the COVID-19 pandemic, a total of three out of 20 sessions were conducted. The three sessions were conducted for Ambuklao and Binga Dams. NPC, PSALM and SN Aboitiz Power Benguet, Inc. (SNAPBI) worked jointly with concerned LGUs in distributing IEC and Emergency Action Plan (EAP) flyers/presentation materials to downstream communities. The activity was completed in the last week of July 2020. The conduct of IEC was deferred for San Roque, Angat and Caliraya Dams.

b. Reliability Testing of Spillway Gates

The annual spillway gates testing is being carried out with the Dam Operators to ensure reliability of the spillway gates during spilling operations. The tests were successfully completed and conducted for the following dams:

- Ambuklao and Binga Dams: October 17-18, 2020
- San Roque Dam: January 27-31 and February 17-19, 2020
- Angat Dam: June 30, 2020
- Caliraya Dam: October 7 and 14, 2020

31.3 Dams, Reservoirs and Waterways Division (DRWD)

a. Dams Integrity Surveillance

Notwithstanding the COVID-19 pandemic, a total of nine out of 10 mandatory safety inspections/assessments were completed. These inspections were done semi-annually to assess the behavior and condition of NPC-managed and operated dams in Luzon, namely: Ambuklao, Binga, San Roque, Angat, and Caliraya-Lumot Dams and their appurtenant structures. DRWD also participated in the conduct of virtual safety inspection/assessment of privatized small hydroelectric plants namely: Buhi-Barit in Camarines Sur, Amlan in Negros Oriental, and Loboc HEP in Bohol. The activity was initiated by the Power Sector Assets and Liabilities Management (PSALM) Corporation.

The inspections/assessments were carried out to ensure the sustainability of the dam's safety/integrity and operability to effectively impound water needed for domestic water supply, irrigation, power generation and flood control. The observations, findings and recommendations were reported and conveyed to

the concerned Plant Management/Operators, and compliance to the report recommendations is diligently monitored.

Dam instrumentation monitoring is a continuing activity for DMD-DRWD. The technical and scientific data gathering and surveillance aim to ensure the long-term performance and safety of dams 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 body managed to conserve water and store energy. Furthermore, efficient and timely dam spilling operations minimized the effect of excessive outflow to downstream communities during the passage of typhoons or severe weather disturbances. DMD was also able to manage and conserve water for both San Roque and Angat reservoirs.

c. Emergency Action Plan (EAP) 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 unlikely event of an emergency like a dam break scenario, all parties/stakeholders are aware of their individual roles in ensuring that the correct mitigation and communication measures are undertaken. A coordination meeting with LGUs and other stakeholders was conducted in October 2019. A follow-up meeting with OCD was conducted in November 2019.

d. Independent Dam Safety Review of Caliraya Dam and Non-power Components

The dam safety review and independent evaluation aims to undertake the safety evaluation of the dam, dyke spillway, rim, and associated appurtenant structures/non-power components; and to ensure safety compliance to international dam industry safety standards. The comprehensive Independent Dam Safety Review (IDSR) study of Caliraya and Lumot Dams and its appurtenances was completed in August 2020.

e. Independent Safety Review of San Roque Dam and Non-power Appurtenances

In February 2020, the Engineering and Development Corporation of the Philippines (EDCOP) was engaged by NPC to conduct the first comprehensive dam safety assessment of the San Roque Dam and its associated non-power components. However, the project implementation was adversely affected by the COVID-19 pandemic and has been suspended since October 5, 2020. The target completion of the project is supposed to be in December 2020.

f. Independent Safety Review of Ambuklao-Binga Dam and Non-power Appurtenances

As per Section 7.3 of the 2009 Operations & Maintenance Agreement, NPC, PSALM and SNAPBI will engage the services of a third party to conduct an independent five-year periodic assessment/review of the safety of Ambuklao and Binga Dams. The IDSR aims to assess whether the dam and its appurtenant structures are in a safe condition and maintained and operated in compliance with international standards and guidelines. The project was completed in March and April 2020, for Ambuklao and Binga Dams, respectively.

g. Updating of Dams Safety Program Manual

A dam safety program provides the framework for managing safety throughout the life of a dam. The primary purpose of a dam safety program is to ensure the safe operation of a dam so that it can continue to function and that the downstream communities are protected against the consequences of dam failure. The updating of Dam Safety Program Manual started in January 2020 and completed in December 2020, for President’s approval.

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 being implemented to further enhance NPC’s FFWSDO. Relative to these undertakings are the following accomplishments this CY 2020, to wit:

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 Northeast Monsoon. Details are as follows:

Location	Count	Inclusive Dates
Ambuklao Dam	2	
TC Rolly		October 31-November 1, 2020
TC Ulysses		November 10-13, 2020
Binga Dam	3	
TC Pepito		October 20-22, 2020
TC Rolly		October 31-November 1, 2020

Location	Count	Inclusive Dates
TC Ulysses		November 10-13, 2020
Angat Dam	3	
TC Ulysses		November 12-15, 2020
TC Vicky		December 21-23, 2020
Northeast Monsoon		December 27-29, 2020

b. Preventive Maintenance of FFWSO Equipment

The periodic preventive maintenance activities are being conducted to avoid or mitigate the consequences of failure of equipment especially during spilling operations. The quarterly preventive maintenance activities were conducted on the following schedules, as shown in the table below:

Stations	Plan/Actual	1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.	Remarks
Ambuklao-Binga	Plan	Mar 16-20, 2020	June 15-19, 2020	Sept 7-11, 2020	Nov 16-20, 2020	Witnessed only as per OMA Agreement
	Actual	Deferred due to ECQ	June 1-5, 2020	Sept 29-Oct 2, 2020	Nov 23-27, 2020	
San Roque	Plan	Feb 3-28, 2020	May 4-31, 2020	Sept 1-30, 2020	Nov 2-30, 2020	Delay in the conduct of second quarter CY 2020 preventive maintenance was due to the implementation of Enhanced Community Quarantine relative to COVID-19 pandemic.
	Actual	Jan 20-Feb 13, 2020	June 1-22, 2020	Sept 7-30, 2020	Nov 3-27, 2020	
Angat	Plan	Feb 3-28, 2020	May 4-29, 2020	Sept 7-30, 2020	Nov 3-27, 2020	Witnessed only as per OMA Agreement
	Actual	Feb 3-28, 2020	Deferred due to ECQ	Sept 7-Oct 2, 2020	Nov 10-Dec 4, 2020	
Caliraya	Plan	Under Rehabilitation		July 1-31, 2020	Oct 1-30, 2020	No maintenance activity performed due to the on-going rehabilitation project of the whole system.
	Actual	Under Rehabilitation (Rehabilitation of Caliraya FFWSO Project)				

c. FFWSO Project

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

This project aims to provide reliable Flood Forecasting and Warning System for Dam Operations at Caliraya which will enhance monitoring and analyses 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. To date, only the rectification of punch list items, as well

as testing and commissioning including joint final inspections remains to be accomplished.

As of December 31, 2020, the actual accomplishment is 96.36 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 10 warning stations to improve the current flood forecasting and warning system of Angat. Rectification of punch list items with 180 out of 222 was completed.

As of December 31, 2020, the actual accomplishment is 99.21 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 Provincial Disaster Risk Reduction & Management Council (PDRPMC) in Malolos, Bulacan, thus improving communication during dam releases. Validation of rectified punch list items started on December 1, 2020. Out of 103, 80 were already closed/verified by Quality Assurance and Safety Division (QASD). Validation in the other sites has not been conducted yet due to strict travel restrictions and health requirements relative to COVID-19 pandemic.

As of December 31, 2020, the actual accomplishment is 99.51 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 2020 are as follows:

Item No.	Project Title	Work Order No.	Status / Accomplishment
TRANSMISSION LINE PROJECTS			
1	Supply, Erection/Installation of Bansud-Mansalay 69kV SC/SP-CP T/L (64.53 km.)	F303A01	▪ Completed and energized as of January 26, 2020.

Item No.	Project Title	Work Order No.	Status / Accomplishment
2	Mansalay-San Jose 69kV T/L Schedule 1 & 2 (60 km.)	I324A02	<ul style="list-style-type: none"> ▪ Schedule 1: Completed on February 20, 2020. ▪ Schedule 2: Completed as of September 24, 2019.
3	Rehabilitation of Boac-Torrijos 69kV T/L (47 km.)	I305I01	<ul style="list-style-type: none"> ▪ Completed as of August 11, 2020 and energized on August 27, 2020 (utilized at 13.8 kV as of August 29, 2020).
4	Rehabilitation of Minolo Puerto Galera-Mamburao 69kV T/L (52 km.)	I321I01	<ul style="list-style-type: none"> ▪ Project accomplishment, 96.36% ▪ Works were suspended effective November 1, 2020 due to ROW issues. ▪ On-going negotiation with the Perpetual Help College of Rizal for the permit to enter in order to erect/install the affected structures. ▪ Target project completion is on March 31, 2021.
5	Supply and Erection / Installation of Roxas-Taytay 69kV T/L Roxas Substation-Alimanguan Junction Schedule 1 Structure 1-232	J302A02	<ul style="list-style-type: none"> ▪ Project accomplishment, 73.55% ▪ Works were suspended effective December 1, 2020 due to ROW issues. ▪ On-going negotiation with the remaining landowners and securing of permit to cut and clear. First batch of documents for filing of expropriation case forwarded to Office of the Legal Counsel (OLC). ▪ Field Change Notice for the adjustment / relocation of pole sites relative to the re-routing of T/L for review and approval of DDD. ▪ Coordinated with other project offices regarding availability of spare poles which can be utilized for the T/L. ▪ Target project completion is on March 31, 2021.
6	Supply and Erection / Installation of Roxas-Taytay 69kV T/L Alimanguan Junction-Taytay Substation Schedule 2 Structure 232-434	J302A02	<ul style="list-style-type: none"> ▪ Project accomplishment, 83.36% ▪ Works were suspended effective November 18, 2020 due to ROW issues. ▪ On-going negotiation with the remaining landowners and securing of permit to cut and clear. First batch of documents for filing of expropriation case forwarded to OLC. ▪ Field Change Notice for the adjustment/ relocation of pole sites relative to the re-routing of T/L for review and approval of DDD. ▪ Coordinated with other project offices regarding availability of spare poles which can be utilized for the T/L. ▪ Target project completion is on March 31, 2021.
SUBSTATION PROJECTS			
1	Supply, Delivery, Construction, Installation, Testing & Commissioning of 5 MVA Taytay Substation Project	J310A02	<ul style="list-style-type: none"> ▪ Completed as of November 9, 2019 and inaugurated on March 12, 2020.
2	Supply, Delivery, Construction, Installation, Testing and Commissioning of 5 MVA San Miguel Substation	J310A01	<ul style="list-style-type: none"> ▪ Project accomplishment, 98.95% ▪ Works were suspended effective October 26, 2020 due to force majeure (Typhoons Quinta and Rolly) ▪ The Contractor will conduct final assessment with NPC representatives (SPUG/PIC A) by 3rd week of January 2021 based on the initial assessment of NPC representatives on November 26, 2020, to facilitate the repair works of the damaged structures. ▪ Target project completion by March 31, 2021.

Item No.	Project Title	Work Order No.	Status / Accomplishment
3	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"> ▪ Project accomplishment, 77.67% ▪ Civil and electrical works on-going. ▪ 46 out of 47 substation equipment already installed. For testing of new substation equipment and protection panels including bus works. ▪ Target project completion by March 31, 2021.
4	Rehabilitation and Transfer of Existing 10 MVA Power Transformer at Boac Substation including Supply, Delivery, Construction, Installation, Test & Commissioning of New 10 MVA Mogpog Substation	I324A03	<ul style="list-style-type: none"> ▪ Project accomplishment, 51.07% ▪ Under work suspension effective October 15, 2020 due to various problems encountered during the global outbreak of COVID-19 and erratic weather condition which resulted in delays in the project implementation. ▪ Conduct of weekly meetings with the Contractor discussing the strategic approach to perform the pending activities upon resumption of works and availability of logistics. ▪ Target project completion by June 30, 2021.
5	Transfer, Installation, Test and Commissioning of 40 MVA Power Transformer from Irawan to Narra Substation	E600A40	<ul style="list-style-type: none"> ▪ Project accomplishment, 47.81% ▪ Under work suspension effective September 10, 2020 due to LGU-Palawan restrictions. ▪ Advised the Contractor to resume with the activities considering the GCQ status in the area. ▪ For issuance of Resumption of Works. ▪ Target project completion by March 31, 2021.

CAPACITY ADDITION PROJECTS AND ASSOCIATED FACILITIES

1	Supply, Delivery, Installation, Test and Commissioning of 10 x 600 kW Modular Gensets for various SPUG Areas	K606A01	<ul style="list-style-type: none"> ▪ Project accomplishment, 80.53% ▪ Due to non-resolution of pending issues, the implementation of remaining activities was held in abeyance by NPC. ▪ Under arbitration case.
2	Supply, Delivery, Installation, Test and Commissioning of 300 kW Gensets and below for various SPUG Areas	I601A01	<ul style="list-style-type: none"> ▪ NPC's take-over of the Contract was effective November 22, 2016. ▪ Payment of billings/claim on hold until all pending issues are resolved.
3	Construction of Power Facilities of 2 x 200 kW Gensets for Languyan DPP	E610A06	<ul style="list-style-type: none"> ▪ Completed as of February 5, 2020.
4	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"> ▪ Completed as of September 4, 2020. ▪ Energized and commercially operated on October 24, 2018.
5	Construction of Power Facilities including Supply, Delivery, Erection / Installation, Test & Commissioning of 2 x 50 kW Modular Generating Sets, Associated 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"> ▪ Completed as of September 25, 2020. ▪ Commercially operated on February 13, 2020.

Item No.	Project Title	Work Order No.	Status / Accomplishment
6	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"> ▪ Completed and commercially operated on October 5, 2020.
7	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 completed as of October 29, 2020. ▪ Inaugurated on October 29, 2020.
8	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 four (4) Barangays at Naro Island, Masbate	E610A13	<ul style="list-style-type: none"> ▪ Project accomplishment, 96.43% ▪ For test and commissioning by January 07, 2021. ▪ Conducted Joint Final Inspection last November 25-26, 2020. ▪ Instructed the Contractor to provide competent technician who will lead the testing and commissioning of the gensets. ▪ Target project completion on February 28, 2021.
9	Construction of Power Facilities including Supply, Delivery, Erection, Installation, Test and Commissioning of 90 kW Modular Generating Sets Including BOP for Electrification of five (5) Barangays at Tagubanhon Island	E610A10	<ul style="list-style-type: none"> ▪ Project accomplishment, 96.12% ▪ Commissioned (0.09 MW) as of December 5, 2020. ▪ Conducted Site Acceptance Test (SAT) on November 1-2, 2020. ▪ Target project completion is on January 31, 2021.
10	Construction of Power Facilities including Supply, Delivery, Erection, Test and Commissioning of BOP for New Areas Electrification in Samar Province in Three (3) Schedules (Nine Areas)	E610A09	<ul style="list-style-type: none"> ▪ Overall accomplishment: 95.90% ▪ Total of nine (9) units (0.35 MW) already tested/commissioned as of November 2, 2020. <ul style="list-style-type: none"> 1. 1x20kW Cagusu-an DPP 2. 1x70kW Casuguran DPP 3. 1x50kW Sulu-an DPP 4. 1x20kW Habag DPP 5. 1x20kW Inapulangan DPP 6. 1x50kW Hilabaan DPP 7. 1x20kW Tikling DPP 8. 1x50kW Sta. Monica DPP 9. 1x50kW Tarnate DPP ▪ Target completion of remaining punch lists is on January 31, 2021.
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, 95.34% ▪ Commercial Operation (5 MW). <ul style="list-style-type: none"> April 17, 2020 (3 Units) August 1, 2020 (2 Units) ▪ Target completion of remaining correction works is on March 31, 2021.

Item No.	Project Title	Work Order No.	Status / Accomplishment
12	Construction of Power Facilities including 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, 95.29% ▪ Total of nine (9) units (2.5 MW) installed/commissioned in 2019. ▪ Total of thirty-two (32) units (8.9 MW) commissioned as of December 31, 2020. ▪ Total of six (6) units (1.60 MW) for commissioning by February 28, 2021. ▪ Pending mobilization of manpower at San Pascual DPP to complete remaining works due to travel restrictions. ▪ Target project completion is on February 28, 2021.
13	Construction of Power Facilities including Supply, 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	E610A11	<ul style="list-style-type: none"> ▪ Project accomplishment, 75.89% <ul style="list-style-type: none"> >Tictabon: 86.49% > Manalipa: 83.12% > Tumaloptap: 83.12% > Pangapuyan: 83.72% > Great Sta. Cruz: 31.50% (Works suspended effective October 18, 2018 due to unavailability of required SAPA from DENR). ▪ The required Special Agreement on Protected Areas (SAPA) for Great Sta. Cruz was already issued by DENR on November 10, 2020. Compliance of additional DENR requirements i.e. SAPA Fee, EMD Rehabilitation Plan and posting of Performance Bond on-going. ▪ No activities for the four (4) project sites due to unavailability of manpower and construction materials at site. ▪ Target completion of projects at four (4) sites by 1st Quarter of 2021. ▪ Target project completion for Great Sta. Cruz by 2nd Quarter 2021.
14	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, 55.82% ▪ Under work suspension effective November 12, 2020 due to prevailing rough seas in the entire West Philippine Sea affecting the transport of construction materials, manpower and equipment. ▪ Conducted inventory of remaining materials needed at site ▪ Advised the Contractor to deliver all the remaining materials at Mainland Palawan in preparation for the favorable weather condition so that all materials needed to complete the project can be easily transported. ▪ Continuous monitoring/coordination with PAGASA and coastguard regarding the weather/travel condition in the area. ▪ Target project completion is on March 31, 2021.
15	Supply, Delivery 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"> ▪ Project accomplishment, 18.69% ▪ Delay/Negative Slippage (22.77%) is due to non-mobilization at the five (5) project sites namely: Sibutu, Tandubas, Tandubanak, Manuk-Mangkaw and Sacol DPPs. ▪ Ongoing civil works at Hikdop, Limasawa, Talicud, Ninoy Aquino, Balut, Balimbing and Palimbang DPPs. ▪ Coordination Meeting was conducted on

Item No.	Project Title	Work Order No.	Status / Accomplishment
			December 29, 2020 and discussed the required documents for submission until EO January 2021. <ul style="list-style-type: none"> Target project completion is on September 30, 2021.
16	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, 94.44% Turned over to SPUG: 17/37 sites. T & C completed and for turn over to SPUG: 5 sites (Corcuera, Hikdop, Talicud, Balut & Palimbang DPPs). For re-test of transformer and correction of punch lists: 2 sites (Rapu-Rapu & Batan DPPs). Remaining sites for Test and Commissioning: 13 sites. Target project completion is on March 31, 2021.
17	Supply, Delivery, Installation, Test and Commissioning Works of eleven (11) units Modular Gensets for Luzon SPUG Areas under Schedule IV-A	I810A02	<ul style="list-style-type: none"> Project accomplishment, 37.20% On-going submission of plans, brochures and drawings for approval. Concrete foundation of gensets, transformers and 1000L day tank for all sites completed. New cable trench including fabrication and installation of steel plate cover for Lubang and Tingloy DPPs completed. Same activities for Romblon, Corcuera and Banton DPPs still on-going. Target project completion is on September 30, 2021.
18	Supply, Delivery, Installation, Test and Commissioning of six (6) units of 50kW Modular Gensets, Associated Electrical Equipment and Balance of Plant for Lanawan (Saluping) and Tapiantana DPP under the Electrification of New Areas in Basilan (Package 10A)	E610A30	<ul style="list-style-type: none"> Project accomplishment, 26.65% Conducted virtual Factory Acceptance Test (FAT) witnessed and participated by concerned NPC personnel on December 2-30, 2020. Civil works/site development is on-going. Target project completion is on June 30, 2021.
19	Supply, Delivery, Installation, Test and Commissioning of four (4) units of Modular Gensets and Associated Electrical Equipment for Luzon SPUG Areas under Schedule IV-C	I810A03	<ul style="list-style-type: none"> Project accomplishment, 6.51% Mobilization at site on November 27, 2020. On-going submission of drawings for NPC approval. On-going civil works at Casiguran DPP. Show Cause Order was issued on December 18, 2020.
20	Supply, Delivery, Installation, Test and Commissioning of nineteen (19) units of Modular Diesel Generating Sets and Associated Electrical Equipment for SPUG Bohol Areas under Schedule II-B	E810A39	<ul style="list-style-type: none"> Project accomplishment, 1.00% Civil works on-going. The construction activities were temporarily suspended/stopped to ensure safety of OPD personnel and the contractor due to threats from the locals in the area. Based on the complaints of the residents, the location of the units to be supplied will affect their dwelling place and space for motorized pump boats. Target project completion is on September 30, 2021.
21	Supply, Delivery, Installation, Test and Commissioning of 3 x 1500 kW for Kalamansig DPP, Sultan Kudarat	E610A20	<ul style="list-style-type: none"> Project accomplishment, 0.24% Coordination meeting was conducted last December 29, 2020 and discussed issues regarding late submission of drawings, equipment brochures, manufacturing of gensets, among others.

Item No.	Project Title	Work Order No.	Status / Accomplishment
			<ul style="list-style-type: none"> ▪ The Contractor committed to submit all required drawings until EO January 2021. ▪ Target project completion is on September 30, 2021.
22	Supply, Delivery, Installation, Test and Commissioning of ten (10) units of Modular Diesel Generating Sets and Associated Electrical Equipment for Bicol SPUG Areas under Schedule IV-B	E810A38	<ul style="list-style-type: none"> ▪ Site inspection for all seven (7) sites already conducted from October 26, 2020 to November 10, 2020. ▪ On-going submission of drawings for approval and testing of aggregates and rebars.
23	2 x 1 500kW Containerized Gensets for Torrijos DPP (Package 1)	I810A01	<ul style="list-style-type: none"> ▪ On-going submission of plans, brochures and drawings for approval. ▪ Target project completion is on December 31, 2021.
24	2 x 1500 kW (3.0 MW) Containerized Gensets for Dinagat DPP, Dinagat and 2 x 600 kW Containerized Gensets for West Simunul DPP, Tawi-Tawi	E610A27	<ul style="list-style-type: none"> ▪ NTP issued on December 1, 2020 and confirmed on December 18, 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 (3) Schedules (Schedule 1)	E610A23	<ul style="list-style-type: none"> ▪ Under work suspension effective March 17, 2020 due to the implementation of ECQ. ▪ Manamoc DPP (2 x100 kW) is under QTP and will be transferred to Calandagan DPP. ▪ Submitted cost proposal/scope of work for the transfer of 2 x100 kW diesel gensets to Calandagan DPP in preparation for the Amendment to Order. ▪ Target project completion is on September 30, 2021.
26	Supply & Installation, Test & Commissioning of Modular D/G including BOP for Electrification of New Areas in two (2) Schedules Schedule 2: 4 Units – New Sites: Quezon and Camarines Sur (Previously in Occidental Mindoro)	E810A31	<ul style="list-style-type: none"> ▪ Under work suspension effective August 4, 2020. ▪ Transfer of the following electrification projects in Occidental Mindoro to the following sites was already approved: <ul style="list-style-type: none"> 1. 2 x 50 kW Talaotao DPP (New Site: Calutcot, Burdeos, Quezon) 2. 1 x 30 kW and 1 x 50kW Bulacan DPP (New Site: Butawan, Siruma, Camarines Sur) ▪ Coordination meetings were conducted relative to the transfer to new site. ▪ Target project completion is on December 31, 2021.
RENEWABLE PROJECTS			
1	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% ▪ Commercially operated and energized as of February 7, 2020. ▪ Conduct of overall Test & Commissioning including the three (3) remaining JFI punch list items i.e. Spare Parts for Solar PV-System, Training of NPC personnel and submission of O & M Manual will be on January 15, 2021. ▪ Delivery of transition genset (60kW genset) at site is scheduled on February 15, 2021.

Item No.	Project Title	Work Order No.	Status / Accomplishment
FUEL STORAGE TANKS PROJECTS			
PLANT/FACILITIES BETTERMENT PROJECTS			
1	Rehabilitation of Office / Administration Building at Pulang Lupa DPP	L991I01	<ul style="list-style-type: none"> Completed as of January 15, 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 2, Schedule 1	E610A05	<ul style="list-style-type: none"> Completed as of October 5, 2020. All sites already turned over to SPUG as of October 26, 2020.
3	Rehabilitation of Administration Building Roofing at Bataan Nuclear Power Plant	A900A09	<ul style="list-style-type: none"> Project completed as of October 14, 2020.
4	Construction of Stockroom, Motorpool and Central Maintenance Area in Daraga, Albay for Bicol Operation Division	E600A02	<ul style="list-style-type: none"> Completed as of October 16, 2020.
5	Construction of SPUG CMOD Office and Facilities	J990A01	<ul style="list-style-type: none"> Completed as of December 19, 2020.
6	Construction of SPUG MQNLOD Satellite Building located at Regional Government Center (RGC), Carig Sur, Tuguegarao City, Cagayan	E600A25	<ul style="list-style-type: none"> Completed as of June 30, 2020.
7	Sacol DPP Renovation & Facilities Improvement	E781A12	<ul style="list-style-type: none"> Project accomplishment, 98.74% Project inaugurated on December 19, 2020. Ongoing rectification of punch list items. Target completion of correction works is on February 28, 2021.
8	Rehabilitation of Caliraya Flood Forecasting & Warning System for Dam Operations (FFWSDO) Project	A100A07	<ul style="list-style-type: none"> Project accomplishment, 6.36% Conducted joint final inspection, test and commissioning on October 20-23, 2020. Twenty-three (23) punch list items were identified. Target project completion is on March 31, 2021.
9	Construction of Power Facilities for the Transfer of Sabtang Diesel Power Plant	L990A01	<ul style="list-style-type: none"> Project accomplishment, 96.04% Energized on October 18, 2020. Partial turn-over of facilities, i.e. guardhouse, office & guesthouse, warehouse, switchyard, powerhouse, and stockyard. Target project completion is on March 31, 2021.
10	Tandubanak DPP Renovation & Facilities Improvement	E781A36	<ul style="list-style-type: none"> Project accomplishment, 96.22% Ongoing rectification of punch list items. Target completion is on March 31, 2021.
11	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"> Project completion, 95.52% Civil works on-going. Show Cause Order issued on October 8, 2020. Target project completion on March 31, 2021.
12	Construction of New Rizal DPP, Punta Baja, Rizal, Palawan	E600M11	<ul style="list-style-type: none"> Project accomplishment, 90.48% Delay/Negative Slippage (9.52%) is due to delayed procurement and delivery of remaining materials for electro-mechanical works.

Item No.	Project Title	Work Order No.	Status / Accomplishment
			<ul style="list-style-type: none"> ▪ Advised the Contractor of the remaining works and undelivered materials through a letter on December 28, 2020. ▪ Target completion of the remaining works is on March 31, 2021.
13	Construction of Dormitory at NPC Minuyan Complex	L991A02	<ul style="list-style-type: none"> ▪ Project accomplishment, 55.42% ▪ Architectural and civil works on-going. ▪ Target project completion is on April 13, 2021.
14	Construction of Staff House, Containment Wall for 50 m ³ Fuel Oil Storage Tank, Foundation for 2x20 m ³ Storage Tank, and Construction, Installation, & Test of 2x60 m ³ Fuel Oil Storage Tank including Associated Facilities for various Palawan Diesel Power Plants in three (3) packages	E600A13 E600A15 E600A16 E6PX151	<ul style="list-style-type: none"> ▪ On-going civil works at Cagayancillo DPP. ▪ Project was turned-over to PICA by SPUG on September 2, 2020 and conducted kick-off meeting last September 11, 2020. ▪ Target project completion is on July 9, 2021.
15	Construction, Supply, Delivery, Installation, Test and Commissioning of various Utilities at NPC Minuyan Complex (NPC Minuyan Facilities)	L991A03	<ul style="list-style-type: none"> ▪ Project accomplishment, 20.53% ▪ Remaining civil works (floor slabs) for electrical room of Substations 1 & 2. ▪ Advised the Contractor to expedite the submission of brochures, MSC and other documents for NPC approval. ▪ Target project completion is on May 25, 2021.
16	Rehabilitation of Bataan Nuclear Power Plant (BNPP) Local Warehousing Roofing	A900A08	<ul style="list-style-type: none"> ▪ Project accomplishment, 93.33% ▪ Architectural works, i.e. installation of sidings/roofing, flashings, gutter and downspout; steel painting and roofing insulation completed. ▪ Request for Variation Order No.1 corresponding to additional 5.77% of the Contract Amount is being evaluated by PIC B. Unit cost proposal under review/validation of DDD. ▪ Target project completion is on March 31, 2021.
17	Rehabilitation/Improvement of Mooring Facility at Bo. Obrero, Iloilo City	I850I01	<ul style="list-style-type: none"> ▪ Project accomplishment, 29.49% ▪ Notice to Proceed confirmed on September 25, 2020. ▪ Pile driving equipment could not mobilize due to installed vertical clearance near the existing take-off structure for PB 101 & 102. Thus, problem on the construction of the catwalk dolphin located near the T/L. ▪ Coordination with AC Energy Management and NGCP through a letter by F. Gurrea Const., Inc. for the request to shut-down the 69 kV Line has not been responded. ▪ To re-route the catwalk to ease construction and to avoid the common use of AC Energy Management's catwalk and operational issues in the future. ▪ Target project completion is on January 28, 2021.
18	Construction of SPUG Visayas Operations Department Office and Warehouse	E990A02	<ul style="list-style-type: none"> ▪ Project accomplishment, 35.00% ▪ Civil works on-going. ▪ Building Permit on process. ▪ Target project completion is on April 21, 2021.

Item No.	Project Title	Work Order No.	Status / Accomplishment
19	Stop Log at Spillway Gate for AGUS 4 HEP Plant	B125J79	<ul style="list-style-type: none"> ▪ Project accomplishment, 33.68% ▪ Delay/Negative slippage (57.45%) is due to late procurement of civil and electro-mechanical materials and equipment. ▪ On-going submission of drawings for NPC approval. ▪ Civil works ongoing. ▪ Target project completion is on June 30, 2021.
20	Construction of Slope Protection at AGUS 6/7 HEPC (Phase-1 Drainage System)	B147Z83	<ul style="list-style-type: none"> ▪ Project accomplishment, 42.76% ▪ Delay/Negative slippage (42.95%) is due to insufficient manpower and construction materials. ▪ Civil works at powerhouse area and perimeter fence on-going. ▪ Target project completion is on June 30, 2021.
21	Renovation of Powerhouse and Facilities Improvement for Sibutu DPP	E785I23	<ul style="list-style-type: none"> ▪ Project accomplishment, 5.93% ▪ Civil works on-going. ▪ Construction schedule and brochures for review and approval of NPC. ▪ Target project completion is on September 30, 2021.
22	Supply, Delivery, Installation, and Test of 2 x 60cu.m. Fuel Oil Storage Tanks for Mapun DPP including Construction of Associated Facilities	E785A07	<ul style="list-style-type: none"> ▪ Project accomplishment, 35.86% ▪ On-going civil and mechanical works and procurement of construction materials. ▪ Advised the Contractor to expedite delivery of construction materials and submission of all required documents for NPC approval. ▪ Target project completion is on September 30, 2021.
23	Expansion and Repair of Powerhouse and Transfer of Switchyard of Itbayat DPP	E610I01	<ul style="list-style-type: none"> ▪ Work suspended effective July 16, 2020 due to imposed lockdowns, community quarantine and travel restrictions caused by COVID-19. ▪ On-going submission of plans/drawings for approval.
PRE-CONSTRUCTION ACTIVITIES			
1	Investigation (Route) Parcellary Survey for Taytay-El Nido 69kV T/L	J307P01	<ul style="list-style-type: none"> ▪ Project completed as of November 11, 2020.

31.6 Watershed Management Department

a. Watershed Rehabilitation

- Produced a total of 303,459 indigenous seedlings of various species (both forest trees and fruit bearing).
- Maintained and protected 2,322 hectares as part of the three-year maintenance and protection program of previously established plantations (Reforestation, Agroforestry and Non-Timber Forest).

b. Watershed Protection

- Sustained forest protection activities through the completion of 708 patrol operations (mobile/foot patrols and checkpoint operations) in intermittent schedule including weekends and holidays in partnership with local

police/military personnel, LGUs, NGOs, POs and other watershed stakeholders within the 140,887 hectares' strict protection zone. Forest protection operations resulted in the confiscation of an equivalent 7,065 bd. ft. of lumber/timber, six units of conveyances, 10 units of chainsaws and 96 sacks of wood charcoal.

- The authority of NPC encompasses regulation including the granting /issuances of permits for related and allowable land-use activities inside NPC-managed reservations (i.e. special tree cutting, wood recovery, land-use, etc.). At least two permits, three clearances, nine Notice of Violations (NOV) and eight Cease and Desist Orders (CDOs) were issued in CY 2020.

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. Among the IEC activities undertaken in CY 2020 include the conduct of 13 school lectures/film showing and production/distribution of 1,000 print materials.
- Communities and stakeholders were also mobilized during the different environment-related celebrations such as Earth Day and Arbor Day with a total of 12 activities conducted.
- Provisions of alternative livelihood opportunities to community forms part of the community development and extension activities of NPC for CY 2020. At least 123 swine gilts were dispersed to qualified beneficiaries/indigents within the watersheds selected farmers-cooperators. Likewise, only one livelihood project and training were initiated by WMD for CY 2020 due to the ongoing COVID-19 pandemic.

32. CONTINGENCIES

The status of pending cases filed by or against the Corporation as of December 31, 2020 is summarized below for 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 ⁷	30	7	114,765,881.30	18	16	9,082,850,030.25	9,197,615,911.55
Land Registration	4	0	0	263	0	0	0
ERC	90	0	0	44	3	685,195,528.20 ⁸	685,195,528.20
Tax	1	0	0	3	30	11,266,735,682.82	11,266,735,682.82
Other Civil Cases	6	1	4,000,000.00	61	10	6,919,792.85	10,919,792.85
Ejectment ⁹	10	3	3,683,780.00	38	65	5,191,657,954.02	5,195,341,734.02

⁷ Plant-related

⁸ Or \$12,808,269.75

⁹ Or Recovery of Possession and Damages

Just Compensation	5	1	4,738,800.00	39	1	5,838,385.65	10,577,185.65
Administrative	4	0	0	3	0	0	0
Labor	0	0	0	16	2	721,606,114.21	721,606,114.21
Criminal	0	0	0	3	0	0	0
Total	150	12	127,188,461.30	488	127	26,960,803,488.00	27,087,991,949.30

Of this list, there are eight 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 No. 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 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, 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	- Karl Kendrick T. Chua Secretary, National Economic and 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	- Bayani H. Agabin Danielle Marie S. Rieza-Culangen
Department of Energy	- Emmanuel P. Juaneza
Department of Agriculture	- Ariel T. Cayanan Bernadette F. San Juan
Department of Budget and Management	- Ryan S. Lita Carmencita P. Mahinay
National Economic and Development Authority	- Roderick M. Planta
Department of Trade and Industry	- Ceferino S. Rodolfo, PhD Maria Veronica F. Magsino Ma. Corazon Halili-Dichosa
Department of Interior and Local Government	- Epimaco V. Densing III
Department of Environment & Natural Resources	- Analiza Rebuelta-Teh 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	- Nerio G. Somo Sierra
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	2020	2019
Salaries and Wages	13,405,859	11,883,412
Other Compensation	6,324,627	6,144,789
Total	19,730,486	18,028,201

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

In compliance with the requirements set forth by the BIR Revenue Regulations (RR) No. 15-2010, the following are the information on taxes, duties, licenses and fees paid or accrued during the taxable year 2020:

34.1 VATable Revenues and Output tax

Particulars	Net Sales/Receipts	Output VAT
VATable Sales	1,685,347,420	202,241,690
Sales to Government	1,047,620,008	125,714,401
Zero-rated Sales	92,447	0
Total	2,733,059,875	327,956,091

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

- 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.
- Sales to Government** – these are sales of electricity to government entities who subject their payment to NPC to five per cent withholding final VAT.
- Zero-rated Sales** – the sale of electricity using renewable energy is zero per cent VAT.

34.2 Purchases and Input Taxes

Particulars	Input VAT
Balance at January 1, 2020	7,967,253,078
Add: Input tax on depreciation deferred from previous period	456,490,253
Total balance at January 1, 2020	8,423,743,331
Add: Current year's domestic purchases/payments for:	
Purchase of capital goods exceeding P1 million	234,140,960
Domestic goods	475,194,359
Services	981,117,183
Subtotal	1,690,452,502
Total Input Tax	10,114,195,833
Less: Deferred Depreciation	552,142,022
Total Allowable Input Tax for CY 2020	9,562,053,811

34.3 Withholding Taxes

Particulars	Amount
VAT and Other Percentage Taxes	715,230,537
Expanded Withholding Taxes	233,503,974
Withholding Taxes on Compensation and Benefits	119,613,922
Total	1,068,348,433