

フィリピン共和国

「国家電力部門資産・負債管理公社 ALM マスタープラン調査」事前調査（S/W 協議）

報告書

資料 1-1

詳細調査日程



Schedule of Preparation Study

Master Plan for the Management of National Power Corporation's Financial Obligations and Universal Charge Funds

Date	Time	Venue	Activities	Remarks	
6/29	Sun	13:05	Mr. Oshikiri, Mr. Morihara and 2 consultants arrival (JL741, 13:05 arrival)		
6/30	Mon	11:00-12:00	JBIC	Meeting with JBIC	
		16:00-17:00	JICA	Meeting at JICA Office	Confirmed (Mr. Maehara, Mr. Inoue)
7/1	Tue	10:30-15:30	PSALM	Discussion with PSALM	Confirmed (Mr. Raul Ganaden, Corporate Planning Department & Ms. Rica Amador and Co., Capital Markets & Risk Management)
		16:00-17:00	Tokyo-Mitsubishi UFJ Bank	Tokyo-Mitsubishi UFJ Bank	Mr. Mizutani, Mr. Kadoraga, Mr. James
7/2	Wed	14:00-17:00	PSALM	Discussion with PSALM	Confirmed (Tariff Division in charge of UC Funds, 4F/Conf Room)
7/3	Thu	10:30-17:00	PSALM	Discussion with PSALM	Confirmed (Ms. Rica Amador and Co., Capital Markets & Risk Management Dept.)
7/4	Fri	14:00-15:00	PSALM	Signing of M/M	Confirmed (Singer, VP Alzona)
		16:00-17:00	EOJ	Report to Embassy	Confirmed (Mr. Noda)
		18:00-19:00	JICA	Reprot to JICA Office	Confirmed (Mr. Matsuda, Mr. Iwakami, Mr. Maehara, Mr. Inoue)
		AM		Mr. Oshikiri and Mr. Morihara leave for Tokyo	
7/5	Sat	-	-	-	-
7/6	Sun	-	-	-	-
7/7	Mon	9:00-10:00		Interview with DOF	Confirmed (Mr. Jeremias N. Paul, Jr., Usec, Corporate Affairs Group, Ms. Joan Castillo, Mr. Raine Montesa) C/O Ms. Joan 523-7172
		15:00-16:00		Interview with NPC	Confirmed (Mr. Alexander P. Japon, Senior Department Manager) C/O Ms. Janet 921-3071
7/8	Tue	9:00-10:00	DOE	Interview with DOE	Confirmed (Ms. Mylene Capongcol, Director, Electric Power Management Bureau or Mr. Ed Fernandez, OIC, Power Markets Division)C/O Ruth Perez 840-1773
7/9	Wed	10:00-11:00	BSP	Interview with BSP	Ms. Cynthia Cabab, Deputy Director, Int'l Dept. C/O Mr. Evangelista Eduardo 523-5409
7/10	Thu	10:00-11:00	SCS	Interview with SCS Global Business Solutions Inc.	Confirmed (Mr. Tatsuya Koide), 14th Floor, 6788 Ayala Ave. Oledan Square, Tel:+63-2-886-4438
		15:00-16:00	SGV & Co. (Ernst & Young)	Interview with SGV	Confirmed (Ms. Yoko Tsuge), 6760 Ayala Ave., 894-8344/8260
7/11	Fri	10:00-11:00	ADB	Meeting with ADB	Confirmed (Mr. Yongping Zhai, Principal Energy Specialist, Infrastructure Division, Southasia Dept, ADB), C/O Mr. Irene A. Dionisio, 632-6476
		14:00-15:00	WB	Meeting with WB	Confirmed (Mr. Victor Dato, Infrastructure Specialist)
		16:00	DOE	Discussion with DOE	
7/12	Sat			The consultants leave the Philippines	

DOF: 5/F, Corporate Affairs Group, Department of Finance Building, Roxas Blvd., Manila

NPC: Cor. Quezon Ave. & Agham Road, Diliman, Quezon City

BSP: A. Mabini Cor. P. Ocampo Streets, Malate, Manila

WB: 23/F, The Taipan Place F. Ortigas Jr. Rd., Ortigas Center, Pasig City

ADB: (Conference Room: 6501N) 6 ADB Avenue, Mandaluyong City



フィリピン共和国

「国家電力部門資産・負債管理公社 ALM マスタープラン調査」事前調査 (S/W 協議)

報告書

資料 2-1

署名済みミニッツ (2008 年 7 月 4 日付け)



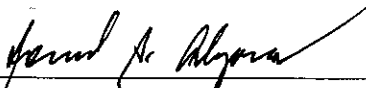
**MINUTES OF MEETINGS  
ON  
IMPLEMENTING ARRANGEMENT  
FOR  
THE DEVELOPMENT STUDY  
“MASTER PLAN FOR THE ASSETS AND LIABILITIES MANAGEMENT OF  
PSALM AND THE ADMINISTRATION OF UNIVERSAL CHARGE FUNDS”**

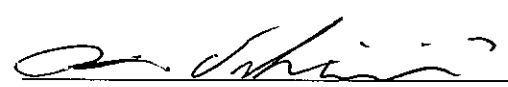
**AGREED UPON BETWEEN  
POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION  
AND  
JAPAN INTERNATIONAL COOPERATION AGENCY**

In response to the request of the Government of the Republic of the Philippines (hereinafter referred to as “the Government of the Philippines”), Japan International Cooperation Agency (hereinafter referred to as “JICA”) sent the Preparatory Study Team headed by Mr. Koji OSHIKIRI (hereinafter referred to as “the Team”) to the Republic of the Philippines from June 30<sup>th</sup> to July 4<sup>th</sup> in order to discuss the Implementing Arrangement (hereinafter referred to as “I/A”) for the Development Study “Master Plan for the Assets and Liabilities Management of PSALM and the Administration of Universal Charge Funds” (hereinafter referred to as “the Study”).

As a result of a series of discussions, Power Sector Assets and Liabilities Management Corporation (hereinafter referred to as “PSALM”) of the Republic of the Philippines and JICA agreed to and confirmed the following matters for a better understanding of the draft I/A (attached as Annex I) as well as for the smooth implementation of the Study.

Manila, July 4<sup>th</sup>, 2008

  
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Ms. Lourdes S. Alzona  
Vice President of Finance  
Power Sector Assets and Liabilities  
Management Corporation  
The Republic of the Philippines

  
\_\_\_\_\_  
Mr. Koji Oshikiri  
Leader  
Preparatory Study Team  
Japan International Cooperation Agency

1. Title of the Study

The Study is entitled "Master Plan for the Assets and Liabilities Management of PSALM and the Administration of Universal Charge Funds"

2. Contents of I/A

PSALM and the Team in principle agreed to the contents of the draft I/A as attached herewith. However, the objectives and the scope of the study stipulated in the draft I/A are subject to change depending on the result of a tender to be held in Japan after the signing of I/A.

3. Counterpart

Departments in PSALM that will act as technical and administrative counterparts for a JICA study team and their respective responsibility are as listed in Annex II. These departments will be involved in the implementation of the Study and work closely with the JICA study team..

4. Steering Committee

- (1) A Steering Committee (hereinafter referred to as "SC") will be established by PSALM by the commencement of the Study. The SC is expected to be responsible for monitoring the progress and overall direction of the Study as well as for advising on the contents of reports that will be submitted by the JICA study team.
- (2) PSALM will submit to JICA Philippine Office an indicative composition of the SC by the end of July 2008.
- (3) Detailed terms of reference of the SC and the composition mentioned in (2) above will be finalized by PSALM in consultation with JICA by the commencement of the Study.

5. Counterpart Training

PSALM will submit an official request for a counterpart training in Japan as soon as possible in accordance with the procedures agreed and set by the Government of Japan and the Government of the Republic of the Philippines regarding JICA's technical cooperation program.

6. Issues with regard to component 1 (Assets and Liabilities Management master plan)

- (1) Access to financial information of PSALM/NPC/TRANSCO by the JICA study team:  
PSALM shall ensure that, subject to a Confidentiality Agreement between the JICA study team and PSALM, the JICA study team will have access to financial information of PSALM, and shall exert its best efforts that, subject to a Confidentiality Agreement between the JICA study team and PSALM, the JICA study team will have access to financial information of National Power Corporation (hereinafter referred to as "NPC") and National Transmission Corporation (hereinafter referred to as "TRANSCO")



necessary for the achievement of the objective of the Study. The provision of sufficient and reliable financial information by PSALM/NPC/TRANSCO is a key to the success of the Study since it significantly affects the quality of the consolidated financial statements of the three entities, which shall be the basis for the sound analysis in all the subsequent steps of the Study.

(2) Usage of Financial Information of PSALM/NPC/TRANSCO

Component 1 focuses on the review and preparation of financial information reporting for internal control, management and decision making in PSALM.

(3) Coordination with the study commissioned by PSALM

Maximum efforts will be made by both PSALM and JICA to effectively coordinate with other studies conducted by PSALM (including "Consultancy Service for the Formulation of PSALM's Liability Management Program to Manage NPC's Financial Obligations") not only to avoid duplication but also to achieve a multiplier effect.

(4) Works related to the facilitation of transfer of assets from NPC to PSALM

The Study will not cover the works concerning the facilitation of transfer of assets from NPC to PSALM and the separation of books. However, a training will be provided during the implementation of the Study in the Republic of the Philippines in the field of international accounting standards for PSALM personnel and of other authorities concerned.

(5) Expenses for the workshop

PSALM will bear part of the expenses necessary for the workshop to be held at the final stage of the Study. The expenses to be shouldered by PSALM include domestic transportation fees and allowances for participants of the workshop.

(6) Sub-contract

Some of the works involved in component 1 may be sub-contracted out to a local individual/company(ies) in the Republic of the Philippines. JICA will ensure that such individual/company(ies) will conclude a Confidentiality Agreement with PSALM before the commencement of the sub-contracted work.

7. Issues with regard to component 2 (Universal Charge funds administration)

(1) Information on Universal Charge

PSALM will ensure that the information related to Universal Charge (hereinafter referred to as "UC") will be provided to the JICA study team in a timely manner. Such information is imperative for the JICA study team to correctly capture the overall picture of the UC fund management system and the current status thereof.

(2) Support for a sample survey on distribution utilities

PSALM will provide the JICA study team with its full support in arranging a sample survey on distribution utilities to be conducted by the JICA study team. PSALM will also

bear necessary expenses to have its staff accompany the JICA study team in the sample survey.

(3) Number of distribution utilities to be visited in the sample survey

Approximately 20 – 25 distribution utilities will be visited in the sample survey.

(4) Works related to improve the administration of UC funds

The Study will not cover the computer model design for the billing, collection, disbursement and monitoring of UC funds. However, training will be provided during the implementation of the Study in the Republic of the Philippines in the techniques of financial analysis and audit relating to the improvement of UC administration for PSALM personnel.

(5) Expenses for the workshop

PSALM will bear part of the expenses necessary for the workshop to be held at the final stage of the Study. The expenses to be shouldered by PSALM include domestic transportation fees and allowances for participants of the workshop.

(6) Sub-contract

Some of the works involved in component 2 may be sub-contracted out to a local individual/company(ies) in the Republic of the Philippines. JICA will ensure that such individual/company(ies) will conclude a Confidentiality Agreement with PSALM before the commencement of the sub-contracted work.

8. Information Disclosure

The reports that will be produced by the JICA study team may contain confidential information for PSALM/NPC/TRANSCO. Although JICA's policy on information disclosure requires that in principle all reports produced by the JICA Development Study be made open to public, the extent to which the contents of the reports may be disclosed will be determined by the consultation among concerned parties, i.e. PSALM/NPC/TRANSCO, JICA study team and JICA.

9. List of Attendants

A list of attendants in a series of meetings on the aforementioned matters is provided in Annex III.

[Attachment]

Annex I Draft Implementing Arrangement (I/A)

Annex II Counterpart Departments of PSALM

Annex III List of Attendants

**ANNEX I**

IMPLEMENTING ARRANGEMENT  
FOR  
THE DEVELOPMENT STUDY  
“MASTER PLAN FOR THE ASSETS AND LIABILITIES MANAGEMENT OF PSALM  
AND THE ADMINISTRATION OF UNIVERSAL CHARGE FUNDS”  
IN  
THE REPUBLIC OF THE PHILIPPINES  
AGREED UPON BETWEEN  
POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION  
AND  
JAPAN INTERNATIONAL COOPERATION AGENCY

Manila, (Month/Date/2008)

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Hon. Jose C. IBAZETA  
President & Chief Executive Officer  
Power Sector Assets and Liabilities  
Management Corporation  
The Republic of the Philippines

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Mr. Norio MATSUDA  
Resident Representative  
Japan International Cooperation Agency  
(JICA) Philippine Office

## **I. INTRODUCTION**

In response to the official request of the Government of Republic of the Philippines (hereinafter referred to as "the Government of the Philippines"), the Government of Japan decided to conduct the Development Study entitled "Master Plan for the Assets and Liabilities Management of PSALM and the Administration of Universal Charge Funds" (hereinafter referred to as "the Study") in accordance with the relevant laws and regulations in force in Japan.

Accordingly, Japan International Cooperation Agency (hereinafter referred to as "JICA"), the official agency responsible for the implementation of the technical cooperation programs of the Government of Japan, will jointly undertake the Study with the authorities concerned of the Government of the Philippines.

The present document sets forth the Implementing Arrangement (I/A) with regard to the Study.

## **II. OBJECTIVES OF THE STUDY**

The objectives of the Study are:

1. to draw up a master plan laying down a comprehensive program for Power Sector Assets and Liabilities Management Corporation (hereinafter referred to as "PSALM") to manage assets and liabilities of PSALM, including those to be transferred from National Power Corporation (hereinafter referred to as "NPC") and those of National Transmission Corporation (herein after referred to as "TRANSCO"); and
2. to come up with recommendations on how to improve the administration of Universal Charge funds (herein after referred to as "UC funds") with a particular emphasis on collection and monitoring thereof.

## **III. SCOPE OF THE STUDY**

The Study consists of two components, namely (1) assets and liabilities management (herein after referred to as "ALM") master plan component and (2) UC funds administration component. Each component of the Study will be carried out in the following steps:

[Component 1: ALM master plan]

1. To review the consolidated and individual financial statements of PSALM, NPC and TRANSCO;
2. To assess PSALM's financial projection on the basis of the consolidated financial statement;
3. To review the management of foreign currency account;
4. To draw up a debt restructuring plan including an application of financial instruments such as derivatives;
5. To draft guidelines for financial risk management of PSALM;
6. To draft a master plan for assets and liabilities management of PSALM;
7. To hold a workshop on the master plan for stakeholders concerned; and
8. To hold a workshop on international accounting standards for stakeholders concerned.

[Component 2: UC funds administration]

1. To review the existing mechanism of UC operating cycle from billing, collection, disbursement, recording to monitoring;
2. To evaluate the current status of the collection and monitoring of UC funds;
3. To conduct a sample survey on distribution utilities to obtain first-hand information regarding their operational performance and financial capability;
4. To draft a set of measures that should be taken in order to improve the administration of UC funds both in the short and medium/long term; and
5. To hold a workshop on techniques of financial analysis and audit for the improvement of UC administration for PSALM personnel.

#### **IV. SCHEDULE OF THE STUDY**

The Study will be carried out in accordance with the tentative schedule as attached in the Appendix. The schedule is tentative and subject to modification when both parties agree upon any necessity that may arise during the course of the Study.

#### **V. REPORTS**

JICA shall prepare and submit the following reports in English to PSALM. Electronic copies of the reports shall also be provided to PSALM.

1. Inception Report:

Ten (10) copies will be submitted at the commencement of the first work period in the Republic of the Philippines. This report will contain the schedule and methodology of the Study.

2. Progress Report:

Ten (10) copies will be submitted at the time of about fifth (5<sup>th</sup>) months after the commencement of the first work period in the Republic of the Philippines.

3. Interim Report:

Ten (10) copies will be submitted at the time of about seventh (7<sup>th</sup>) months after the commencement of the first work period in the Republic of the Philippines. This report will summarize the findings obtained by then.

4. Draft Final Report:

Fifteen (15) copies will be submitted at the commencement of the last work period in the Republic of the Philippines. PSALM shall submit its comments within one (1) month after the receipt of the Draft Final Report.

5. Final Report:

Twenty (20) copies will be submitted within two (2) weeks after the receipt of the comments on the Draft Final Report.

**VI. UNDERTAKINGS OF THE GOVERNMENT OF THE PHILIPPINES**

1. To facilitate the smooth conduct of the Study, the Government of the Philippines shall take the following necessary measures:

- (1) To permit the members of the JICA study team to enter, leave and sojourn in the Philippines for the duration of their assignments therein and exempt them from foreign registration requirements and consular fees;
- (2) To exempt the members of the JICA study team from taxes, duties and any other charges on equipment, machinery and other material brought into the Republic of the Philippines for the implementation of the Study;
- (3) To exempt the members of the JICA study team from income tax and charges of any kind imposed on or in connection with any emoluments or allowances paid to the members of the JICA study team for their services in connection with the implementation of the Study; and
- (4) To provide necessary facilities for the JICA study team for the remittance as well as utilization of the funds introduced into the Republic of the Philippines from Japan in

connection with the implementation of the Study.

2. The Government of the Philippines shall bear claims, if any arises, against the members of the JICA study team resulting from, occurring in the course of, or otherwise connected with, the discharge of their duties in the implementation of the Study, except when such claims arise from gross negligence or willful misconduct on the part of the team.
3. PSALM shall act as a counterpart agency to the JICA study team and also as a coordinating body with other relevant organizations for the smooth implementation of the Study, on behalf of the Government of the Philippines.
4. PSALM shall, at its own expense, provide the JICA study team with the following, in cooperation with other organizations concerned:
  - (1) Security-related information as well as measures to ensure the safety of the Team;
  - (2) Information on as well as support in obtaining medical service;
  - (3) Available data and information related to the Study;
  - (4) Counterpart personnel;
  - (5) Suitable office space with necessary equipment; and
  - (6) Credentials or identification cards.

## **VII. CONSULTATION**

JICA and PSALM shall consult with each other in respect of any matter that may arise from or in connection with the Study.

Work Schedule (tentative)

Year	2008			2009								
Month	10	11	12	1	2	3	4	5	6	7	8	9
Work in the Philippines	■			■				■		■		
Work in Japan	□		□				□		□		□	
Report	□ IC/R			□ PR/R			□ IT/R		□ DF/R		□ F/R	

IC/R: Inception Report  
 PR/R: Progress Report  
 IT/R: Interim Report  
 DF/R: Draft Final Report  
 F/R: Final Report



ANNEX II Counterpart Departments of PSALM

- Capital Markets and Risk Management Department, in charge of component 1 (ALM master plan).
- Universal Levy/ Tariff & Financial Valuation Department, in charge of component 2 (UC funds administration).

ANNEX III List of Attendants

[PSALM]

Name	Title
Ms. Lourdes S. Alzona	Vice President of Finance
Mr. Raul R. Ganaden	Manager, Corporate Planning Department
Ms. Emelina S. Blanco	Acting Manager, Planning, Research and Monitoring Division, Corporate Planning Department
Ms. Rowena A. Tolentino	Corporate Planning Specialist, Corporate Planning Department
Mr. Ferdinand A. Florendo	Manager, Capital Markets and Risk Management Department
Mr. Exequiel C. Cempron	Manager, Capital Markets Division, Capital Markets and Risk Management Department
Ms. Rica M. Amador	Finance Specialist, Risk Management Division, Capital Markets and Risk Management Department
Ms. Virgie Reyes	OIC, Risk Management Division, Capital Markets and Risk Management Department
Ms. Luisa A. Esteban	OIC, Universal Levy/ Tariff & Financial Valuation Department
Ms. Joselyn D. Carabuena	Finance Specialist, Universal Levy/ Tariff & Financial Valuation Department
Ms. Judith L. Mangosing	Finance Specialist, Universal Levy/ Tariff & Financial Valuation Department
Mr. Manuel Villalon	OIC, Treasury Department

[JICA]

Name	Title
Mr. Koji Oshikiri	Leader of the Preparatory Study Team Director, Fiscal & Financial Sector Management Division, Public Policy Department
Mr. Katsuki Morihara	Member of the Preparatory Study Team (Study Planning Senior Programme Officer, Fiscal & Financial Sector Management Division, Public Policy Department
Mr. Teizo Akizuki	Member of the Preparatory Study Team (Financial Strategy) Consultant (Chief Executive Officer, ACS Inc.)
Mr. Toru Aoyama	Member of the Preparatory Study Team (UC funds management) Consultant (Permanent Expert, International Development Associates)
Mr. Ken Inoue	Assistant Resident Representative, JICA Philippine Office
Mr. Alfred Bernarte Jr.	Program Officer, JICA Philippine Office

フィリピン共和国

「国家電力部門資産・負債管理公社 ALM マスタープラン調査」事前調査（S/W 協議）

報告書

資料 2-2

I/A 最終案

（事前調査団帰国後の協議を踏まえて修正したもの）



IMPLEMENTING ARRANGEMENT  
FOR  
THE DEVELOPMENT STUDY  
“STUDY ON THE ASSETS AND LIABILITIES MANAGEMENT OF PSALM  
AND THE ADMINISTRATION OF UNIVERSAL CHARGE FUNDS”  
IN  
THE REPUBLIC OF THE PHILIPPINES

AGREED UPON BETWEEN  
POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION  
AND  
JAPAN INTERNATIONAL COOPERATION AGENCY

Manila, (Month/Date/2008)

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Hon. Jose C. IBAZETA  
President & Chief Executive Officer  
Power Sector Assets and Liabilities  
Management Corporation  
The Republic of the Philippines

---

Mr. Norio MATSUDA  
Resident Representative  
Japan International Cooperation Agency  
(JICA) Philippine Office

## **I. INTRODUCTION**

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Accordingly, Japan International Cooperation Agency (hereinafter referred to as "JICA"), the official agency responsible for the implementation of the technical cooperation programs of the Government of Japan, will jointly undertake the Study with the authorities concerned of the Government of the Philippines.

The present document sets forth the Implementing Arrangement (I/A) with regard to the Study.

## **II. OBJECTIVES OF THE STUDY**

The objectives of the Study are:

1. to propose a set of measures for Power Sector Assets and Liabilities Management Corporation (hereinafter referred to as “PSALM”) to improve the management of its assets and liabilities, including those to be transferred from National Power Corporation (hereinafter referred to as “NPC”) and those of National Transmission Corporation (herein after referred to as “TRANSCO”); and
2. to come up with recommendations on how to improve the administration of Universal Charge funds (herein after referred to as “UC funds”) with a particular emphasis on collection and monitoring thereof.

## **III. SCOPE OF THE STUDY**

The Study consists of two components, namely (1) assets and liabilities management (herein after referred to as “ALM”) component and (2) UC funds administration component. Each component of the Study will be carried out in the following steps:

[Component 1: Asset and Liability Management]

1. To review the consolidated and individual financial statements of PSALM, NPC and TRANSCO;
2. To assess PSALM's financial projection on the basis of the consolidated financial statement;
3. To review the management of foreign currency account;
4. To draft an institutional and operational framework for the improvement of assets and liabilities management of PSALM, including guidelines necessary for the effective application of financial instruments such as derivatives;
5. To hold a workshop on the ALM framework for stakeholders concerned; and
6. To hold a workshop on international accounting standards for stakeholders concerned.

[Component 2: UC funds administration]

1. To review the existing mechanism of UC operating cycle from billing, collection, disbursement, recording to monitoring;
2. To evaluate the current status of the collection and monitoring of UC funds;
3. To conduct a sample survey on distribution utilities to obtain first-hand information regarding their operational performance and financial capability;
4. To draft a set of measures that should be taken in order to improve the administration of UC funds both in the short and medium/long term; and
5. To hold a workshop on techniques of financial analysis and audit for the improvement of UC administration for PSALM personnel.

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- (2) To exempt the members of the JICA study team from taxes, duties and any other charges



on equipment, machinery and other material brought into the Republic of the Philippines for the implementation of the Study;

(3) To exempt the members of the JICA study team from income tax and charges of any kind imposed on or in connection with any emoluments or allowances paid to the members of the JICA study team for their services in connection with the implementation of the Study; and

(4) To provide necessary facilities for the JICA study team for the remittance as well as utilization of the funds introduced into the Republic of the Philippines from Japan in connection with the implementation of the Study.

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3. PSALM shall act as a counterpart agency to the JICA study team and also as a coordinating body with other relevant organizations for the smooth implementation of the Study, on behalf of the Government of the Philippines.

4. PSALM shall, at its own expense, provide the JICA study team with the following, in cooperation with other organizations concerned:

(1) Security-related information as well as measures to ensure the safety of the Team;

(2) Information on as well as support in obtaining medical service;

(3) Available data and information related to the Study;

(4) Counterpart personnel;

(5) Suitable office space with necessary equipment; and

(6) Credentials or identification cards.

## **VII. CONSULTATION**

JICA and PSALM shall consult with each other in respect of any matter that may arise from or in connection with the Study.

**【Appendix】**

Work Schedule (tentative)

Year	2009											
Month	1	2	3	4	5	6	7	8	9	10	11	12
Work in the Philippines		■			■			■			■	
Work in Japan	■			■				■		■		■
Report	△ IC/R			△ PR/R				△ IT/R		△ DF/R		△ F/R

- IC/R: Inception Report
- PR/R: Progress Report
- IT/R: Interim Report
- DF/R: Draft Final Report
- F/R: Final Report

フィリピン共和国

「国家電力部門資産・負債管理公社 ALM マスタープラン調査」事前調査（S/W 協議）

報告書

資料 3-1

Electric Power Industry Reform Act of 2001 – Republic Act No. 9136

(電力産業改革法)



## REPUBLIC ACT NO. 9136

### AN ACT ORDAINING REFORMS IN THE ELECTRIC POWER INDUSTRY, AMENDING FOR THE PURPOSE CERTAIN LAWS AND FOR OTHER PURPOSES

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

#### CHAPTER I

##### TITLE AND DECLARATION OF POLICY

**SECTION 1. Short Title.** — This Act shall be known as the "Electric Power Industry Reform Act of 2001". It shall hereinafter be referred to as the Act.

**SECTION 2. Declaration of Policy.** — It is hereby declared the policy of the State:

- (a) To ensure and accelerate the total electrification of the country;
- (b) To ensure the quality, reliability, security and affordability of the supply of electric power;
- (c) To ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency and enhance the competitiveness of Philippine products in the global market;
- (d) To enhance the inflow of private capital and broaden the ownership base of the power generation, transmission and distribution sectors;
- (e) To ensure fair and non-discriminatory treatment of public and private sector entities in the process of restructuring the electric power industry;
- (f) To protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;
- (g) To assure socially and environmentally compatible energy sources and infrastructure;
- (h) To promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy;
- (i) To provide for an orderly and transparent privatization of the assets and liabilities of the National Power Corporation (NPC);
- (j) To establish a strong and purely independent regulatory body and system to ensure consumer protection and enhance the competitive operation of the electricity market; and
- (k) To encourage the efficient use of energy and other modalities of demand side management.

**SEC. 3. Scope.** — This Act shall provide a framework for the restructuring of the electric power industry, including the privatization of the assets of NPC, the transition to the desired competitive structure, and the definition of the responsibilities of the various government agencies and private entities.

##### SEC. 4. Definition of Terms.

- (a) "Aggregator" refers to a person or entity, engaged in consolidating electric power demand of end-users in the contestable market, for the purpose of purchasing and reselling electricity on a group basis;
- (b) "Ancillary Services" refer to those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with good utility practice and the Grid code to be adopted in accordance with this Act;
- (c) "Captive Market" refers to electricity end-users who do not have the choice of a supplier of electricity, as may be determined by the Energy Regulatory Commission (ERC) in accordance with this Act;
- (d) "Central Dispatch" refers to the process of issuing direct instructions to electric power industry participants by the grid operator to achieve the economic operation and maintenance of quality, stability, reliability and security of the transmission system;
- (e) "Co-Generation Facility" refers to a facility which produces electrical and/or mechanical energy and forms of useful thermal energy such as heat or steam which are used for industrial commercial heating or cooling purposes through the sequential use of energy;
- (f) "Commission" refers to the decision-making body of the ERC composed of a Chairman and four (4) members as provided under Section 38 hereof;
- (g) "Concession Contract" refers to the award by the government to a qualified private entity of the responsibility for financing, operating, expanding, maintaining and managing specific Government-owned assets;
- (h) "Contestable Market" refers to the electricity end-users who have a choice of a supplier of electricity, as may be determined by the ERC in accordance with this Act;
- (i) "Customer Service Charge" refers to the component in the retail rate intended for the cost recovery of customer-related services including, but not limited to, meter reading, billing administration and collection;
- (j) "Demand Side Management" refers to measures undertaken by distribution utilities to encourage end-users in the proper management of their load to achieve efficiency in the utilization of fixed infrastructures in the system;
- (k) "Department of Energy" or "DOE" refers to the government agency created pursuant to Republic Act No. 7638 whose expanded functions are provided herein;
- (l) "Department of Finance" or "DOF" refers to the government agency created pursuant to Executive Order No. 127;
- (m) "Distribution Code" refers to a compilation of rules and regulations governing electric utilities in the operation and maintenance of their distribution systems which includes, among others, the standards for service and performance, and defines and establishes the relationship of the distribution systems with the facilities or installations of the parties connected thereto;

- (n) "Distribution of Electricity" refers to the conveyance of electric power by a distribution utility through its distribution system pursuant to the provisions of this Act;
- (o) "Distribution System" refers to the system of wires and associated facilities belonging to a franchised distribution utility extending between the delivery points on the transmission or subtransmission system or generator connection and the point of connection to the premises of the end-user;
- (p) "Distribution Wheeling Charge" refers to the cost or charge regulated by the ERC for the use of a distribution system and/or the availability of related services;
- (q) "Distribution Utility" refers to any electric cooperative, private corporation, government-owned utility or existing local government unit which has an exclusive franchise to operate a distribution system in accordance with this Act;
- (r) "Electric cooperative" refers to a distribution utility organized pursuant to Presidential Decree No. 269, as amended, or as otherwise provided in this Act;
- (s) "Electric Power Industry Participant" refers to any person or entity engaged in the generation, transmission, distribution or supply of electricity;
- (t) "End-user" refers to any person or entity requiring the supply and delivery of electricity for its own use;
- (u) "Energy Regulatory Board" or "ERB" refers to the independent, quasi-judicial regulatory body created under Executive Order No. 172, as amended;
- (v) "Energy Regulatory Commission" or "ERC" refers to the regulatory agency created herein;
- (w) "Franchise Area" refers to a geographical area exclusively assigned or granted to a distribution utility for distribution of electricity;
- (x) "Generation Company" refers to any person or entity authorized by the ERC to operate facilities used in the generation of electricity;
- (y) "Generation of Electricity" refers to the production of electricity by a generation company or a co-generation facility pursuant to the provisions of this Act;
- (z) "Grid" refers to the high voltage backbone system of interconnected transmission lines, substations and related facilities;
- (aa) "Grid Code" refers to the set of rules and regulations governing the safe and reliable operation, maintenance and development of the high voltage backbone transmission system and its related facilities;
- (bb) "Independent Power Producer" or "IPP" refers to an existing power generating entity which is not owned by NPC;
- (cc) "Inter-Class Cross Subsidy" refers to an amount charged by distribution utilities to industrial and commercial end-users as well as to other subsidizing customer sectors in order to reduce electricity rates of other customer sectors such as the residential end-users, hospitals, and streetlights;
- (dd) "Inter-Regional Grid Cross Subsidy" refers to an amount embedded in the electricity rates of NPC charged to its customers located in a viable regional grid in order to reduce the electricity rates in a less viable regional grid;

- (ee) "Intra-Regional Grid Cross Subsidy" refers to an amount embedded in the electricity rates of NPC charged to distribution utilities and non-utilities with higher load factor and/or delivery voltage in order to reduce the electricity rates charged to distribution utilities with lower load factor and/or delivery voltage located in the same regional grid;
- (ff) "IPP Administrator" refers to qualified independent entities appointed by PSALM Corporation who shall administer, conserve and manage the contracted energy output of NPC IPP contracts;
- (gg) "Isolated Distribution System" refers to the backbone system of wires and associated facilities not directly connected to the national transmission system;
- (hh) "Lifetime Rate" refers to the subsidized rate given to low-income captive market end-users who cannot afford to pay at full cost;
- (ii) "National Electrification Administration" or "NEA" refers to the government agency created under Presidential Decree No. 269, as amended, and whose additional mandate is further set forth herein;
- (jj) "National Power Corporation" or "NPC" refers to the government corporation created under Republic Act No. 6395, as amended;
- (kk) "National Transmission Corporation or "TRANSCO" refers to the corporation organized pursuant to this Act to acquire all the transmission assets of the NPC;
- (ll) "Open Access" refers to the system of allowing any qualified person the use of transmission, and/or distribution system, and associated facilities subject to the payment of transmission and/or distribution retail wheeling rates duly approved by the ERC;
- (mm) "Philippine Energy Plan" or "PEP" refers to the overall energy program formulated and updated yearly by the DOE and submitted to Congress pursuant to Republic Act No. 7638;
- (nn) "Power Development Program" or "PDP" refers to the indicative plan for managing electricity demand through energy-efficient programs and for the upgrading, expansion, rehabilitation, repair and maintenance of power generation and transmission facilities, formulated and updated yearly by the DOE in coordination with the generation, transmission and distribution utility companies;
- (oo) "Power Sector Assets and Liabilities Management Corporation" or "PSALM Corp." refers to the corporation created pursuant to Section 49 hereof;
- (pp) "Privatization" refers to the sale, disposition, change and transfer of ownership and control of assets and IPP contracts from the Government or a government corporation to a private person or entity;
- (qq) "Renewable Energy Resources" refers to energy resources that do not have an upper limit on the total quantity to be used. Such resources are renewable on a regular basis and the renewable rate is rapid enough to consider availability over an indefinite time. These include, among others, biomass, solar, wind, hydro and ocean energy;
- (rr) "Restructuring" refers to the process of reorganizing the electric power industry in order to introduce higher efficiency, greater innovation and end-user choice. It shall be understood as covering a range of alternatives enhancing exposure of the industry to competitive market forces;

- (ss) "Retail Rate" refers to the total price paid by end-users consisting of the charges for generation, transmission and related ancillary services, distribution, supply and other related charges for electric service;
- (tt) "Small Power Utilities Group" or "SPUG" refers to the functional unit of NPC created to pursue missionary electrification function;
- (uu) "Stranded contract costs of NPC or distribution utility" refer to the excess of the contracted cost of electricity under eligible contracts over the actual selling price of the contracted energy output of such contracts in the market. Such contracts shall have been approved by the ERB as of December 31, 2000;
- (vv) "Stranded Debts of NPC" refer to any unpaid financial obligations of NPC which have not been liquidated by the proceeds from the sales and privatization of NPC assets;
- (ww) "Subtransmission Assets" refer to the facilities related to the power delivery service below the transmission voltages and based on the functional assignment of assets including, but not limited to step-down transformers used solely by load customers, associated switchyard/substation, control and protective equipment, reactive compensation equipment to improve customer power factor, overhead lines, and the land such facilities/ equipment are located. These include NPC assets linking the transmission system and the distribution system which are neither classified as generation nor transmission;
- (xx) "Supplier" refers to any person or entity authorized by the ERC to sell, broker, market or aggregate electricity to the end-users;
- (yy) "Supplier's Charge" refers to the charge imposed by electricity suppliers for the sale of electricity to end-users, excluding the charges for generation, transmission and distribution wheeling;
- (zz) "Supply of Electricity" means the sale of electricity by a party other than a generator or a distributor in the franchise area of a distribution utility using the wires of the distribution utility concerned;
- (aaa) "Transmission Charge" refers to the regulated cost or charges for the use of a transmission system which may include the availment of ancillary services;
- (bbb) "Transmission Development Plan" or "TDP" refers to the program for managing the transmission system through efficient planning for the expansion, upgrading, rehabilitation, repair and maintenance, to be formulated by DOE and implemented by the TRANSCO pursuant to this Act;
- (ccc) "Transmission of Electricity" refers to the conveyance of electricity through the high voltage backbone system; and
- (ddd) "Universal Charge" refers to the charge, if any, imposed for the recovery of the stranded cost and other purposes pursuant to Section 34 hereof.

#### CHAPTER II

### ORGANIZATION AND OPERATION OF THE ELECTRIC POWER INDUSTRY

SEC. 5. *Organization.* - The electric power industry shall be divided into four (4) sectors, namely: generation, transmission, distribution and supply.

SEC. 6. *Generation Sector.* - Generation of electric power, a business affected with public interest, shall be competitive and open.

Upon the effectivity of this Act, any new generation company shall, before it operates, secure from the Energy Regulatory Commission (ERC) a certificate of compliance pursuant to the standards set forth in this Act, as well as health, safety and environmental clearances from the appropriate government agencies under existing laws.

Any law to the contrary notwithstanding, power generation shall not be considered a public utility operation. For this purpose, any person or entity engaged or which shall engage in power generation and supply of electricity shall not be required to secure a national franchise.

Upon implementation of retail competition and open access, the prices charged by a generation company for the supply of electricity shall not be subject to regulation by the ERC except as otherwise provided in this Act.

Pursuant to the objective of lowering electricity rates to end-users, sales of generated power by generation companies shall be value added tax zero-rated.

The ERC shall, in determining the existence of market power abuse or anti-competitive behavior, require from generation companies the submission of their financial statements.

SEC. 7. *Transmission Sector.* - The transmission of electric power shall be regulated common electricity carries business, subject to the ratemaking powers of the ERC.

The ERC shall set the standards of the voltage transmission that shall distinguish the transmission from the subtransmission assets. Pending the issuance of such new standards, the distinction between the transmission and subtransmission assets shall be as follows: 230 kilovolts and above in the Luzon grid, 69 kilovolts and above in the Visayas and in the isolated distribution systems, and 138 kilovolts and above in the Mindanao Grid. *Provided,* That for the Visayas and the isolated distribution system, should the 69 kilovolt line not form part of the main transmission grid and be directly connected to the substation of the distribution utility, it shall form part of the subtransmission system.

SEC. 8. *Creation of the National Transmission Company.* - There is hereby created a National Transmission Corporation, hereinafter referred to as TRANSCO, which shall assume the electrical transmission function of the National Power Corporation (NPC), and have the powers and functions hereinafter granted. The TRANSCO shall assume the authority and responsibility of NPC for the planning, construction and centralized operation and maintenance of its high voltage transmission facilities, including grid interconnections and ancillary services.

Within six (6) months from the effectivity of this Act, the transmission and subtransmission facilities of NPC and all other assets related to transmission operations, including the nationwide franchise of NPC for the operation of the transmission system and the grid, shall be transferred to the TRANSCO. The TRANSCO shall be wholly owned by the Power Sector Assets and Liabilities Management Corporation (PSALM Corp.).

The subtransmission functions and assets shall be segregated from the transmission functions, assets and liabilities for transparency and disposal. *Provided,* That the subtransmission assets shall be operated and maintained by TRANSCO until their disposal to qualified distribution utilities which are in a position to take over the responsibility for operating, maintaining, upgrading, and expanding said assets. All transmission and subtransmission related liabilities of NPC shall be transferred to and assumed by the PSALM Corp.

TRANSCO shall negotiate with and thereafter transfer such functions, assets, and associated liabilities to the qualified distribution utility or utilities connected to such subtransmission facilities not

later than two (2) years from the effectivity of this Act or the start of open access, whichever comes earlier: *Provided*, That in the case of electric cooperatives, the TRANSCO shall grant concessional financing over a period of twenty (20) years: *Provided, however*, That the installment payments to TRANSCO for the acquisition of subtransmission facilities shall be given first priority by the electric cooperatives out of the net income derived from such facilities. The TRANSCO shall determine the disposal value of the subtransmission assets based on the revenue potential of such assets.

In case of disagreement in valuation, procedures, ownership participation and other issues, the ERC shall resolve such issues.

The take over by a distribution utility of any subtransmission asset shall not cause a diminution of service and quality to the end-users. Where there are two or more connected distribution utilities, the consortium or juridical entity shall be formed by and composed of all of them and thereafter shall be granted a franchise to operate the subtransmission asset by the ERC.

The subscription rights of each distribution utility involved shall be proportionate to their load requirements unless otherwise agreed by the parties.

Aside from the PSALM Corp., TRANSCO and connected distribution utilities, no third party shall be allowed ownership or management participation, in whole or in part, in such subtransmission entity.

The TRANSCO may exercise the power of eminent domain subject to the requirements of the Constitution and existing laws. Except as provided herein, no person, company or entity other than the TRANSCO shall own any transmission facilities.

Prior to the transfer of the transmission functions by NPC to TRANSCO, and before the promulgation of the Grid Code, ERC shall ensure that NPC shall provide to all electric power industry participants open and non-discriminatory access to its transmission system. Any violation thereof shall be subject to the fines and penalties imposed herein.

**SEC. 9. Functions and Responsibilities.** - Upon the effectivity of this Act, the TRANSCO shall have the following functions and responsibilities:

- (a) Act as the system operator of the nationwide electrical transmission and subtransmission system, to be transferred to it by NPC;
- (b) Provide open and non-discriminatory access to its transmission system to all electricity users;
- (c) Ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid in accordance with the performance standards for the operations and maintenance of the grid, as set forth in a Grid Code to be adopted and promulgated by the ERC within six (6) months from the effectivity of this Act;
- (d) Improve and expand its transmission facilities, consistent with the Grid Code and the Transmission Development Plan (TDP) to be promulgated pursuant to this Act, to adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system: *Provided*, That TRANSCO shall submit any plan for expansion or improvement of its facilities for approval by the ERC;
- (e) Subject to technical constraints, the grid operator of the TRANSCO shall provide central dispatch of all generation facilities connected, directly or indirectly, to the transmission system in accordance with the dispatch schedule submitted by the market operator, taking into account outstanding bilateral contracts; and

(f) TRANSCO shall undertake the preparation of the TDP.

In the preparation of the TDP, TRANSCO shall consult the other participants of the electric power industry such as the generation companies, distribution utilities, and the electricity end-users. The TDP shall be submitted to the DOE for integration with the Power Development Program and the Philippine Energy Plan, provided for in Republic Act No. 7638 otherwise known as "the Department of Energy Act of 1992".

A generation company may develop and own or operate dedicated point-to-point limited transmission facilities that are consistent with the TDP. *Provided*, That such facilities are required only for the purpose of connecting to the transmission system, and are used solely by the generating facility, subject to prior authorization by the ERC: *Provided, further*, That in the event that such assets are required for competitive purposes, ownership of the same shall be transferred to the TRANSCO at a fair market price: *Provided, finally*, That in the case of disagreement on the fair market price, the ERC shall determine the fair market value of the asset.

**SEC. 10. Corporate Powers of the TRANSCO.** - As a corporate entity, TRANSCO shall have the following corporate powers:

- (a) To have continuous succession under its corporate name until otherwise provided by law;
- (b) To adopt and use a corporate seal and to change, alter or modify the same, if necessary;
- (c) To sue and be sued;
- (d) To enter into a contract and execute any instrument necessary or convenient for the purpose for which it is created;
- (e) To borrow funds from any source, whether private or public, foreign or domestic, and issue bonds and other evidence of indebtedness: *Provided*, That in the case of the bond issues, it shall be subject to the approval of the President of the Philippines upon recommendation of the Secretary of Finance: *Provided, further*, That foreign loans shall be obtained in accordance with existing laws, rules and regulations of the Bangko Sentral ng Pilipinas;
- (f) To maintain a provident fund which consists of contributions made by both the TRANSCO and its officials and employees and their earnings for the payment of benefits to such officials and employees or their heirs under such terms and conditions as it may prescribe;
- (g) To do any act necessary or proper to carry out the purpose for which it is created, or which, from time to time, may be declared by the TRANSCO Board as necessary, useful, incidental or auxiliary to accomplish its purposes and objectives; and;
- (h) Generally, to exercise all the powers of a corporation under the corporation law insofar as they are not inconsistent with this Act.

**SEC. 11. TRANSCO Board of Directors.** - All the powers of the TRANSCO shall be vested in and exercised by a Board of Directors. The Board shall be composed of a Chairman and six (6) members. The Secretary of the Department of Finance (DOF) shall be the *ex officio* Chairman of the Board. The other members of the TRANSCO Board shall include the Secretary of the Department of Energy (DOE), the Secretary of the Department of Environment and Natural Resources (DENR), the President of TRANSCO, and three (3) members to be appointed by the President, each representing Luzon, Visayas and Mindanao.

The members of the Board so appointed by the President of the Philippines shall serve for a term of six (6) years, except that any person appointed to fill-in a vacancy shall serve only the unexpired term of



his/her predecessor in office. All members of the Board shall be professionals of recognized competence and expertise in the fields of engineering, finance, economics, law or business management. No member of the Board or any of his relatives within the fourth civil degree of consanguinity or affinity shall have any interest, either as investor, officer or director, in any generation company or distribution utility or other entity engaged in transmitting, generating and supplying electricity specified by ERC.

SEC. 12. *Powers and Duties of the Board.* - The following are the powers of the Board:

- (a) To provide strategic direction for TRANSOCO, and formulate medium and long-term strategies pursuant to the vision, mission, and objectives of TRANSOCO;
- (b) To develop and adopt policies and measures for the efficient and effective management and operation of TRANSOCO;
- (c) To organize, re-organize, and determine the organizational structure and staffing patterns of TRANSOCO; abolish and create offices and positions; fix the number of its officers and employees; transfer and re-align such officers and personnel; fix their compensation, allowance, and benefits;
- (d) To fix the compensation of the President of TRANSOCO and to appoint and fix the compensation of other corporate officers;
- (e) For cause, to suspend or remove any corporate officer appointed by the Board;
- (f) To adopt and set guidelines for the employment of personnel on the basis of merit, technical competence, and moral character; and
- (g) Any provisions of the law to the contrary notwithstanding, to write-off bad debts.

SEC. 13. *Board Meetings.* - The Board shall meet as often as may be necessary upon the call of the Chairman of the Board or by a majority of the Board members.

SEC. 14. *Board Per Diems and Allowances.* - The members of the Board shall receive per diem for each regular or special meeting of the board actually attended by them, and, upon approval of the Secretary of the Department of Finance, such other allowances as the Board may prescribe.

SEC. 15. *Quorum.* - The presence of at least four (4) members of the Board shall constitute a quorum, which shall be necessary for the transaction of any business. The affirmative vote of a majority of the members present in a quorum shall be adequate for the approval of any resolution, decision or order, except when the Board shall otherwise agree that a greater vote is required.

SEC. 16. *Powers of the President of TRANSOCO.* - The President of TRANSOCO shall be appointed by the President of the Philippines. In the absence of the Chairman, the President shall preside over board meetings.

The President of TRANSOCO shall be the Chief Executive Officer of TRANSOCO and shall have the following powers and duties:

- (a) To execute and administer the policies and measures approved by the Board, and take responsibility for the efficient discharge of management functions;
- (b) To oversee the preparation of the budget of TRANSOCO;
- (c) To direct and supervise the operation and internal administration of TRANSOCO and, for this purpose, may delegate some or any of his administrative responsibilities and duties to other officers of TRANSOCO;

(d) Subject to the guidelines and policies set up by the Board, to appoint and fix the number and compensation of subordinate officials and employees of TRANSOCO; and for cause, to remove, suspend, or otherwise discipline any subordinate employee of TRANSOCO;

(e) To submit an annual report to the Board on the activities and achievements of TRANSOCO at the close of each fiscal year and upon approval thereof, submit a copy to the President of the Philippines and to such other agencies as may be required by law;

(f) To represent TRANSOCO in all dealings and transactions with other offices, agencies, and instrumentalities of the Government and with all persons and other entities, private or public, domestic or foreign, and

(g) To exercise such other powers and duties as may be vested in him by the Board from time to time.

SEC. 17. *Exemption from the Salary Standardization Law.* - The salaries and benefits of employees in the TRANSOCO shall be exempt from Republic Act. No. 6758 and shall be fixed by the TRANSOCO Board.

SEC. 18. *Profits.* - The net profit, if any, of TRANSOCO shall be remitted to the PSALM Corp. not later than ninety (90) days after the immediately preceding quarter.

SEC. 19. *Transmission Charges.* - The transmission charges of the TRANSOCO shall be filed with and approved by the ERC pursuant to Paragraph (f) of Section 43 hereof.

SEC. 20. *TRANSOCO Related Businesses.* - TRANSOCO may engage in any related business which maximizes utilization of its assets. *Provided,* That a portion of the net income derived from such undertaking utilizing assets which form part of the rate base shall be used to reduce transmission wheeling rates as determined by the ERC. Such portion of net income used to reduce the transmission wheeling rates shall not exceed fifty percent (50%) of the net income derived from such undertaking.

Separate accounts shall be maintained for each business undertaking to ensure that the transmission business shall neither subsidize in any way such business undertaking nor encumber its transmission assets in any way to support such business.

SEC. 21. *TRANSOCO Privatization.* - Within six (6) months from the effectivity of this Act, the PSALM Corp. shall submit a plan for the endorsement by the Joint Power Commission and the approval of the President of the Philippines. The President of the Philippines thereafter shall direct PSALM Corp. to award in open competitive bidding, the transmission facilities, including grid interconnections and ancillary services to a qualified party either through an outright sale or a concession contract. The buyer/concessionaire shall be responsible for the improvement, expansion, operation, and/or maintenance of its transmission assets and the operation of any related business. The award shall result in maximum present value of proceeds to the national government. In case a concession contract is awarded, the concessionaire shall have a contract period of twenty-five (25) years, subject to review and renewal for a maximum period of another twenty-five (25) years.

In any case, the awardee shall comply with the Grid code and the TDP as approved. The sale agreement/concession contract shall include, but not limited to, the provision for performance and financial guarantees or any other covenants which the national government may require. Failure to comply with such obligations shall result in the imposition of appropriate sanctions or penalties by the ERC.

The awardee shall be financially and technically capable, with proven domestic and/or international experience and expertise as a leading transmission system operator. Such experience must be with a transmission system of comparable capacity and coverage as the Philippines.

Every distribution utility shall identify and segregate in its bills to end-users the components of the retail rate, as defined in this Act.

**SEC. 26. Distribution Related Businesses.** - Distribution utilities may, directly or indirectly, engage in any related business undertaking which maximizes the utilization of their assets. *Provided*, That a portion of the net income derived from such undertaking utilizing assets which form part of the rate base shall be used to reduce its distribution wheeling charges as determined by the ERC. *Provided, further*, That such portion of net income used to reduce their distribution wheeling charges shall not exceed fifty percent (50%) of the net income derived from such undertaking. *Provided, finally*, That separate accounts are maintained for each business undertaking to ensure that the distribution business shall neither subsidize in any way such business undertaking nor encumber its distribution assets in any way to support such business.

**SEC. 27. Franchising Power in the Electric Power Sector.** - The power to grant franchises to persons engaged in the transmission and distribution of electricity shall be vested exclusively in the Congress of the Philippines and all laws inconsistent with this Act particularly, but not limited to, Section 43 of PD 269, otherwise known as the "National Electrification Decree", are hereby deemed repealed or modified accordingly. *Provided*, That all existing franchises shall be allowed to their full term. *Provided, further*, That in the case of electric cooperatives, renewals and cancellations shall remain with the National Electrification Commission under the National Electrification Administration for five (5) more years after the enactment of this Act.

**SEC. 28. De-Monopolization and Shareholding Dispersal.** - In compliance with the constitutional mandate for dispersal of ownership and de-monopolization of public utilities, the holdings of persons, natural or juridical, including directors, officers, stockholders and related interests, in a distribution utility and their respective holding companies shall not exceed twenty-five (25%) percent of the voting shares of stock unless the utility or the company holding the shares or its controlling stockholders are already listed in the Philippine Stock Exchange (PSE). *Provided*, That controlling stockholders of small distribution utilities are hereby required to list in the PSE within five (5) years from the enactment of this Act if they already own the stocks. New controlling stockholders shall undertake such listing within five (5) years from the time they acquire ownership and control. A small distribution company is one whose peak demand is equal to or less than Ten megawatts (10MW).

The ERC shall, within sixty (60) days from the effectivity of this Act, promulgate the rules and regulations to implement and effect this provision.

This Section shall not apply to electric cooperatives.

**SEC. 29. Supply Sector.** - The supply sector is a business affected with public interest. Except for distribution utilities and electric cooperatives with respect to their existing franchise areas, all suppliers of electricity to the contestable market shall require a license from the ERC.

For this purpose, the ERC shall promulgate rules and regulations prescribing the qualifications of electricity suppliers which shall include, among other requirements, a demonstration of their technical capability, financial capability, and creditworthiness. *Provided*, That the ERC shall have authority to require electricity suppliers to furnish a bond or other evidence of the ability of a supplier to withstand market disturbances or other events that may increase the cost of providing service.

Any law to the contrary notwithstanding, supply of electricity to the contestable market shall not be considered a public utility operation. For this purpose, any person or entity which shall engage in the supply of electricity to the contestable market shall not be required to secure a national franchise.

The prices to be charged by suppliers for the supply of electricity to the contestable market shall not be subject to regulation by the ERC.

**SEC. 22. Distribution Sector.** - The distribution of electricity to end-users shall be a regulated common carrier business requiring a national franchise. Distribution of electric power to all end-users may be undertaken by private distribution utilities, cooperatives, local government units presently undertaking this function and other duly authorized entities, subject to regulation by the ERC.

**SEC. 23. Functions of Distribution Utilities.** - A distribution utility shall have the obligation to provide distribution services and connections to its system for any end-user within its franchise area consistent with the distribution code. Any entity engaged therein shall provide open and non-discriminatory access to its distribution system to all users.

Any distribution utility shall be entitled to impose and collect distribution wheeling charges and connection fees from such end-users as approved by the ERC.

A distribution utility shall have the obligation to supply electricity in the least cost manner to its captive market, subject to the collection of retail rate duly approved by the ERC.

To achieve economies of scale in utility operations, distribution utilities may, after due notice and public hearing, pursue structural and operational reforms such as but not limited to, joint actions between or among the distribution utilities, subject to the guidelines issued by the ERC. Such joint actions shall result in improved efficiencies, reliability of service, reduction of costs and compliance to the performance standards prescribed in the IRR of this Act.

Distribution utilities shall submit to the ERC a statement of their compliance with the technical specifications prescribed in the Distribution Code and the performance standards prescribed in the IRR of this Act. Distribution utilities which do not comply with any of the prescribed technical specifications and performance standards shall submit to the ERC a plan to comply, within three (3) years, with said prescribed technical specifications and performance standards. The ERC shall, within sixty (60) days upon receipt of such plan, evaluate the same and notify the distribution utility concerned of its action. Failure to submit a feasible and credible plan and/or failure to implement the same shall serve as grounds for the imposition of appropriate sanctions, fines or penalties.

Distribution utilities shall prepare and submit to the DOE their annual distributions developments plans. In the case of electric cooperatives, such plans shall be submitted through the National Electrification Administration.

Distribution utilities shall provide universal service within their franchise, over a reasonable time from the requirement thereof, including unviable areas, as part of their social obligations, in a manner that shall sustain the economic viability of the utility, subject to the approval by the ERC in the case of private or government-owned utilities. To this end, distribution utilities shall submit to the DOE their plans for serving such areas as part of their distribution development plans. Areas which a franchised distribution utility cannot or does not find viable may be transferred to another distribution utility, if any is available, who will provide the service, subject approval by ERC. In cases where franchise holders fail and/or refuse to service any area within their franchise territory and allowed another utility to service the same, then the status quo shall be respected.

Distribution utilities may exercise the power of eminent domain subject to the requirements of the Constitution and existing laws.

**SEC. 24. Distribution Wheeling Charge.** - The distribution wheeling charges of distribution utilities shall be filed with and approved by the ERC pursuant to Paragraph (f) of Section 43 hereof.

**SEC. 25. Retail Rate.** - The retail rates charged by distribution utilities for the supply of electricity in their captive market shall be subject to regulation by the ERC based on the principle of full recovery of prudent and reasonable economic costs incurred, or such other principles that will promote efficiency as may be determined by the ERC.

Electricity suppliers shall be subject to the rules and regulations concerning abuse of market power, cartelization, and other anti-competitive or discriminatory behavior to be promulgated by the ERC.

In its billings to end-users, every supplier shall identify and segregate the components of its supplier's charge, as defined herein.

**SEC. 30. Wholesale Electricity Spot Market.** - Within one (1) year from the effectivity of this Act, the DOE shall establish a wholesale electricity spot market composed of the wholesale electricity spot market participants. The market shall provide the mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

Jointly with the electric power industry participants, the DOE shall formulate the detailed rules for the wholesale electricity spot market. Said rules shall provide the mechanism for determining the price of electricity not covered by bilateral contracts between sellers and purchasers of electricity users. The price determination methodology contained in said rules shall be subject to the approval of ERC. Said rules shall also reflect accepted economic principles and provide a level playing field to all electric power industry participants. The rules shall provide, among others, procedures for:

- (a) Establishing the merit order dispatch instructions for each time period;
- (b) Determining the market-clearing price for each time period;
- (c) Administering the market, including criteria for admission to and termination from the market which includes security or performance bond requirements, voting rights of the participants, surveillance and assurance of compliance of the participants with the rules and the formation of the wholesale electricity spot market governing body;
- (d) Prescribing guidelines for the market operation in system emergencies; and
- (e) Amending the rules.

The wholesale electricity spot market shall be implemented by a market operator in accordance with the wholesale electricity spot market rules. The market operator shall be an autonomous group, to be constituted by DOE, with equitable representation from electric power industry participants, initially under the administrative supervision of the TRANSCO. The market operator shall undertake the preparatory work and initial operation of the wholesale electricity spot market. Not later than one (1) year after the implementation of the wholesale electricity spot market, an independent entity shall be formed and the functions, assets and liabilities of the market operator shall be transferred to such entity with the joint endorsement of the DOE and the electric power industry participants. Thereafter, the administrative supervision of the TRANSCO over such entity shall cease.

Subject to the compliance with the membership criteria, all generating companies, distribution utilities, suppliers, bulk consumers/end-users and other similar entities authorized by the ERC shall be eligible to become members of the wholesale electricity spot market.

The ERC may authorize other similar entities to become eligible as members, either directly or indirectly, of the wholesale electricity spot market. All generating companies, distribution utilities, suppliers, bulk consumers/end-users and other similar entities authorized by the ERC, whether direct or indirect members of the wholesale electricity spot market, shall be bound by the wholesale electricity spot market, shall be bound by the wholesale electricity spot market rules with respect to transactions in that market.

NEA may, in exchange for adequate security and a guarantee fee, act as a guarantor for purchases of electricity in the wholesale electricity spot market by any electric cooperative or small distribution utility to support their credit standing consistent with the provisions hereof. For this purpose, the authorized capital stock of NEA is hereby increased to Fifteen billion pesos (P15,000,000,000.00)

All electric cooperatives which have outstanding uncollected billings to any local government unit shall report such billings to NEA which shall, in turn, report the same to the Department of Budget and Management (DBM) for collection pursuant to Executive Order 190 issued on December 21, 1999.

The cost of administering and operating the wholesale electricity spot market shall be recovered by the market operator through a charge imposed to all market members: *Provided*, That such charge shall be filed with and approved by the ERC.

In cases of national and international security emergencies or natural calamities, the ERC is hereby empowered to suspend the operation of the wholesale electricity spot market or declare a temporary wholesale electricity spot market failure.

**SEC. 31. Retail Competition and Open Access.** - Any law to the contrary notwithstanding, retail competition and open access on distribution wires shall be implemented not later than three (3) years upon the effectivity of this Act, subject to the following conditions:

- (a) Establishment of the wholesale electricity spot market;
- (b) Approval of unbundled transmission and distribution wheeling charges;
- (c) Initial implementation of the cross subsidy removal scheme;
- (d) Privatization of at least seventy (70%) percent of the total capacity of generating assets of NPC in Luzon and Visayas; and
- (e) Transfer of the management and control of at least seventy percent (70%) of the total energy output of power plants under contract with NPC to the IPP Administrators.

Upon the initial implementation of open access, the ERC shall allow all electricity end-users with a monthly average peak demand of at least one megawatt (1MW) for the preceding twelve (12) months to be the contestable market. Two (2) years thereafter, the threshold level for the contestable market shall be reduced to seven hundred fifty kilowatts (750kW). At this level, aggregators shall be allowed to supply electricity to end-users whose aggregate demand within a contiguous area is at least seven hundred fifty kilowatts (750kW). Subsequently and every year thereafter, the ERC shall evaluate the performance of the market. On the basis of such evaluation, it shall gradually reduce threshold level until it reaches the household demand level. In the case of electric cooperatives, retail competition and open access shall be implemented not earlier than five (5) years upon the effectivity of this Act.

**SEC. 32. NPC Stranded Debt and Contract Cost Recovery.** - Stranded debt of NPC shall refer to any unpaid financial obligations of NPC.

Stranded contract costs of NPC shall refer to the excess of the contracted cost of electricity under eligible IPP contracts of NPC over the actual selling price of the contracted energy output of such contracts in the market. Such contracts shall have been approved by the ERB as of December 31, 2000.

The national government shall directly assume a portion of the financial obligations of NPC in an amount not to exceed Two hundred billion pesos (P200,000,000,000.00)

The ERC shall verify the reasonable amounts and determine the manner and duration for the full recovery of stranded debt and stranded contract costs as defined herein: *Provided*, That the duration for such recovery shall not be shorter than fifteen (15) years nor longer than twenty-five (25) years. The ERC shall, at the end of the first year of the implementation of stranded cost recovery and every year thereafter, conduct a review to determine whether there is under-recovery or over-recovery and adjust (tune-up) the level of stranded cost recovery charge accordingly. Any amount to be included for stranded cost recovery shall be reflected as a separate item in the consumer billing statement.

(a) Payment for the stranded debts in excess of the amount assumed by the National Government and stranded contract costs of NPC and as well as qualified stranded contract costs of distribution utilities resulting from the restructuring of the industry;

(b) Missionary electrification;

(c) The equalization of the taxes and royalties applied to indigenous or renewable sources of energy vis-a-vis imported energy fuels;

(d) An environmental charge equivalent to one-fourth of one centavo per kilowatt-hour (P0.0025/kWh), which shall accrue to an environmental fund to be used solely for watershed rehabilitation and management. Said fund shall be managed by NPC under existing arrangements; and

(e) A charge to account for all forms of cross-subsidies for a period not exceeding three (3) years.

The universal charge shall be non-bypassable charge which shall be passed on and collected from all end-users on a monthly basis by the distribution utilities. Collections by the distribution utilities and the TRANSCO in any given month shall be remitted to the PSALM Corp. on or before the fifteenth (15<sup>th</sup>) of the succeeding month, net of any amount due to the distribution utility. Any end-user or self-generating entity not connected to a distribution utility shall remit its corresponding universal charge directly to the TRANSCO.

The PSALM Corp., as administrator of the fund, shall create a Special Trust Fund which shall be disbursed only for the purposes specified herein in an open and transparent manner. All amounts collected for the universal charge shall be distributed to the respective beneficiaries within a reasonable period to be provided by the ERC.

**SEC. 35. Royalties, Returns and Tax Rates for Indigenous Energy Resources.** - The provisions of Section 79 of Commonwealth Act No. 137 (C.A. No. 137) and any law to the contrary notwithstanding, the President of the Philippines shall reduce the royalties, returns and taxes collected for the exploitation of all indigenous sources of energy, including but not limited to, natural gas and geothermal steam, so as to effect parity of tax treatment with the existing rates for imported coal, crude oil, bunker fuel and other imported fuels.

To ensure lower rates for end-users, the ERC shall forthwith reduce the rates of power from all indigenous sources of energy.

**SEC. 36. Unbundling of Rates and Functions.** - Within six (6) months from the effectivity of this Act, NPC shall file with the ERC its revised rates. The rates of NPC shall be unbundled between transmission and generation rates and the rates shall reflect the respective costs of providing each service. Inter-grid and intra-grid cross subsidies for both the transmission and the generation rates shall be removed in accordance with this Act.

Within six (6) months from the effectivity of this Act, each distribution utility shall file its revised rates for the approval by the ERC. The distribution wheeling charge shall be unbundled from the retail rate and the rates shall reflect the respective costs of providing each service. For both the distribution retail wheeling and supplier's charges, inter-class subsidies shall be removed in accordance with this Act.

Within six (6) months from the date of submission of revised rates by NPC and each distribution utility, the ERC shall notify the entities of their approval.

Any electric power industry participant shall functionally and structurally unbundle its business activities and rates in accordance with the sectors as identified in Section 5 hereof. The ERC shall ensure full compliance with this provision.

**SEC. 33. Distribution Utilities Stranded Contract Costs Recovery.** - Stranded contract costs of distribution utilities shall refer to the excess of the contracted cost of electricity under eligible contracts of such utilities over the actual selling price of such contracts in the market. Such contracts shall have been approved by the ERB as of December 31, 2000.

A distribution utility shall recover stranded contract costs: *Provided, however,* That such costs of the IPPs of distribution utilities are subject to review by ERC in order to determine fairness and reasonableness in relation to the average price of land-based IPP projects entered into by NPC at the time they were contracted. The ERC shall take into consideration all factors that affect the total cost of NPC IPP generation projects, including direct or indirect subsidies or incentives provided by the Government.

Within one (1) year from the start of open access, any distribution utility that seeks recovery of stranded contract costs shall file with the ERC notice of such intent together with an estimate of such obligations, including the present value thereof and such other supporting data as may be required by the ERC. Any distribution utility that does not file within the date specified shall not be eligible for such recovery.

Any distribution utility which seeks to recover stranded cost shall have a duty to mitigate its potential stranded contract costs by making reasonable best efforts to:

- (a) reduce the costs of its existing contracts with IPPs to a level not exceeding the average buying price of other land-based electric power generators; and
- (b) submit to an annual earnings review by the ERC and use its earnings above its authorized rate of return to reduce the book value of contracts until the end of the stranded cost recovery period.

Other mitigating measures which are reasonably known and generally accepted within the electric power industry shall be utilized. The ERC shall not require the distribution utility to take a loss to reduce stranded contract costs or divest assets, unless the divestiture is imposed as a penalty as provided herein.

The relevant distribution utility shall submit to the ERC quarterly reports showing the amount of stranded costs recovered and the balance remaining to be recovered.

Within three (3) months from the submission of the application for stranded cost recovery by the relevant distribution utilities, the ERC shall verify the reasonable amounts and determine the manner and duration for the full recovery of stranded contract costs as defined herein: *Provided,* That the duration for such recovery shall not be shorter than fifteen (15) years nor longer than twenty-five (25) years. Any amount to be included for stranded cost recovery shall be reflected as a separate item in the consumer billing statement.

The ERC shall, at the end of the first year of the implementation of stranded cost recovery and every year thereafter, conduct a review to determine whether there is under-recovery or over recovery and adjust (true-up) the level of stranded cost recovery charge accordingly. In case of an over-recovery, the ERC shall ensure that any excess amount shall be remitted to the Special Trust Fund created under Section 34 hereof. A separate account shall be created for these amounts which shall be held in trust for any future claims of distribution utilities for stranded cost recovery. At the end of the stranded cost recovery period, any remaining amount in this account shall be used to reduce the electricity rates to the end-users.

**SEC. 34. Universal Charge.** - Within one (1) year from the effectivity of this Act, a universal charge to be determined, fixed and approved by the ERC, shall be imposed on all electricity end-users for the following purposes:

### CHAPTER III

#### ROLE OF THE DEPARTMENT OF ENERGY

SEC. 37. *Powers and Functions of the DOE.* - In addition to its existing powers and functions, the DOE is hereby mandated to supervise the restructuring of the electricity industry. In pursuance thereof, Section 5 of RA 7638 otherwise known as "The Department of Energy Act of 1992," is hereby amended to read as follows:

- (a) Formulate policies for the planning and implementation of a comprehensive program for the efficient supply and economical use of energy consistent with the approved national economic plan and with the policies on environmental protection and conservation and maintenance of ecological balance, and provide a mechanism for the integration, rationalization, and coordination of the various energy programs of the Government;
- (b) Develop and update annually the existing Philippine Energy Plan, hereinafter referred to as 'The Plan', which shall provide for an integrated and comprehensive exploration, development, utilization, distribution, and conservation of energy resources, with preferential bias for environment-friendly, indigenous, and low-cost sources of energy. The plan shall include a policy direction towards the privatization of government agencies related to energy, deregulation of the power and energy industry, and reduction of dependency on oil-fired plants. Said Plan shall be submitted to Congress not later than the fifteenth day of September and every year thereafter;
- (c) Prepare and update annually a Power Development Program (PDP) and integrate the same into the Philippine Energy Plan. The PDP shall consider and integrate the individual or joint development plans of the transmission, generation, and distribution sectors of the electric power industry, which are submitted to the Department; *Provide, however*, That the ERC shall have exclusive authority covering the Grid Code and the pertinent rules and regulations it may issue;
- (d) Ensure the reliability, quality and security of supply of electric power;
- (e) Following the restructuring of the electricity sector, the DOE shall, among others:
  - (i) Encourage private sector investments in the electricity sector and promote development of indigenous and renewable energy sources;
  - (ii) Facilitate and encourage reforms in the structure and operations of distribution utilities for greater efficiency and lower costs;
  - (iii) In consultation with other government agencies, promote a system of incentives to encourage industry participants, including new generating companies and end-users to provide adequate and reliable electric supply; and
  - (iv) Undertake in coordination with the ERC, NPC, NEA and the Philippine Information Agency (PIA), information campaign to educate the public on the restructuring of the electricity sector and privatization of NPC assets.
- (f) Jointly with the electric power industry participants, establish the wholesale electricity spot market and formulate the detailed rules governing the operations thereof;
- (g) Establish and administer programs for the exploration, transportation, marketing, distribution, utilization, conservation, stockpiling, and storage of energy resources of all forms, whether conventional or non-conventional;

(h) Exercise supervision and control over all government activities relative to energy projects in order to attain the goals embodied in Section 2 of RA 7638;

(i) Develop policies and procedures and, as appropriate, promote a system of energy development incentives to enable and encourage electric power industry participants to provide adequate capacity to meet demand including, among others, reserve requirements;

(j) Monitor private sector activities relative to energy projects in order to attain the goals of the restructuring, privatization, and modernization of the electric power sector as provided for under existing laws; *Provided*, That the Department shall endeavor to provide for an environment conducive to free and active private sector participation and investment in all energy activities;

(k) Assess the requirements of, determine priorities for, provide direction to, and disseminate information resulting from energy research and development programs for the optimal development of various forms of energy production and utilization technologies;

(l) Formulate and implement programs, including a system of providing incentives and penalties, for the judicious and efficient use of energy in all energy-consuming sectors of the economy;

(m) Formulate and implement a program for the accelerated development of non-conventional energy systems and the promotion and commercialization of its applications;

(n) Devise ways and means of giving direct benefit to the province, city, or municipality, especially the community and people affected, and equitable preferential benefit to the region that hosts the energy resource and/or the energy-generating facility; *Provided, however*, That the other provinces, cities, municipalities, or regions shall not be deprived of their energy requirements;

(o) Encourage private enterprises engaged in energy projects, including corporations, cooperatives, and similar collective organizations, to broaden the base of their ownership and thereby encourage the widest public ownership of energy-oriented corporations;

(p) Formulate such rules and regulations as may be necessary to implement the objectives of this Act; and

(q) Exercise such other powers as may be necessary or incidental to attain the objectives of this Act.

### CHAPTER IV

#### REGULATION OF THE ELECTRIC POWER INDUSTRY

SEC. 38. *Creation of the Energy Regulatory Commission.* There is hereby created an independent, quasi-judicial regulatory body to be named the Energy Regulatory Commission (ERC). For this purpose, the existing Energy Regulatory Board (ERB) created under Executive Order No. 172, as amended, is hereby abolished.

The Commission shall be composed of a Chairman and four (4) members to be appointed by the President of the Philippines. The Chairman and the members of the Commission shall be natural-born citizens and residents of the Philippines, persons of good moral character, at least thirty-five (35) years of age, and of recognized competence in any of the following fields: energy, law, economics, finance, commerce, or engineering, with at least three (3) years actual and distinguished experience in their

respective fields of expertise: *Provided*, That out of the four (4) members of the Commission, at least one (1) shall be a member of the Philippine Bar with at least ten (10) years experience in the active practice of law, and one (1) shall be a certified public accountant with at least ten (10) years experience in active practice.

Within three (3) months from the creation of the ERC, the Chairman shall submit for the approval by the President of the Philippines the new organizational structure and plantilla positions necessary to carry out the powers and functions of the ERC.

The Chairman of the Commission, who shall be a member of the Philippine Bar, shall act as the Chief Executive Officer of the Commission.

All members of the Commission shall have a term of seven (7) years: *Provided*, That for the first appointees, the Chairman shall hold office for seven (7) years, two (2) members shall hold office for five (5) years and the other two (2) members shall hold office for three (3) years; *Provided, further*, That appointment to any future vacancy shall only be for the unexpired term of the predecessor: *Provided, finally*, That there shall be no reappointment and in no case shall any member serve for more than seven (7) years in the Commission.

The Chairman and members of the Commission shall assume office of the beginning of their terms: *Provided, That*, if upon the effectivity of this Act, the Commission has not been constituted and the new staffing pattern and plantilla positions have not been approved and filled-up, the current Board and existing personnel of ERB shall continue to hold office.

The existing personnel of the ERB, if qualified, shall be given preference in the filling up of plantilla positions created in the ERC, subject to existing civil service rules and regulations.

Members of the Commission shall enjoy security of tenure and shall not be suspended or removed from office except for just cause as specified by law.

The Chairman and members of the Commission or any of their relatives within the fourth civil degree of consanguinity or affinity, legitimate or common law, shall be prohibited from holding any interest whatsoever, either as investor, stockholder, officer or director, in any company or entity engaged in the business of transmitting, generating, supplying or distributing any form of energy and must, therefore, divest through sale or legal disposition of any and all interests in the energy sector upon assumption of office.

The presence of at least three (3) members of the Commission shall constitute a quorum and the majority vote of two (2) members in a meeting where a quorum is present shall be necessary for the adoption of any rule, ruling, order, resolution, decision, or other act of the Commission in the exercise of its quasi-judicial functions: *Provided*, That in fixing rates and tariffs, an affirmative vote of three (3) members shall be required.

**SEC. 39. Compensation and Other Emoluments for ERC Personnel.** — The compensation and other emoluments for the Chairman and members of the Commission and the ERC personnel shall be exempted from the coverage of Republic Act No. 6758, otherwise known as the "Salary Standardization Act". For this purpose, the schedule of compensation of the ERC personnel, except for the initial salaries and compensation of the Chairman and members of the Commission, shall be submitted for approval by the President of the Philippines. The new schedule of compensation shall be implemented within six (6) months from the effectivity of this Act and may be upgraded by the President of the Philippines as the need arises: *Provided*, That in no case shall the rate be upgraded more than once a year.

The Chairman and members of the Commission shall initially be entitled to the same salaries, allowances and benefits as those of the Presiding Justice and Associate Justices of the Supreme Court, respectively. The Chairman and the members of the Commission shall, upon completion of their term or

upon becoming eligible for retirement under existing laws, be entitled to the same retirement benefits and the privileges provided for the Presiding Justice and Associate Justices of the Supreme Court, respectively.

**SEC. 40. Enhancement of Technical Competence.** — The ERC shall establish rigorous training programs for its staff for the purpose of enhancing the technical competence of the ERC in the following areas: evaluation of technical performance and monitoring of compliance with service and performance standards, performance-based rate-setting reform, environmental standards and such other areas as will enable the ERC to adequately perform its duties and functions.

**SEC. 41. Promotion of Consumer Interests.** — The ERC shall handle consumer complaints and ensure the adequate promotion of consumer interests.

**SEC. 42. Budget of the ERC.** — The amount of One hundred fifty million pesos (P150,000,000.00) is hereby allocated from the existing budget of the ERB for the initial operation of the ERC. Any balance shall initially be sourced from the Office of the President of the Philippines. Thereafter, the annual budget of the ERC shall be included in the regular or special appropriations.

**SEC. 43. Functions of the ERC.** — The ERC shall promote competition, encourage market development, ensure customer choice and penalize abuse of market power in the restructured electricity industry. In appropriate cases, the ERC is authorized to issue cease and desist order after due notice and hearing. Towards this end, it shall be responsible for the following key functions in the restructured industry:

- (a) Enforce the implementing rules and regulations of this Act;
- (b) Within six (6) months from the effectivity of this Act, promulgate and enforce, in accordance with law, a National Grid Code and a Distribution Code which shall include, but not limited to, the following:
  - (i) Performance standards for TRANSCO O & M Concessionaire, distribution utilities and suppliers: *Provided*, That in the establishment of the performance standards, the nature and function of the entities shall be considered; and
  - (ii) Financial capability standards for the generating companies, the TRANSCO, distribution utilities and suppliers: *Provided, further*, That such standards are set to ensure that the electric power industry participants meet the minimum financial standards to protect the public interest. Determine, fix, and approve, after due notice and public hearings the universal charge, to be imposed on all electricity end-users pursuant to Section 34 hereof.
- (c) Enforce the rules and regulations governing the operations of the electricity spot market and the activities of the spot market operator and other participants in the spot market, for the purpose of ensuring a greater supply and rational pricing of electricity;
- (d) Determine the level of cross subsidies in the existing retail rate until the same is removed pursuant to Section 74 hereof;
- (e) Amend or revoke, after due notice and hearing, the authority to operate of any person or entity which fails to comply with the provisions hereof, the IRR or any order or resolution of the ERC. In the event a divestment is required, the ERC shall allow the affected party sufficient time to remedy the infraction or for an orderly disposal, but in no case exceed twelve (12) months from the issuance of the order;
- (f) In the public interest, establish and enforce a methodology for setting transmission and distribution wheeling rates and retail rates for the captive market of a distribution utility, taking into account all relevant considerations, including the efficiency or inefficiency of the

regulated entities. The rates must be such as to allow the recovery of just and reasonable costs and a reasonable return on rate base (ROB) to enable the entity to operate viably. The ERC may adopt alternative forms of internationally-accepted rate-setting methodology as it may deem appropriate. The rate-setting methodology so adopted and applied must ensure a reasonable price of electricity. The rates prescribed shall be non-discriminatory. To achieve this objective and to ensure the complete removal of cross subsidies, the cap on the recoverable rate of system losses prescribed in Section 10 of Republic Act No. 7832, is hereby amended and shall be replaced by caps which shall be determined by the ERC based on load density, sales mix, cost of service, delivery voltage and other technical considerations it may promulgate. The ERC shall determine such form or rate-setting methodology, which shall promote efficiency. In case the rate setting methodology used is ROB, it shall be subject to the following guidelines:

- (i) For purposes of determining the rate base, the TRANSOCO or any distribution utility may be allowed to revalue its eligible assets not more than once every three (3) years by an independent appraisal company: *Provided, however*, That ERC may give an exemption in case of unusual devaluation: *Provided, further*, That the ERC shall exert efforts to minimize price shocks in order to protect the consumers;
- (ii) Interest expenses are not allowable deductions from permissible return on rate base;
- (iii) In determining eligible cost of services that will be passed on to the end-users, the ERC shall establish minimum efficiency performance standards for the TRANSOCO and distribution utilities including systems losses, interruption frequency rates, and collection efficiency;
- (iv) Further, in determining rate base, the TRANSOCO or any distribution utility shall not be allowed to include management inefficiencies like cost of project delays not excused by *force majeure*, penalties and related interest during construction applicable to these unexcused delays; and
- (v) Any significant operating costs or project investments of the TRANSOCO and distribution utilities which shall become part of the rate base shall be subject to verification by the ERC to ensure that the contracting and procurement of the equipment, assets and services have been subjected to transparent and accepted industry procurement and purchasing practices to protect the public interest.
- (g) Three (3) years after the imposition of the universal charge, ensure that the charges of the TRANSOCO or any distribution utility shall bear no cross subsidies between grids, within grids, or between classes of customers, except as provided herein;
- (h) Review and approve any changes on the terms and conditions of service of the TRANSOCO or any distribution utility;
- (i) Allow the TRANSOCO to charge user fees for ancillary services to all electric power industry participants or self-generating entities connected to the grid. Such fees shall be fixed by the ERC after due notice and public hearing;
- (j) Set a lifeline rate for the marginalized end-users;
- (k) Monitor and take measures in accordance with this Act to penalize abuse of market power, cartelization, and anti-competitive or discriminatory behavior by any electric power industry participant;
- (l) Impose fines or penalties for any non-compliance with or breach of this Act, the IRR of this Act and the rules and regulations which it promulgates or administers;

- (m) Take any other action delegated to it pursuant to this Act;
- (n) Before the end of April of each year, submit to the Office of the President of the Philippines and Congress, copy furnished the DOE, an annual report containing such matters or cases which have been filed before or referred to it during the preceding year, the actions and proceedings undertaken and its decision or resolution in each case. The ERC shall make copies of such reports available to any interested party upon payment of a charge which reflects the printing costs. The ERC shall publish all its decisions involving rates and anti-competitive cases in at least one (1) newspaper of general circulation, and/or post electronically and circulate to all interested electric power industry participants copies of its resolutions to ensure fair and impartial treatment;
- (o) Monitor the activities in the generation and supply of the electric power industry with the end in view of promoting free market competition and ensuring that the allocation or pass through of bulk purchase cost by distributors is transparent, non-discriminatory and that any existing subsidies shall be divided pro-rata among all retail suppliers;
- (p) Act on applications for or modifications of certificates of public convenience and/or necessity, licenses or permits of franchised electric utilities in accordance with law and revoke, review and modify such certificates, licenses or permits in appropriate cases, such as in cases of violations of the Grid Code, Distribution Code and other rules and regulations issued by the ERC in accordance with law;
- (q) Act on applications for cost recovery and return on demand side management projects;
- (r) In the exercise of its investigative and quasi-judicial powers, act against any participant or player in the energy sector for violations of any law, rule and regulation governing the same, including the rules on cross-ownership, anti-competitive practices, abuse of market positions and similar or related acts by any participant in the energy sector or by any person, as may be provided by law, and require any person or entity to submit any report or data relative to any investigation or hearing conducted pursuant to this Act;
- (s) Inspect, on its own or through duly authorized representatives, the premises, books of accounts and records of any person or entity at any time, in the exercise of its quasi-judicial power for purposes of determining the existence of any anti-competitive behavior and/or market power abuse and any violation of rules and regulations issued by the ERC;
- (t) Perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernization of the electric power industry, such as, but not limited to, the rules and guidelines under which generation companies, distribution utilities which are not publicly listed shall offer and sell to the public a portion not less than fifteen percent (15%) of their common shares of stocks: *Provided, however*, That generation companies, distribution utilities or their respective holding companies that are already listed in the PSE are deemed in compliance. For existing companies, such public offering shall be implemented not later than five (5) years from the effectivity of this Act. New companies shall implement their respective public offerings not later than five (5) years from the issuance of their certificate of compliance; and
- (u) The ERC shall have the original and exclusive jurisdiction over all cases contesting rates, fees, fines and penalties imposed by the ERC in the exercise of the above mentioned powers, functions and responsibilities and over all cases involving disputes between and among participants or players in the energy sector.

All notices of hearings to be conducted by the ERC for the purpose of fixing rates or fees shall be published at least twice for two successive weeks in two (2) newspapers of nationwide circulation.

Exceptions from these limitations shall be allowed for isolated grids that are not connected to the high voltage transmission system. Except as otherwise provided for in this Section, any restriction on ownership and/or control between or within sectors of the electricity industry may be imposed by ERC only insofar as the enforcement of the provisions of this Section is concerned.

The ERC shall, within one (1) year from the effectivity of this Act, promulgate rules and regulations to ensure and promote competition, encourage market development and customer choice and discourage/penalize abuse of market power, cartelization and any anti-competitive or discriminatory behavior, in order to further the intent of this Act and protect the public interest. Such rules and regulations shall define the following:

- (a) the relevant markets for purposes of establishing abuse or misuse of monopoly or market position;
- (b) areas of isolated grids; and
- (c) the periodic reportorial requirements of electric power industry participants as may be necessary to enforce the provisions of this Section.

The ERC shall, *motu proprio*, monitor and penalize any market power abuse or anti-competitive or discriminatory act or behavior by any participant in the electric power industry. Upon finding that a market participant has engaged in such act or behavior, the ERC shall stop and redress the same. Such remedies shall, without limitation, include the imposition of price controls, issuance of injunctions, requirement of divestment or disgorgement of excess profits and imposition of fines and penalties pursuant to this Act.

The ERC shall, within one (1) year from the effectivity of this Act, promulgate rules and regulations providing for a complaint procedure that, without limitation, provides the accused party with notice and an opportunity to be heard.

SEC. 46. *Fines and Penalties.* - The fines and penalties that shall be imposed by the ERC for any violation of or non-compliance with this Act or the IRR shall range from a minimum of fifty thousand pesos (P50,000.00) to a maximum of Fifty million pesos (P50,000,000.00).

Any person who is found guilty of any of the prohibited acts pursuant to Section 45 hereof shall suffer the penalty of *prision mayor* and fine ranging from Ten thousand pesos (P10,000.00) to Ten million pesos (P10,000,000.00), or both, at the discretion of the court.

The members of the Board of Directors of the juridical companies participating in or covered in the generation companies, the distribution utilities, the TRANSCO or its concessionaire or supplier who violate the provisions of this Act may be fined by an amount not exceeding double the amount of damages caused by the offender or by imprisonment of one (1) year or two (2) years or both at the discretion of the court. This rule shall apply to the members of the Board who knowingly or by neglect allows the commission or omission under the law.

If the offender is a government official or employee, he shall, in addition, be dismissed from the government service with prejudice to reinstatement and with perpetual or temporary disqualification from holding any elective or appointive office.

If the offender is an alien, he may, in addition to the penalties prescribed, be deported without further proceedings after service of sentence.

Any case which involves question of fact shall be appealable to the Court of Appeals and those which involve question of law shall be directly appealable to the Supreme Court.

SEC. 44. *Transfer of Powers and Functions.* - The powers and functions of the Energy Regulatory Board not inconsistent with the provisions of this Act are hereby transferred to the ERC. The foregoing transfer of powers and functions shall include all applicable funds and appropriations, records, equipment, property and personnel as may be necessary.

SEC. 45. *Cross Ownership, Market Power Abuse and Anti-Competitive Behavior.* - No participant in the electricity industry or any other person may engage in any anti-competitive behavior including, but not limited to, cross-subsidization, price or market manipulation, or other unfair trade practices detrimental to the encouragement and protection of contestable markets.

No generation company, distribution utility, or its respective subsidiary or affiliate or stockholder or official of a generation company or distribution utility, or other entity engaged in generating and supplying electricity specified by ERC within the fourth civil degree of consanguinity or affinity, shall be allowed to hold any interest, directly or indirectly, in TRANSCO or its concessionaire. Likewise, the TRANSCO, or its concessionaire or any of its stockholders or officials or any of their relatives within the fourth civil degree of consanguinity or affinity, shall not hold any interest, whether directly or indirectly, in any generation company or distribution utility. Except for *ex officio* government-appointed representatives, no person who is an officer or director of the TRANSCO or its concessionaire shall be an officer or director of any generation company, distribution utility or supplier.

An "affiliate" means any person which, alone or together with any other person, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with another person. As used herein, "control" shall mean the power to direct or cause the direction of the management policies of a person by contract, agency or otherwise.

To promote true market competition and prevent harmful monopoly and market power abuse, the ERC shall enforce the following safeguards:

(a) No company or related group can own, operate or control more than thirty percent (30%) of the installed generating capacity of a grid and/or twenty-five percent (25%) of the national installed generating capacity. "Related group" includes a person's business interests, including its subsidiaries, affiliates, directors or officers or any of their relatives by consanguinity or affinity, legitimate or common law, within the fourth civil degree;

(b) Distribution utilities may enter into bilateral power supply contracts subject to review by the ERC. *Provided*, That such review shall only be required for distribution utilities whose markets have not reached household demand level. For the purpose of preventing market power abuse between associated firms engaged in generation and distribution, no distribution utility shall be allowed to source from bilateral power supply contracts more than fifty percent (50%) of its total demand from an associated firm engaged in generation but such limitation, however, shall not prejudice contracts entered into prior to the effectivity of this Act. An associated firm with respect to another entity refers to any person which, alone or together with any other person, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such entity; and

(c) For the first five (5) years from the establishment of the wholesale electricity spot market, no distribution utility shall source more than ninety percent (90%) of its total demand from bilateral power supply contracts.

For purposes of this Section, the grid basis shall consist of three (3) separate grids, namely Luzon, Visayas and Mindanao. The ERC shall have the authority to modify or amend this definition of a grid when two or more of the three separate grids become sufficiently interconnected to constitute a single grid or as conditions may otherwise permit.



The administrative sanction that may be imposed by the ERC shall be without prejudice to the filing of a criminal action, if warranted.

To ensure compliance with this Act, the penalty of *prison correccional* or a fine ranging from Five thousand pesos (P5,000.00) to Five million pesos (P5,000,000.00), or both, at the discretion of the court, shall be imposed on any person, including but not limited to the president, member of the Board, Chief Executive Officer or Chief Operating Officer of the corporation, partnership, or any other entity involved, found guilty of violating or refusing to comply with any provision of this Act or its IRR, other than those provided herein.

Any party to an administrative proceeding may, at any time, make an offer to the ERC, conditionally or otherwise, for a consented decree, voluntary compliance or desistance and other settlement of the case. The offer and any or all of the ultimate facts upon which the offer is based shall be considered for settlement purposes only and shall not be used as evidence against any party for any other purpose and shall not constitute an admission by the party making the offer of any violation of the laws, rules, regulations, orders and resolutions of the ERC, nor as a waiver to file any warranted criminal actions.

In addition, Congress may, upon recommendation of the DOE and/or ERC, revoke such franchise or privilege granted to the party who violated the provisions of this Act.

## CHAPTER V

### PRIVATIZATION OF THE ASSETS OF THE NATIONAL POWER CORPORATION

**SEC. 47. NPC Privatization.** - Except for the assets of SPUG, the generation assets, real estate, and other disposable assets as well as IPP contracts of NPC shall be privatized in accordance with this Act. Within six (6) months from the effectivity of this Act, the PSALM Corp shall submit a plan for the endorsement by the Joint Congressional Power Commission and the approval of the President of the Philippines, on the total privatization of the generation assets, real estate, other disposable assets as well as existing IPP contracts of NPC, and thereafter, implement the same, in accordance with the following guidelines, except as provided for in Paragraph (f) herein:

- (a) The privatization value to the National Government of the NPC generation assets, real estate, and other disposable assets as well as IPP contracts shall be optimized;
- (b) The participation by Filipino citizens and corporations in the purchase of NPC assets shall be encouraged;

In the case of foreign investors, at least seventy-five percent (75%) of the funds used to acquire NPC-generation assets and IPP contracts shall be inwardly remitted and registered with the Bangko Sentral ng Pilipinas.

- (c) The NPC plants and/or IPP contracts assigned to IPP Administrators, its related assets and assigned liabilities, if any, shall be grouped in a manner which shall promote the viability of the resulting generation companies (gencos), ensure economic efficiency, encourage competition, foster reasonable electricity rates and create market appeal to optimize returns to the government from the sale and disposition of such assets in a manner consistent with the objectives of this Act. In the grouping of the generation assets and IPP contracts of NPC, the following criteria shall be considered:

- 1) A sufficient scale of operations and balance sheet strength to promote the financial viability of the restructured units;

- 2) Broad geographical groupings to ensure efficiency of operations but without the formation of regional companies or consolidation of market power;
- 3) Portfolio of plants and IPP contracts to achieve management and operational synergy without dominating any part of the market or of the load curve; and
- 4) Such other factors as may be deemed beneficial to the best interest of the National Government while ensuring attractiveness to potential investors.

(d) All assets of NPC shall be sold in an open and transparent manner through public bidding, and the same shall apply to the disposition of IPP contracts;

(e) In cases of transfer of possession, control, operation or privatization of multi-purpose hydro facilities, safeguards shall be prescribed to ensure that the national government may direct water usage in cases of shortage to protect potable water, irrigation, and all other requirements imbued with public interest;

(f) The Agus and the Pulangui complexes in Mindanao shall be excluded from among the generation companies that will be initially privatized. Their ownership shall be transferred to the PSALM Corp. and both shall continue to be operated by the NPC. Said complexes may be privatized not earlier than ten (10) years from the effectivity of this Act, and except for Agus III, shall not be subject to Build-Operate-Transfer (B-O-T), Build-Rehabilitate-Operate-Transfer (B-R-O-T) and other variations thereof pursuant to Republic Act No. 6957, as amended by Republic Act No. 7718. The privatization of Agus and Pulangui complexes shall be left to the discretion of PSALM Corp. in consultation with Congress;

(g) The steamfield assets and generating plants of each geothermal complex shall not be sold separately. They shall be combined and each geothermal complex shall be sold as one package through public bidding. The geothermal complexes covered by this requirement include, but are not limited to, Tiwi-Makban, Leyte A and B (Tongoman), Palimpinon, and Mt. Apo;

(h) The ownership of the Caliraya-Botokan-Kalayaan (CBK) pump storage complex shall be transferred to the PSALM Corporation;

(i) Not later than three (3) years from the effectivity of this Act, and in no case later than the initial implementation of open access, at least seventy percent (70%) of the total capacity of generating assets of NPC and of the total capacity of the power plants under contract with NPC located in Luzon and Visayas shall have been privatized: *Provided*, That any unsold capacity shall be privatized not later than eight (8) years from the effectivity of this Act; and

(j) NPC may generate and sell electricity only from the undisposed generating assets and IPP contracts of PSALM Corp. and shall not incur any new obligations to purchase power through bilateral contracts with generation companies or other suppliers.

**SEC. 48. National Power Board of Directors.** - Upon the passage of this Act, Section 6 of R.A. 6395, as amended, and Section 13 of RA 7638, as amended, referring to the composition of the National Power Board of Directors, are hereby repealed and a new Board shall be immediately organized. The new Board shall be composed of the Secretary of Finance as Chairman, with the following as members: the Secretary of Energy, the Secretary of Budget and Management, the Secretary of Agriculture, the Director-General of the National Economic and Development Authority, the Secretary of Environment and Natural Resources, the Secretary of Interior and Local Government, the Secretary of the Department of Trade and Industry, and the President of the National Power Corporation.

## CHAPTER VI

### POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT

SEC. 49. *Creation of Power Sector Assets and Liabilities Management Corporation.* - There is hereby created a government-owned and -controlled corporation to be known as the "Power Sector Assets and Liabilities Management Corporation", hereinafter referred to as the "PSALM Corp.", which shall take ownership of all existing NPC generation assets, liabilities, IPP contracts, real estate and all other disposable assets. All outstanding obligations of the NPC arising from loans, issuances of bonds, securities and other instruments of indebtedness shall be transferred to and assumed by the PSALM Corp. within one hundred eighty (180) days from the approval of this Act.

SEC. 50. *Purpose and Objective, Domicile and Term of Existence.* - The principal purpose of the PSALM Corp. is to manage the orderly sale, disposition, and privatization of NPC generation assets, real estate and other disposable assets, and IPP contracts with the objective of liquidating all NPC financial obligations and stranded contract costs in an optimal manner.

The PSALM Corp. shall have its principal office and place of business within Metro Manila.

The PSALM Corp. shall exist for a period of twenty five (25) years from the effectivity of this Act, unless otherwise provided by law, and all assets held by it, all moneys and properties belonging to it, and all its liabilities outstanding upon the expiration of its term of existence shall revert to and be assumed by the National Government.

SEC. 51. *Powers.* - The Corporation shall, in the performance of its functions and for the attainment of its objective, have the following powers:

- (a) To formulate and implement a program for the sale and privatization of the NPC assets and IPP contracts and the liquidation of NPC debts and stranded contract costs, such liquidation to be completed within the term of existence of the PSALM Corp.;
- (b) To take title to and possession of, administer and conserve the assets transferred to it to sell or dispose of the same at such price and under such terms and conditions as it may deem necessary or proper, subject to applicable laws, rules and regulations;
- (c) To take title to and possession of the NPC IPP contracts and to appoint, after public bidding in transparent and open manner, qualified independent entities who shall act as the IPP Administrators in accordance with this Act;
- (d) To calculate the amount of the stranded debts and stranded contract costs of NPC which shall form the basis for ERC in the determination of the universal charge;
- (e) To liquidate the NPC stranded contract costs utilizing proceeds from sales and other property contributed to it, including the proceeds from the universal charge;
- (f) To adopt rules and regulations as may be necessary or proper for the orderly conduct of its business or operations;
- (g) To sue and be sued in its name;
- (h) To appoint or hire, transfer, remove and fix the compensation of its personnel. *Provided, however,* That the Corporation shall hire its own personnel only if absolutely necessary, and as far as practicable, shall avail itself of the services of personnel detailed from other government agencies;

- (i) To own, hold, acquire, or lease real and personal properties as may be necessary or required in the discharge of its functions;
- (j) To borrow money and incur such liabilities, including the issuance of bonds, securities or other evidences of indebtedness utilizing its assets as collateral and/or through the guarantees of the National Government. *Provided, however,* That all such debts or borrowings shall have been paid off before the end of its corporate life;
- (k) To restructure existing loans of NPC;
- (l) To collect, administer, and apply NPC's portion of the universal charge; and
- (m) To restructure the sale, privatization or disposition of NPC assets and IPP contracts and/or their energy output based on such terms and conditions which shall optimize the value and sale prices of said assets.

SEC. 52. *Power Sector Assets and Liabilities Management Corporation, Meetings, Quorum and Voting.* - The Corporation shall be administered, and its powers and functions exercised, by a Board of Directors which shall be composed of the Secretary of Finance as the Chairman, the Secretary of Budget and Management, the Secretary of the Department of Energy, the Director-General of the National Economic and Development Authority, the Secretary of the Department of Justice, the Secretary of the Department of Trade and Industry and the President of the PSALM Corp. as *ex officio* members thereof.

The Board of Directors shall meet regularly and as frequently as may be necessary to enable it to discharge its functions and responsibilities. The presence at a meeting of four (4) members shall constitute a quorum, and the decision of the majority of three (3) members present at a meeting where there is quorum shall be the decision of the Board of Directors.

SEC. 53. *Powers of the President of PSALM Corp.* - The President of PSALM Corp. shall be appointed by the President of the Philippines. In the absence of the Chairman, the President shall preside over Board meetings.

The PSALM Corp. President shall be the Chief Executive Officer of PSALM Corp. and shall have the following powers and duties:

- (a) To execute and administer the policies and measures approved by the Board, and take responsibility for the efficient discharge of management functions;
- (b) To oversee the preparation of the budget of PSALM Corp.;
- (c) To direct and supervise the operation and internal administration of PSALM Corp. and, for this purpose, may delegate some or any of his administrative responsibilities and duties to other officers of PSALM Corp.;
- (d) Subject to the guidelines and policies set up by the Board, to appoint and fix the number and compensation of subordinate officials and employees of PSALM Corp. and for cause, to remove, suspend, or otherwise discipline any subordinate employee of PSALM Corp.;
- (e) To submit an annual report to the Board on the activities and achievements of PSALM Corp. at the close of each fiscal year and upon approval thereof, submit a copy to the President of the Philippines and to such other agencies as may be required by law;
- (f) To represent PSALM Corp. in all dealings and transactions with other offices, agencies, and instrumentalities of the Government and with all persons and other entities, private or public, domestic or foreign; and
- (g) To exercise such other powers and duties as may be vested in him by the Board from time to time.

SEC. 54. *Exemption from the Salary Standardization Law.* - The salaries and benefits of employees in the PSALM Corp. shall be exempt from Republic Act No. 6758 and shall be fixed by the PSALM Corp. Board.

SEC. 55. *Property of the PSALM Corp.* - The following funds, assets, contributions and other property shall constitute the property of the PSALM Corp.:

- (a) The generation assets, real estate, IPP contracts, other disposable assets of NPC, proceeds from the sale or disposition of such assets and the residual assets from B-O-I, R-O-I, and other variations thereof;
- (b) Transfers from the National Government;
- (c) Proceeds from loans incurred to restructure or refinance NPC's transferred liabilities; *Provided, however,* That all borrowings shall be fully paid for by the end of the life of the PSALM Corp.;
- (d) Proceeds from the universal charge allocated for stranded contract costs and the stranded debts of NPC;
- (e) Net profit of NPC;
- (f) Net profit of TRANSOCO;
- (g) Official assistance, grants, and donations from external sources; and
- (h) Other sources of funds as may be determined by PSALM Corp. necessary for the above-mentioned purposes.

SEC. 56. *Claims Against the PSALM Corp.* - The following shall constitute the claims against the PSALM Corp.:

- (a) NPC liabilities transferred to the PSALM Corp.;
- (b) Transfers from the national government;
- (c) New loans; and
- (d) NPC stranded contract costs.

#### CHAPTER VII

#### PROMOTION OF RURAL ELECTRIFICATION

SEC. 57. *Conversion of Electric Cooperatives.* - Electric cooperatives are hereby given the option to convert into either stock cooperative under the Cooperatives Development Act or stock corporation under the Corporation Code. Nothing contained in this Act shall deprive electric cooperatives of any privilege or right granted to them under Presidential Decree No. 269, as amended, and other existing laws.

SEC. 58. *Additional Mandate of the National Electrification Administration (NEA).* - NEA shall develop and implement programs:

- (a) To prepare electric cooperatives in operating and competing under the deregulated electric market within five (5) years from the effectivity of this Act, specifically in an environment of open access and retail wheeling;
- (b) To strengthen the technical capability and financial viability of rural electric cooperatives; and

- (c) To review and upgrade regulatory policies with a view to enhancing the viability of rural electric cooperatives as electric utilities.

NEA shall continue to be under the supervision of the DOE and shall exercise its functions under Presidential Decree No. 269, as amended by Presidential Decree No. 1645 insofar as they are consistent with this Act.

SEC. 59. *Alternative Electric Service for Isolated Villages.* - The provision of electric service in remote and unviable villages that the franchised utility is unable to service for any reason shall be opened to other qualified third parties.

SEC. 60. *Debts of Electric Cooperatives.* - Upon the effectivity of this Act, all outstanding financial obligations of electric cooperatives to NEA and other government agencies incurred for the purpose of financing the rural electrification program shall be assumed by the PSALM Corp. in accordance with the program approved by the President of the Philippines within one (1) year from the effectivity of this Act which shall be implemented and completed within three (3) years from the effectivity of this Act. The ERC shall ensure a reduction in the rates of electric cooperatives commensurate with the resulting savings due to the removal of the amortization payments of their loans. Within five (5) years from the condonation of debt, any electric cooperative which shall transfer ownership or control of its assets, franchise or operations thereof shall repay PSALM Corp. the total debts including accrued interests thereon.

#### CHAPTER VIII

#### GENERAL PROVISIONS

SEC. 61. *Reportorial Requirements.* - The DOE shall take the necessary measures to ensure that the provisions of this Act are properly implemented, and shall submit to the Power Commission a semi-annual report on the implementation of this Act, on or before the last week of April and October of each year.

SEC. 62. *Joint Congressional Power Commission.* - Upon the effectivity of this Act, a congressional commission, hereinafter referred to as the "Power Commission", is hereby constituted. The Power Commission shall be composed of fourteen (14) members with the chairmen of the Committee on Energy of the Senate and the House of Representatives and six (6) additional members from each House, to be designated by the Senate President and the Speaker of the House of Representatives, respectively. The minority shall be entitled to pro rata representation but shall have at least one (1) representative in the Power Commission.

The Commission shall, in aid of legislation, perform the following functions, among others:

- (a) Set the guidelines and overall framework to monitor and ensure the proper implementation of this Act;
- (b) Endorse the initial privatization plan within one (1) month from submission of such plan to the Power Commission by PSALM Corp. for approval by the President of the Philippines;
- (c) To ensure transparency, require the submission of reports from government agencies concerned on the conduct of public bidding procedures regarding privatization of NPC generation and transmission assets;
- (d) Review and evaluate the performance of the industry participants in relation to the objectives and timelines set forth in this Act;
- (e) Approve the budget for the programs of the Power Commission and all disbursements therefrom, including compensation of all personnel;

Board of the TRANSCO and PSALM Corp. shall be subject to the approval of the President of the Philippines.

SEC. 65. *Environmental Protection.* - Participants in the generation, distribution and transmission sub-sectors of the industry shall comply with all environmental laws, rules, regulations and standards promulgated by the Department of Environment and Natural Resources including, in appropriate cases, the establishment of an environmental guarantee fund.

SEC. 66. *Benefits to Host Communities.* - The obligations of generation companies and energy resource developers to communities hosting energy generating facilities and/or energy resource developers as defined under Chapter II, Sections 289 to 294 of the Local Government Code and Section 5(f) of Republic Act No. 7638 and their implementing rules and regulations and applicable orders and circulars consistent with this Act shall continue: *Provided,* That the obligations mandated under Chapter II, Section 291 of Republic Act No. 7160, shall apply to privately-owned corporations or entities utilizing the national wealth of the locality.

To ensure the effective implementation of the reduction in cost of electricity in the communities where the source of energy is located, the mechanics and procedures prescribed in the Department of the Interior and Local Government (DILG)-DOE Circulars No. 95-01 and 98-01 dated October 31, 1995 and September 30, 1998, respectively and other issuances related thereto shall be pursued.

Towards this end, the fund generated from the eighty percent (80%) of the national wealth tax shall, in no case, be used by any local government unit for any purpose other than those for which it was intended.

In case of any violation or noncompliance by any local government official of any provision thereof, the DILG shall, upon prior notice and hearing, order the project operator, through the DOE, to withhold the remittance of the royalty payment to the host community concerned pending completion of the investigation. The unremitted funds shall be deposited in a government bank under a trust fund.

SEC. 67. *NPC Offer of Transition Supply Contracts.* - Within six (6) months from the effectivity of this Act, NPC shall file with the ERC for its approval a transition supply contract duly negotiated with the distribution utilities containing the terms and conditions of supply and a corresponding schedule of rates, consistent with the provisions hereof, including adjustments and/or indexation formulas which shall apply to the term of such contracts. The term of the transition supply contracts shall not extend beyond one (1) year from the introduction of open access. Such contracts shall be based on the projected demand of such utilities less any of their currently committed quantities under eligible IPP contracts as defined in Section 33 hereof. *Provided,* That the total generation capacity of such signed transition supply contracts shall not exceed the level of NPC owned, controlled or committed capacity as of the effectivity of this Act. Such transition supply contracts shall be assignable to the NPC successor generating companies.

Within six (6) months from the date of submission of the transition supply contract by NPC, the ERC shall notify NPC of their approval of the rates contained therein.

The ERC shall maintain a record of the contract terms and rates offered by NPC. Likewise, the ERC shall update monthly, the rates using the appropriate adjustment and/or indexation formula.

Notwithstanding the provisions of Section 25 hereof, the rates charged by a distribution utility for the generation component of the supply of electricity in their distribution retail supply rate shall, for the term of the transition supply contracts, not exceed the transition supply contract rates, as updated monthly. The recovery of costs incurred by a distribution utility for any generation component in excess of the transition supply contract rates shall be disallowed by the ERC, except for eligible contracts as defined under Section 33 hereof. *Provided,* That such limitation on the recovery of generation component costs by a distribution utility shall apply only to the equivalent quality and quantity of electricity still available to the distribution utility from NPC.

(f) Submit periodic reports to the President of the Philippines and Congress;

(g) Determine inherent weaknesses in the law and recommend necessary remedial legislation or executive measures; and

(h) Perform such other duties and functions as may be necessary to attain its objectives.

In furtherance hereof, the Power Commission is hereby empowered to require the DOE, ERC, NEA, TRANSCO, generation companies, distribution utilities, suppliers and other electric power industry participants to submit reports and all pertinent data and information relating to the performance of their respective functions in the industry. Any person who willfully and deliberately refuses without just cause to extend the support and assistance required by the Power Commission to effectively attain its objectives shall, upon conviction, be punished by imprisonment of not less than one (1) year but not more than six (6) years or a fine of not less than Fifty thousand pesos (P50,000.00) but not more than Five hundred thousand pesos (P500,000.00) or both at the discretion of the court.

The Power Commission shall adopt its internal rules of procedures; conduct hearings and receive testimonies, reports and technical advice; invite or summon by *subpoena ad testificandum* any public official, private citizen or any other person to testify before it, or require any person by *subpoena duces tecum* to produce before it such records, reports, documents or other materials as it may require; and generally require all the powers necessary to attain the purposes for which it is created. The Power Commission shall be assisted by a secretariat to be composed of personnel who may be seconded from the Senate and the House of Representatives and may retain consultants. The secretariat shall be headed by an executive director who has sufficient background and competence on the policies and issues relating to electricity industry reforms as provided in this Act. To carry out its powers and functions, the initial sum of twenty-five million pesos (P25,000,000.00) shall be charged against the current appropriations of the Senate. Thereafter, such amount necessary for its continued operation shall be included in the annual General Appropriations Act.

The Power Commission shall exist for period of ten (10) years from the effectivity of this Act and may be extended by a joint concurrent resolution.

SEC. 63. *Separation Benefits of Officials and Employees of Affected Agencies.* - National government employees displaced or separated from the service as a result of the restructuring of the electricity industry and privatization of NPC assets pursuant to this Act, shall be entitled to either a separation pay and other benefits in accordance with existing laws, rules or regulations or be entitled to avail of the privileges provided under a separation plan which shall be one and one-half month salary for every year of service in the government. *Provided, however,* That those who avail of such privilege shall start their government service anew if absorbed by any government-owned successor company. In no case shall there be any diminution of benefits under the separation plan until the full implementation of the restructuring and privatization.

Displaced or separated personnel as a result of the privatization, if qualified, shall be given preference in the hiring of the manpower requirements of the privatized companies.

The salaries of employees of NPC shall continue to be exempt from the coverage of Republic Act No. 6758, otherwise known as "The Salary Standardization Act".

With respect to employees who are not retained by NPC, the government, through the Department of Labor and Employment, shall endeavor to implement re-training, job counseling, and job placement programs.

SEC. 64. *Fiscal Prudence.* - To promote the prudent management of government resources, the creation of new positions and the levels of or increase in salaries and all other emoluments and benefits of TRANSCO and PSALM Corp. personnel shall be subject to the approval of the President of the Philippines. The compensation and all other emoluments and benefits of the officials and members of the

SEC. 68. *Review of IPP Contracts* - An inter-agency committee chaired by the Secretary of Finance, with the Secretary of the Department of Justice and the Director General of the National Economic Development Authority as members thereof is hereby created upon the effectivity of this Act. The Committee shall immediately undertake a thorough review of all IPP contracts. In cases where such contracts are found to have provisions which are grossly disadvantageous, or onerous to the Government, the Committee shall cause the appropriate government agency to file an action under the arbitration clauses provided in said contracts or initiate any appropriate action under Philippine laws. The PSALM Corporation shall diligently seek to reduce stranded costs, if any.

SEC. 69. *Renegotiation of Power Purchase and Energy Conversion Agreements between Government Entities*. - Within three (3) months from the effectivity of this Act, all power purchase and energy conversion agreements between the PNOC-Energy Development Corporation (PNOC-EDC) and NPC, including but not limited to the Palimpon, Tongonan and Mt. Apo Geothermal complexes, shall be reviewed by the ERC and the terms thereof amended to remove any hidden costs or extraordinary mark-ups in the cost of power or steam above their true costs. All amended contracts shall be submitted to the Joint Congressional Power Commission for approval. The ERC shall ensure that all savings realized from the reduction of said mark-ups shall be passed on to all end-users.

SEC. 70. *Missionary Electrification*. - Notwithstanding the divestment and/or privatization of NPC assets, IPP contracts and spun-off corporations, NPC shall remain as a National Government-owned and -controlled corporation to perform the missionary electrification function through the Small Power Utilities Group (SPUG) and shall be responsible for providing power generation and its associated power delivery systems in areas that are not connected to the transmission system. The missionary electrification function shall be funded from the revenues from sales in missionary areas and from the universal charge to be collected from all electricity end-users as determined by the ERC.

SEC. 71. *Electric Power Crisis Provision* - Upon the determination by the President of the Philippines of an imminent shortage of the supply of electricity, Congress may authorize, through a joint resolution, the establishment of additional generating capacity under such terms and conditions as it may approve.

SEC. 72. *Mandated Rate Reduction* - Upon the effectivity of this Act, residential end-users shall be granted a rate reduction from NPC rates of thirty centavos per kilowatt-hour (P0.30/kWh). Such reduction shall be reflected as a separate item in the consumer billing statement.

SEC. 73. *Lifetime Rate* - A socialized pricing mechanism called a lifetime rate for the marginalized end-users shall be set by the ERC, which shall be exempted from the cross subsidy phase-out under this Act for a period of ten (10) years, unless extended by law. The level of consumption and the rate shall be determined by the ERC after due notice and hearing.

SEC. 74. *Cross Subsidies* - Cross subsidies within a grid between grids and / or classes of customers shall be phased out in a period not exceeding three (3) years from the establishment by the ERC of a universal charge which shall be collected from all electricity end-users. Such level of cross subsidies shall be made transparent and identified separately in the billing statements provided to end-users by the suppliers.

The ERC may extend the period for the removal of cross subsidies for a maximum period of one (1) year upon finding that cessation of such mechanism would have a material adverse effect upon the public interest, particularly the residential end-user, or would have an immediate, irreparable, and adverse financial effect on distribution utility.

## CHAPTER IX

## FINAL PROVISIONS

SEC. 75. *Statutory Construction* - This Act shall, unless the context indicates otherwise, be construed in favor of the establishment, promotion, preservation of competition and people empowerment so that the widest participation of the people, whether directly or indirectly, is ensured. With respect to NPC's debts and IPP and related contracts, nothing in this Act shall be construed as: (1) an implied waiver of any right, action or claim, against any person or entity, of NPC or the Philippine Government arising from or relating to any such contracts; or (2) a conferment of new or better rights to creditors and IPP contractors in addition to subsisting rights granted by the NPC or the Philippine Government under existing contracts.

SEC. 76. *Education and Protection of End Users*. - End-users shall be educated about the implementation of retail access and its impact on end-users and on the proper use of electric power. Such education shall include, but not limited to, the existence of competitive electricity suppliers, choice of competitive electricity services, regulated transmission and distribution services, systems reliability, aggregation, market, itemized billing, stranded cost, uniform disclosure requirements, low-income bill payment, energy conservation and safety measures.

The DOE, in coordination with the NPC, NEA, ERC and the Office of Press Secretary-Philippine Information Agency (OPS-PIA), shall undertake an information campaign to educate the public on the restructuring of the electric power industry and privatization of NPC.

SEC. 77. *Implementing Rules and Regulations*. - The DOE shall, in consultation with relevant government agencies, the electric power industry participants, non-government organization and end-users, promulgate the Implementing Rules and Regulation (IRR) of the Act within six (6) months from the effectivity of this Act, subject to the approval by the Power Commission.

SEC. 78. *Injunction and Restraining Order*. - The implementation of the provisions of the Act shall not be restrained or enjoined except by an order issued by the Supreme Court of the Philippines.

SEC. 79. *Separability Clause* - If for any reason, any provision of this act is declared unconstitutional or invalid, the other parts or provisions hereof which are not affected thereby shall continue to be in full force and effect.

SEC. 80. *Applicability and Repealing Clause* - The applicability provisions of Commonwealth Act No. 146, as amended, otherwise known as the "Public Service Act"; Republic Act 6395, as amended, revising the charter of NPC; Presidential Decree 269, as amended, referred to as the National Electrification Decree; Republic Act 7638, otherwise known as the "Department of Energy Act of 1992"; Executive Order 172, as amended, creating the ERB; Republic Act 7832, otherwise known as the "Anti-Electricity and Electric Transmission Lines / Materials Pilferage Act of 1994", shall continue to have full force and effect except insofar as they are inconsistent with this Act.

The provision with respect to electric power of Section 11(c) of Republic Act 7916, as amended, and Section 5(f) of Republic Act 7227, are hereby repealed or modified accordingly.

Presidential Decree No. 40 and all laws, decrees, rules and regulations, or portion thereof, inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 81. *Effectivity Clause* - This Act shall take effect on the fifteenth day following its publication in at least two (2) national paper of general circulation.

Approved,

AQUILINO Q. PIMENTEL JR.  
President of the Senate

FELICIANO BELMONTE JR.  
Speaker of the House

of Representatives

This Act which is a consolidation of House Bill No. 8457 and Senate Bills No. 1712, 1621, 1943 and 2000 was finally passed by the House of Representatives and the Senate on May 31, 2001 and June 4, 2001, respectively.

LUTGARDO B. BARBO  
Secretary of the Senate

ROBERTO P. NAZARENO  
Secretary General  
House of Representatives

Approved: JUN 08 2001

GLORIA MACAPAGAL - ARROYO  
President of the Philippines

フィリピン共和国

「国家電力部門資産・負債管理公社 ALM マスタープラン調査」事前調査（S/W 協議）

報告書

資料 3-2

The New Central Bank Act – Republic Act No. 7653





# REPUBLIC ACT NO. 7653 THE NEW CENTRAL BANK ACT

## CHAPTER I — ESTABLISHMENT AND ORGANIZATION OF THE BANGKO SENTRAL NG PILIPINAS

### ARTICLE I. CREATION, RESPONSIBILITIES AND CORPORATE POWERS OF THE BANGKO SENTRAL

**SECTION 1. Declaration of Policy.** — The State shall maintain a central monetary authority that shall function and operate as an independent and accountable body corporate in the discharge of its mandated responsibilities concerning money, banking and credit. In line with this policy, and considering its unique functions and responsibilities, the central monetary authority established under this Act, while being a government-owned corporation, shall enjoy fiscal and administrative autonomy.

**SECTION 2. Creation of the Bangko Sentral.** — There is hereby established an independent central monetary authority, which shall be a body corporate known as the Bangko Sentral ng Pilipinas, hereafter referred to as the Bangko Sentral.

The capital of the Bangko Sentral shall be Fifty billion pesos (₱50,000,000,000), to be fully subscribed by the Government of the Republic, hereafter referred to as the Government. Ten billion pesos (P10,000,000,000) of which shall be fully paid for by the Government upon the effectivity of this Act and the balance to be paid for within a period of two (2) years from the effectivity of this Act in such manner and form as the Government, through the Secretary of Finance and the Secretary of Budget and Management, may thereafter determine.

**SECTION 3. Responsibility and Primary Objective.** — The Bangko Sentral shall provide policy directions in the areas of money, banking, and credit. It shall have supervision over the operations of banks and exercise such regulatory powers as provided in this Act and other pertinent laws over the operations of finance companies and non-bank financial institutions performing quasi-banking functions, hereafter referred to as quasi-banks, and institutions performing similar functions.

The primary objective of the Bangko Sentral is to maintain price stability conducive to a balanced and sustainable growth of the economy. It shall also promote and maintain monetary stability and the convertibility of the peso.

**SECTION 4. Place of Business.** — The Bangko Sentral shall have its principal place of business in Metro Manila, but may maintain branches, agencies and correspondents in such other places as the proper conduct of its business may require.

**SECTION 5. Corporate Powers.** — The Bangko Sentral is hereby authorized to adopt, alter, and use a corporate seal which shall be judicially noticed; to enter into contracts; to lease or own real and personal property, and to sell or otherwise dispose of the same; to sue and be sued; and otherwise to do and perform any and all things that may be necessary or proper to carry out the purposes of this Act.

The Bangko Sentral may acquire and hold such assets and incur such liabilities in connection with its operations authorized by the provisions of this Act, or as are essential to the proper conduct of such operations.

The Bangko Sentral may compromise, condone or release, in whole or in part, any claim of or settled liability to the Bangko Sentral, regardless of the amount involved, under such terms and conditions as may be prescribed by the Monetary Board to protect the interests of the Bangko Sentral.

## ARTICLE II. THE MONETARY BOARD

**SECTION 6. Composition of the Monetary Board.** — The powers and functions of the Bangko Sentral shall be exercised by the Bangko Sentral Monetary Board, hereafter referred to as the Monetary Board, composed of seven (7) members appointed by the President of the Philippines for a term of six (6) years.

The seven (7) members are:

- (a) the Governor of the Bangko Sentral, who shall be the Chairman of the Monetary Board. The Governor of the Bangko Sentral shall be head of a department and his appointment shall be subject to confirmation by the Commission on Appointments. Whenever the Governor is unable to attend a meeting of the Board, he shall designate a Deputy Governor to act as his alternate: Provided, That in such event, the Monetary Board shall designate one of its members as acting Chairman;
- (b) a member of the Cabinet to be designated by the President of the Philippines. Whenever the designated Cabinet Member is unable to attend a meeting of the Board, he shall designate an Undersecretary in his Department to attend as his alternate; and
- (c) five (5) members who shall come from the private sector, all of whom shall serve full-time: Provided, however, That the members first appointed under the provisions of this subsection, three (3) shall have a term of six (6) years, and the other two (2), three (3) years.

No member of the Monetary Board may be reappointed more than once.

**SECTION 7. Vacancies.** — Any vacancy in the Monetary Board created by the death, resignation, or removal of any member shall be filled by the appointment of a new member to complete the unexpired period of the term of the member concerned.

**SECTION 8. Qualifications.** — The members of the Monetary Board must be natural-born citizens of the Philippines, at least thirty-five (35) years of age, with the exception of the Governor who should at least be forty (40) years of age, of good moral character, of unquestionable integrity, of known probity and patriotism, and with recognized competence in social and economic disciplines.

**SECTION 9. Disqualifications.** — In addition to the disqualifications imposed by Republic Act No. 6713, a member of the Monetary Board is disqualified from being a director, officer, employee, consultant, lawyer, agent or stockholder of any bank, quasi-bank or any other institution which is subject to supervision or examination by the Bangko Sentral, in which case such member shall resign from, and divest himself of any and all interests in such institution before assumption of office as member of the Monetary Board.

The members of the Monetary Board coming from the private sector shall not hold any other public office or public employment during their tenure.

No person shall be a member of the Monetary Board if he has been connected directly with any multilateral banking or financial institution or has a substantial interest in any private bank in the Philippines, within one (1) year prior to his appointment; likewise, no member of the Monetary Board shall be employed in any such institution within two (2) years after the expiration of his term except when he serves as an official representative of the Philippine Government to such institution.

**SECTION 10. Removal.** — The President may remove any member of the Monetary Board for any of the following reasons:

- (a) If the member is subsequently disqualified under the provisions of Section 8 of this Act; or
- (b) If he is physically or mentally incapacitated that he cannot properly discharge his duties and responsibilities and such incapacity has lasted for more than six (6) months; or
- (c) If the member is guilty of acts or operations which are of fraudulent or illegal character or which are manifestly opposed to the aims and interests of the Bangko Sentral, or
- (d) If the member no longer possesses the qualifications specified in Section 8 of his

**SECTION 11. Meetings.** — The Monetary Board shall meet at least once a week. The Board may be called to a meeting by the Governor of the Bangko Sentral or by two (2) other members of the Board.

The presence of four (4) members shall constitute a quorum: Provided, That in all cases the Governor or his duly designated alternate shall be among the four (4).

Unless otherwise provided in this Act, all decisions of the Monetary Board shall require the concurrence of at least four (4) members.

The Bangko Sentral shall maintain and preserve a complete record of the proceedings and deliberations of the Monetary Board, including the tapes and transcripts of the stenographic notes, either in their original form or in microfilm.

**SECTION 12. Attendance of the Deputy Governors.** — The Deputy Governors may attend the meetings of the Monetary Board with the right to be heard.

**SECTION 13. Salary.** — The salary of the Governor and the members of the Monetary Board from the private sector shall be fixed by the President of the Philippines at a sum commensurate to the importance and responsibility attached to the position.

**SECTION 14. Withdrawal of Persons Having a Personal Interest.** — In addition to the requirements of Republic Act No. 6713, any member of the Monetary Board with personal or pecuniary interest in any matter in the agenda of the Monetary Board shall disclose his interest to the Board and shall retire from the meeting when the matter is taken up. The decision taken on the matter shall be made public. The minutes shall reflect the disclosure made and the retirement of the member concerned from the meeting.

**SECTION 15. Exercise of Authority.** — In the exercise of its authority, the Monetary Board shall:

- (a) issue rules and regulations it considers necessary for the effective discharge of the responsibilities and exercise of the powers vested upon the Monetary Board and the Bangko Sentral. The rules and regulations issued shall be reported to the President and the Congress within fifteen (15) days from the date of their issuance;
- (b) direct the management, operations, and administration of the Bangko Sentral, reorganize its personnel, and issue such rules and regulations as it may deem necessary or convenient for this purpose. The legal units of the Bangko Sentral shall be under the exclusive supervision and control of the Monetary Board;
- (c) establish a human resource management system which shall govern the selection, hiring, appointment, transfer, promotion, or dismissal of all personnel. Such system shall aim to

establish professionalism and excellence at all levels of the Bangko Sentral in accordance with sound principles of management.

A compensation structure, based on job evaluation studies and wage surveys and subject to the Board's approval, shall be instituted as an integral component of the Bangko Sentral's human resource development program: Provided, That the Monetary Board shall make its own system conform as closely as possible with the principles provided for under Republic Act No. 6758: Provided, however, That compensation and wage structure of employees whose positions fall under salary grade 19 and below shall be in accordance with the rates prescribed under Republic Act No. 6758.

On the recommendation of the Governor, appoint, fix the remunerations and other emoluments, and remove personnel of the Bangko Sentral, subject to pertinent civil service laws: Provided, That the Monetary Board shall have exclusive and final authority to promote, transfer, assign, or reassign personnel of the Bangko Sentral and these personnel actions are deemed made in the interest of the service and not disciplinary: Provided, further, That the Monetary Board may delegate such authority to the Governor under such guidelines as it may determine.

(d) adopt an annual budget for and authorize such expenditures by the Bangko Sentral as are in the interest of the effective administration and operations of

(e) the Bangko Sentral in accordance with applicable laws and regulations; and

(f) indemnify its members and other officials of the Bangko Sentral, including personnel of the departments performing supervision and examination functions against all costs and expenses reasonably incurred by such persons in connection with any civil or criminal action, suit or proceedings to which he may be, or is, made a party by reason of the performance of his functions or duties, unless he is finally adjudged in such action or proceeding to be liable for negligence or misconduct.

In the event of a settlement or compromise, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Bangko Sentral is advised by external counsel that the person to be indemnified did not commit any negligence or misconduct.

The costs and expenses incurred in defending the aforementioned action, suit or proceeding may be paid by the Bangko Sentral in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the member, officer, or employee to repay the amount advanced should it ultimately be determined by the Monetary Board that he is not entitled to be indemnified as provided in this subsection.

**SECTION 16. Responsibility.** — Members of the Monetary Board, officials, examiners, and employees of the Bangko Sentral who willfully violate this Act or who are guilty of negligence, abuses or acts of malfeasance or misfeasance or fail to exercise extraordinary diligence in the performance of his duties shall be held liable for any loss or injury suffered by the Bangko Sentral or other banking institutions as a result of such violation, negligence, abuse, malfeasance, misfeasance or failure to exercise extraordinary diligence.

Similar responsibility shall apply to members, officers, and employees of the Bangko Sentral for: (1) the disclosure of any information of a confidential nature, or any information on the discussions or resolutions of the Monetary Board, or about the confidential operations of the Bangko Sentral, unless the disclosure is in connection with the performance of official functions with the Bangko Sentral, or is with prior authorization of the Monetary Board or the Governor; or (2) the use of such information for personal gain or to the detriment of the Government, the Bangko Sentral or third parties: Provided,

however, That any data or information required to be submitted to the President and/or the Congress, or to be published under the provisions of this Act shall not be considered confidential.

### ARTICLE III. THE GOVERNOR AND DEPUTY GOVERNORS OF THE BANGKO SENTRAL

**SECTION 17. Powers and Duties of the Governor.**— The Governor shall be the chief executive officer of the Bangko Sentral. His powers and duties shall be to:

- (a) prepare the agenda for the meetings of the Monetary Board and to submit for the consideration of the Board the policies and measures which he believes to be necessary to carry out the purposes and provisions of his Act;
- (b) execute and administer the policies and measures approved by the Monetary Board;
- (c) direct and supervise the operations and internal administration of the Bangko Sentral. The Governor may delegate certain of his administrative responsibilities to other officers or may assign specific tasks or responsibilities to any full-time member of the Monetary Board without additional remuneration or allowance whenever he may deem fit or subject to such rules and regulations as the Monetary Board may prescribe;
- (d) appoint and fix the remunerations and other emoluments of personnel below the rank of a department head in accordance with the position and compensation plans approved by the Monetary Board, as well as to impose disciplinary measures upon personnel of the Bangko Sentral, subject to the provisions of Section 15(c) of this Act; Provided, That removal of personnel shall be with the approval of the Monetary Board;
- (e) render opinions, decisions, or rulings, which shall be final and executory until reversed or modified by the Monetary Board, on matters regarding application or enforcement of laws pertaining to institutions supervised by the Bangko Sentral and laws pertaining to quasi-banks, as well as regulations, policies or instructions issued by the Monetary Board, and the implementation thereof; and
- (f) exercise such other powers as may be vested in him by the Monetary Board.

**SECTION 18. Representation of the Monetary Board and the Bangko Sentral.**— The Governor of the Bangko Sentral shall be the principal representative of the Monetary Board and of the Bangko Sentral and, in such capacity and in accordance with the instructions of the Monetary Board, he shall be empowered to:

- (a) represent the Monetary Board and the Bangko Sentral in all dealings with other offices, agencies and instrumentalities of the Government and all other persons or entities, public or private, whether domestic, foreign or international;
  - (b) sign contracts entered into by the Bangko Sentral, notes and securities issued by the Bangko Sentral, all reports, balance sheets, profit and loss statements, correspondence and other documents of the Bangko Sentral.
- The signature of the Governor may be in facsimile whenever appropriate;
- (c) represent the Bangko Sentral, either personally or through counsel, including private counsel, as may be authorized by the Monetary Board, in any legal proceedings, action or specialized legal studies; and

- (d) delegate his power to represent the Bangko Sentral, as provided in subsections (a), (b) and (c) of this section, to other officers upon his own responsibility. Provided, however, That in order to preserve the integrity and the prestige of his office, the Governor of the Bangko Sentral may choose not to participate in preliminary discussions with any multilateral banking or financial institution on any negotiations for the Government within or outside the Philippines. During the negotiations, he may instead be represented by a permanent negotiator.

**SECTION 19. Authority of the Governor in Emergencies.**— In case of emergencies where time is sufficient to calling of the Monetary Board, the Governor of the Bangko Sentral, with the concurrence of two (2) other members of the Monetary Board, may decide any matter or take any action within the authority of the Board.

The Governor shall submit a report to the President and Congress within seventy-two (72) hours after the action has been taken.

At the soonest possible time, the Governor shall call a meeting of the Monetary Board to submit his action for ratification.

**SECTION 20. Outside Interests of the Governor and the Full-time Members of the Board.**— The Governor of the Bangko Sentral and the full-time members of the Board shall limit their professional activities to those pertaining directly to their positions with the Bangko Sentral. Accordingly, they may not accept any other employment, whether public or private, remunerated or honorarium, with the exception of positions in eleemosynary, civic, cultural or religious organizations or whenever, by designation of the President, the Governor or the full-time member is tasked to represent the interest of the Government or other government agencies in matters connected with or affecting the economy or the financial system of the country.

**SECTION 21. Deputy Governors.**— The Governor of the Bangko Sentral, with the approval of the Monetary Board, shall appoint not more than three (3) Deputy Governors who shall perform duties as may be assigned to them by the Governor and the Board.

In the absence of the Governor, a Deputy Governor designated by the Governor shall act as chief executive of the Bangko Sentral and shall exercise the powers and perform the duties of the Governor. Whenever the Government is unable to attend meetings of government boards or councils in which he is an ex officio member pursuant to provisions of special laws, a Deputy Governor as may be designated by the Governor shall be vested with authority to participate and exercise the right to vote in such meetings.

### ARTICLE IV. OPERATIONS OF THE BANGKO SENTRAL

**SECTION 22. Research and Statistics.**— The Bangko Sentral shall prepare data and conduct economic research for the guidance of the Monetary Board in the formulation and implementation of its policies. Such data shall include, among others, forecasts of the balance of payments of the Philippines, statistics on the monthly movement of the monetary aggregates and of prices and other statistical series and economic studies useful for the formulation and analysis of monetary, banking, credit and exchange policies.

**SECTION 23. Authority to Obtain Data and Information.**— The Bangko Sentral shall have the authority to request from government offices and instrumentalities, or government-owned or controlled corporations, any data which it may require for the proper discharge of its functions and responsibilities. The Bangko Sentral through the Governor or in his absence, a duly authorized representative shall have the power to issue a subpoena for the production of the books and records for

the aforesaid purpose. Those who refuse the subpoena without justifiable cause, or who refuse to supply the bank with data requested or required, shall be subject to punishment for contempt in accordance with the provisions of the Rules of Court.

Data on individual firms, other than banks, gathered by the Department of Economic Research and other departments or units of the Bangko Sentral shall not be made available to any person or entity outside of the Bangko Sentral whether public or private except under order of the court or under such conditions as may be prescribed by the Monetary Board: Provided, however, That the collective data on firms may be released to interested persons or entities: Provided, finally, That in the case of data on banks, the provisions of Section 27 of this Act shall apply.

**SECTION 24. Training of Technical Personnel.** — The Bangko Sentral shall promote and sponsor the training of technical personnel in the field of money and banking. Toward this end, the Bangko Sentral is hereby authorized to defray the costs of study, at home or abroad, of qualified employees of the Bangko Sentral, of promising university graduates or of any other qualified persons who shall be determined by proper competitive examinations. The Monetary Board shall prescribe rules and regulations to govern the training program of the Bangko Sentral.

**SECTION 25. Supervision and Examination.** — The Bangko Sentral shall have supervision over, and conduct periodic or special examinations of, banking institutions and quasi-banks, including their subsidiaries and affiliates engaged in allied activities.

For purposes of this section, a subsidiary means a corporation more than fifty percent (50%) of the voting stock of which is owned by a bank or quasi-bank and an affiliate means a corporation the voting stock of which, to the extent of fifty percent (50%) or less, is owned by a bank or quasi-bank or which is related or linked to such institution or intermediary through common stockholders or such other factors as may be determined by the Monetary Board.

The department heads and the examiners of the supervising and/or examining departments are hereby authorized to administer oaths to any director, officer, or employee of any institution under their respective supervision or subject to their examination and to compel the presentation of all books, documents, papers or records necessary in their judgment to ascertain the facts relative to the true condition of any institution as well as the books and records of persons and entities relative to or in connection with the operations, activities or transactions of the institution under examination, subject to the provision of existing laws protecting or safeguarding the secrecy or confidentiality of bank deposits as well as investments of private persons, natural or juridical, in debt instruments issued by the Government.

No restraining order or injunction shall be issued by the court enjoining the Bangko Sentral from examining any institution subject to supervision or examination by the Bangko Sentral, unless there is convincing proof that the action of the Bangko Sentral is plainly arbitrary and made in bad faith and the petitioner or plaintiff files with the clerk or judge of the court in which the action is pending a bond executed in favor of the Bangko Sentral, in an amount to be fixed by the court. The provisions of Rule 58 of the New Rules of Court insofar as they are applicable and not inconsistent with the provisions of this section shall govern the issuance and dissolution of the restraining order or injunction contemplated in this section.

**SECTION 26. Bank Deposits and Investments.** — Any director, officer or stockholder who, together with his related interest, contracts a loan or any form of financial accommodation from: (1) his bank; or (2) from a bank (a) which is a subsidiary of a bank holding company of which both his bank and the lending bank are subsidiaries or (b) in which a controlling proportion of the shares is owned by the same interest that owns a controlling proportion of the shares of his bank, in excess of five percent (5%) of the capital and surplus of the bank, or in the maximum amount permitted by law, whichever is lower, shall be required by the lending bank to waive the secrecy of his deposits of whatever nature in all banks in the Philippines. Any information obtained from an examination of his deposits shall be held strictly confidential and may be used by the examiners only in connection with their supervisory and

examination responsibility or by the Bangko Sentral in an appropriate legal action it has initiated involving the deposit account.

**SECTION 27. Prohibitions.** — In addition to the prohibitions found in Republic Act Nos. 3019 and 6713, personnel of the Bangko Sentral are hereby prohibited from:

- (a) being an officer, director, lawyer or agent, employee, consultant or stockholder, directly or indirectly, of any institution subject to supervision or examination by the Bangko Sentral, except non-stock savings and loan associations and provident funds organized exclusively for employees of the Bangko Sentral, and except as otherwise provided in this Act;
- (b) directly or indirectly requesting or receiving any gift, present or pecuniary or material benefit for himself or another, from any institution subject to supervision or examination by the Bangko Sentral;
- (c) revealing in any manner, except under orders of the court, the Congress or any government office or agency authorized by law, or under such conditions as may be prescribed by the Monetary Board, information relating to the condition or business of any institution. This prohibition shall not be held to apply to the giving of information to the Monetary Board or the Governor of the Bangko Sentral, or to any person authorized by either of them, in writing, to receive such information, and
- (d) borrowing from any institution subject to supervision or examination by the Bangko Sentral shall be prohibited unless said borrowings are adequately secured, fully disclosed to the Monetary Board, and shall be subject to such further rules and regulations as the Monetary Board may prescribe: Provided, however, That personnel of the supervising and examining departments are prohibited from borrowing from a bank under their supervision or examination.

**SECTION 28. Examination and Fees.** — The supervising and examining department head, personally or by deputy, shall examine the books of every banking institution once in every twelve (12) months, and at such other times as the Monetary Board by an affirmative vote of five (5) members, may deem expedient and to make a report on the same to the Monetary Board: Provided, That there shall be an interval of at least twelve (12) months between annual examinations.

The bank concerned shall afford to the head of the appropriate supervising and examining departments and to his authorized deputies full opportunity to examine its books, cash and available assets and general condition at any time during banking hours when requested to do so by the Bangko Sentral: Provided, however, That none of the reports and other papers relative to such examinations shall be open to inspection by the public except insofar as such publicity is incidental to the proceedings hereinafter authorized or is necessary for the prosecution of violations in connection with the business of such institutions.

Banking and quasi-banking institutions which are subject to examination by the Bangko Sentral shall pay to the Bangko Sentral, within the first thirty (30) days of each year, an annual fee in an amount equal to a percentage as may be prescribed by the Monetary Board of its average total assets during the preceding year as shown on its end-of-month balance sheets, after deducting cash on hand and amounts due from banks, including the Bangko Sentral and banks abroad.

**SECTION 29. Appointment of Conservator.** — Whenever, on the basis of a report submitted by the appropriate supervising or examining department, the Monetary Board finds that a bank or a quasi-bank is in a state of continuing inability or unwillingness to maintain a condition of liquidity deemed adequate to protect the interest of depositors and creditors, the Monetary Board may appoint a conservator with such powers as the Monetary Board shall deem necessary to take charge of the assets, liabilities, and the management thereof, reorganize the management, collect all monies and debts due said institution, and exercise all powers necessary to restore its viability. The conservator

shall report and be responsible to the Monetary Board and shall have the power to overrule or revoke the actions of the previous management and board of directors of the bank or quasi-bank.

The conservator should be competent and knowledgeable in bank operations and management. The conservatorship shall not exceed one (1) year.

The conservator shall receive remuneration to be fixed by the Monetary Board in an amount not to exceed two-thirds (2/3) of the salary of the president of the institution in one (1) year, payable in twelve (12) equal monthly payments: Provided, That, if at any time within one-year period, the conservatorship is terminated on the ground that the institution can operate on its own, the conservator shall receive the balance of the remuneration which he would have received up to the end of the year; but if the conservatorship is terminated on other grounds, the conservator shall not be entitled to such remaining balance. The Monetary Board may appoint a conservator connected with the Bangko Sentral, in which case he shall not be entitled to receive any remuneration or emolument from the Bangko Sentral during the conservatorship. The expenses attendant to the conservatorship shall be borne by the bank or quasi-bank concerned.

The Monetary Board shall terminate the conservatorship when it is satisfied that the institution can continue to operate on its own and the conservatorship is no longer necessary. The conservatorship shall likewise be terminated should the Monetary Board, on the basis of the report of the conservator or of its own findings, determine that the continuance in business of the institution would involve probable loss to its depositors or creditors, in which case the provisions of Section 30 shall apply.

**SECTION 30. Proceedings in Receivership and Liquidation.** — Whenever, upon report of the head of the supervising or examining department, the Monetary Board finds that a bank or quasi-bank:

- (a) is unable to pay its liabilities as they become due in the ordinary course of business: Provided, That this shall not include inability to pay caused by extraordinary demands induced by financial panic in the banking community;
- (b) by the Bangko Sentral, to meet its liabilities; or
- (c) cannot continue in business without involving probable losses to its depositors or creditors; or
- (d) has willfully violated a cease and desist order under Section 37 that has become final, involving acts or transactions which amount to fraud or a dissipation of the assets of the institution; in which cases, the Monetary Board may summarily and without need for prior hearing forbid the institution from doing business in the Philippines and designate the Philippine Deposit Insurance Corporation as receiver of the banking institution.

For a quasi-bank, any person of recognized competence in banking or finance may be designated as receiver.

The receiver shall immediately gather and take charge of all the assets and liabilities of the institution, administer the same for the benefit of its creditors, and exercise the general powers of a receiver under the Revised Rules of Court but shall not, with the exception of administrative expenditures, pay or commit any act that will involve the transfer or disposition of any asset of the institution: Provided, That the receiver may deposit or place the funds of the institution in non-speculative investments. The receiver shall determine as soon as possible, but not later than ninety (90) days from take over, whether the institution may be rehabilitated or otherwise placed in such a condition so that it may be permitted to resume business with safety to its depositors and creditors and the general public: Provided, That any determination for the resumption of business of the institution shall be subject to prior approval of the Monetary Board.

If the receiver determines that the institution cannot be rehabilitated or permitted to resume business in accordance with the next preceding paragraph, the Monetary Board shall notify in writing the board of directors of its findings and direct the receiver to proceed with the liquidation of the institution. The receiver shall:

1. file *ex parte* with the proper regional trial court, and without requirement of prior notice or any other action, a petition for assistance in the liquidation of the institution pursuant to a liquidation plan adopted by the Philippine Deposit Insurance Corporation for general application to all closed banks. In case of quasi-banks, the liquidation plan shall be adopted by the Monetary Board. Upon acquiring jurisdiction, the court shall, upon motion by the receiver after due notice, adjudicate disputed claims against the institution, assist the enforcement of individual liabilities of the stockholders, directors and officers, and decide on other issues as may be material to implement the liquidation plan adopted. The receiver shall pay the cost of the proceedings from the assets of the institution.
2. convert the assets of the institutions to money, dispose of the same to creditors and other parties, for the purpose of paying the debts of such institution in accordance with the rules on concurrence and preference of credit under the Civil Code of the Philippines and he may, in the name of the institution, and with the assistance of counsel as he may retain, institute such actions as may be necessary to collect and recover accounts and assets of, or defend any action against, the institution. The assets of an institution under receivership or liquidation shall be deemed in *custodia legis* in the hands of the receiver and shall, from the moment the institution was placed under such receivership or liquidation, be exempt from any order of garnishment, levy, attachment, or execution.

The actions of the Monetary Board taken under this section or under Section 29 of this Act shall be final and executory, and may not be restrained or set aside by the court, except on petition for *certiorari* on the ground that the action taken was in excess of jurisdiction or with such grave abuse of discretion as to amount to lack or excess of jurisdiction. The petition for *certiorari* may only be filed by the stockholders of record representing the majority of the capital stock within ten (10) days from receipt by the board of directors of the institution of the order directing receivership, liquidation or conservatorship. The designation of a conservator under Section 29 of this Act or the appointment of a receiver under this section shall be vested exclusively with the Monetary Board. Furthermore, the designation of a conservator is not a precondition to the designation of a receiver.

**SECTION 31. Distribution of Assets.** — In case of liquidation of a bank or quasi-bank, after payment of the cost of proceedings, including reasonable expenses and fees of the receiver to be allowed by the court, the receiver shall pay the debts of such institution, under order of the court, in accordance with the rules on concurrence and preference of credit as provided in the Civil Code.

**SECTION 32. Disposition of Revenues and Earnings.** — All revenues and earnings realized by the receiver in winding up the affairs and administering the assets of any bank or quasi-bank within the purview of this Act shall be used to pay the costs, fees and expenses mentioned in the preceding section, salaries of such personnel whose employment is rendered necessary in the discharge of the liquidation together with other additional expenses caused thereby. The balance of revenues and earnings, after the payment of all said expenses, shall form part of the assets available for payment to creditors.

**SECTION 33. Disposition of Banking Franchise.** — The Bangko Sentral may, if public interest so requires, award to an institution, upon such terms and conditions as the Monetary Board may approve, the banking franchise of a bank under liquidation to operate in the area where said bank or its branches were previously operating: Provided, That whatever proceeds may be realized from such award shall be subject to the appropriate exclusive disposition of the Monetary Board.

**SECTION 34. Refusal to Make Reports or Permit Examination.** — Any officer, owner, agent, manager, director or officer-in-charge of any institution subject to the supervision or examination by the

Bangko Sentral within the purview of this Act who, being required in writing by the Monetary Board or by the head of the supervising and examining department willfully refuses to file the required report or permit any lawful examination into the affairs of such institution shall be punished by a fine of not less than Fifty thousand pesos (₱50,000) nor more than One hundred thousand pesos (₱100,000) or by imprisonment of not less than one (1) year nor more than five (5) years, or both, in the discretion of the court.

**SECTION 35. False Statement.** — The willful making of a false or misleading statement on a material fact to the Monetary Board or to the examiners of the Bangko Sentral shall be punished by a fine of not less than One hundred thousand pesos (₱100,000) nor more than Two hundred thousand pesos (₱200,000), or by imprisonment of not more than (5) years, or both, at the discretion of the court.

**SECTION 36. Proceedings Upon Violation of This Act and Other Banking Laws, Rules, Regulations, Orders or Instructions.** — Whenever a bank or quasi-bank, or whenever any person or entity willfully violates this Act or other pertinent banking laws being enforced or implemented by the Bangko Sentral or any order, instruction, rule or regulation issued by the Monetary Board, the person or persons responsible for such violation shall unless otherwise provided in his Act be punished by a fine of not less than Fifty thousand pesos (₱50,000) nor more than Two hundred thousand pesos (₱200,000) or by imprisonment of not less than two (2) years nor more than ten (10) years, or both, at the discretion of the court.

Whenever a bank or quasi-bank persists in carrying on its business in an unlawful or unsafe manner, the Board may, without prejudice to the penalties provided in the preceding paragraph of this section and the administrative sanctions provided in Section 37 of this Act, take action under Section 30 of this Act.

**SECTION 37. Administrative Sanctions on Banks and Quasi-banks.** — Without prejudice to the criminal sanctions against the culpable persons provided in Sections 34, 35, and 36 of this Act, the Monetary Board may, at its discretion, impose upon any bank or quasi-bank, their directors and/or officers, for any willful violation of its charter or by-laws, willful delay in the submission of reports or publications thereof as required by law, rules and regulations; any refusal to permit examination into the affairs of the institution; any willful making of a false or misleading statement to the Board or the appropriate supervising and examining department or its examiners; any willful failure or refusal to comply with, or violation of, any banking law or any order, instruction or regulation issued by the Monetary Board, or any order, instruction or ruling by the Governor; or any commission of irregularities, and/or conducting business in an unsafe or unsound manner as may be determined by the Monetary Board, the following administrative sanctions, whenever applicable:

- (a) fines in amounts as may be determined by the Monetary Board to be appropriate, but in no case to exceed Thirty thousand pesos (₱30,000) a day for each violation, taking into consideration the attendant circumstances, such as the nature and gravity of the violation or irregularity and the size of the bank or quasi-bank;
- (b) suspension of rediscounting privileges or access to Bangko Sentral credit facilities;
- (c) suspension of lending or foreign exchange operations or authority to accept new deposits or make new investments;
- (d) suspension of interbank clearing privileges; and/or
- (e) revocation of quasi-banking license.

Resignation or termination from office shall not exempt such director or officer from administrative or criminal sanctions.

The Monetary Board may, whenever warranted by circumstances, preventively suspend any director or officer of a bank or quasi-bank pending an investigation: Provided, That should the case be not finally decided by the Bangko Sentral within a period of one hundred twenty (120) days after the date of suspension, said director or officer shall be reinstated in his position: Provided, further, That when the delay in the disposition of the case is due to the fault, negligence or petition of the director or officer, the period of delay shall not be counted in computing the period of suspension herein provided.

The above administrative sanctions need not be applied in the order of their severity.

Whether or not there is an administrative proceeding, if the institution and/or the directors and/or officers concerned continue with or otherwise persist in the commission of the indicated practice or violation, the Monetary Board may issue an order requiring the institution and/or the directors and/or officers concerned to cease and desist from the indicated practice or violation, and may further order that immediate action be taken to correct the conditions resulting from such practice or violation. The cease and desist order shall be immediately effective upon service on the respondents.

The respondents shall be afforded an opportunity to defend their action in a hearing before the Monetary Board or any committee chaired by any Monetary Board member created for the purpose, upon request made by the respondents within five (5) days from their receipt of the order. If no such hearing is requested within said period, the order shall be final. If a hearing is conducted, all issues shall be determined on the basis of records, after which the Monetary Board may either reconsider or make final its order.

The Governor is hereby authorized, at his discretion, to impose upon banking institutions, for any failure to comply with the requirements of law, Monetary Board regulations and policies, and/or instructions issued by the Monetary Board or by the Governor, fines not in excess of Ten thousand pesos (₱10,000) a day for each violation, the imposition of which shall be final and executory until reversed, modified or lifted by the Monetary Board on appeal.

**SECTION 38. Operating Departments of the Bangko Sentral.** — The Monetary Board shall, in accordance with its authority under this Act, determine and provide for such operating departments and other offices, including a public information office, of the Bangko Sentral as it deems convenient for the proper and efficient conduct of the operations and the accomplishment of the objectives of the Bangko Sentral. The functions and duties of such operating departments and other offices shall be determined by the Monetary Board.

## ARTICLE V. REPORTS AND PUBLICATIONS

**SECTION 39. Reports and Publications.** — The Bangko Sentral shall publish a general balance sheet showing the volume and composition of its assets and liabilities as of the last working day of the month within sixty (60) days after the end of each month except for the month of December, which shall be submitted within ninety (90) days after the end thereof.

The Monetary Board shall publish and submit the following reports to the President and to the Congress:

- (a) not later than ninety (90) days after the end of each quarter, an analysis of economic and financial developments, including the condition of net international reserves and monetary aggregates;
- (b) within ninety (90) days after the end of the year, the preceding year's budget and profit and loss statement of the Bangko Sentral showing in reasonable detail the result of its operations;

- (c) one hundred twenty (120) days after the end of each semester, a review of the state of the financial system; and
- (d) as soon as practicable, abnormal movements in monetary aggregates and the general price level, and, not later than seventy-two (72) hours after they are taken, remedial measures in response to such abnormal movements.

**SECTION 40. Annual Report.** — Before the end of March of each year, the Bangko Sentral shall publish and submit to the President and the Congress an annual report on the condition of the Bangko Sentral including a review of the policies and measures adopted by the Monetary Board during the past year and an analysis of the economic and financial circumstances which gave rise to said policies and measures.

The annual report shall also include a statement of the financial condition of the Bangko Sentral and a statistical appendix which shall present, as a minimum, the following data:

- (a) the monthly movement of monetary aggregates and their components;
- (b) the monthly movement of purchases and sales of foreign exchange and of the international reserves of the Bangko Sentral;
- (c) the balance of payments of the Philippines;
- (d) monthly indices of consumer prices and of import and export prices;
- (e) the monthly movement, in summary form, of exports and imports, by volume and value;
- (f) the monthly movement of the accounts of the Bangko Sentral and of other banks;
- (g) the principal data on government receipts and expenditures and on the status of the public debt, both domestic and foreign; and
- (h) the texts of the major legal and administrative measures adopted by the Government and the Monetary Board during the year which relate to the functions or operations of the Bangko Sentral or of the financial system.

The Bangko Sentral shall publish another version of the annual report in terms understandable to the layman.

Failure to comply with the reportorial requirements pursuant to this article without justifiable reason as may be determined by the Monetary Board shall cause the withholding of the salary of the personnel concerned until the requirements are complied with.

**SECTION 41. Signatures on Statements.** — The balance sheets and other financial statements of the Bangko Sentral shall be signed by the officers responsible for their preparation, by the Governor, and by the auditor of the Bangko Sentral.

## ARTICLE VI. PROFITS, LOSSES, AND SPECIAL ACCOUNTS

**SECTION 42. Fiscal Year.** — The fiscal year of the Bangko Sentral shall begin on January first and end on December thirty-first of each year.

**SECTION 43. Computation of Profits and Losses.** — Within the first thirty (30) days following the end of each year, the Bangko Sentral shall determine its net profits or losses. In the calculation of

net profits, the Bangko Sentral shall make adequate allowance or establish adequate reserves for bad and doubtful accounts.

**SECTION 44. Distribution of Net Profits.** — Within the first sixty (60) days following the end of each fiscal year, the Monetary Board shall determine and carry out the distribution of the net profits, in accordance with the following rule:

Fifty percent (50%) of the net profits shall be carried to surplus and the remaining fifty percent (50%) shall revert back to the National Treasury, except as otherwise provided in the transitory provisions of this Act.

**SECTION 45. Revaluation Profits and Losses.** — Profits or losses arising from any revaluation of the Bangko Sentral's net assets or liabilities in gold or foreign currencies with respect to the Philippine peso shall not be included in the computation of the annual profits and losses of the Bangko Sentral. Any profits or losses arising in this manner shall be offset by any amounts which, as a consequence of such revaluations, are owed by the Philippines to any international or regional intergovernmental financial institution of which the Philippines is a member or are owed by these institutions to the Philippines. Any remaining profit or loss shall be carried in a special frozen account which shall be named "Revaluation of International Reserve" and the net balance of which shall appear either among the liabilities or among the assets of the Bangko Sentral, depending on whether the revaluations have produced net profits or net losses.

The Revaluation of International Reserve account shall be neither credited nor debited for any purposes other than those specifically authorized in this section.

**SECTION 46. Suspense Accounts.** — Sections 43 and 43-A of Republic Act No. 265, as amended, creating the Monetary Adjustment Account (MAA) and the Exchange Stabilization Adjustment Account (ESAA), respectively, are hereby repealed. Amounts outstanding as of the effective date of this Act based on these accounts shall continue to be for the account of the Central Bank and shall be governed by the transitory provisions of this Act.

The Revaluation of International Reserve (RIR) account as of the effective date of this Act of the Central Bank shall continue to be for the account of the same entity and shall be governed by the provisions of Section 44 of Republic Act No. 265, as amended, until otherwise provided for in accordance with the transitory provisions of this Act.

## ARTICLE VII. THE AUDITOR

**SECTION 47. Appointment and Personnel.** — The Chairman of the Commission on Audit shall act as the ex officio auditor of the Bangko Sentral and, as such, he is empowered and authorized to appoint a representative who shall be the auditor of the Bangko Sentral and, in accordance with law, fix his salary, and to appoint and fix salaries and number of personnel to assist said representative in his work. The salaries and other emoluments shall be paid by the Commission. The auditor of the Bangko Sentral and personnel under him may be removed only by the Chairman of the Commission.

The representative of the Chairman of the Commission must be a certified public accountant with at least ten (10) years experience as such. No relative of any member of the Monetary Board or the Chairman of the Commission within the sixth degree of consanguinity or affinity shall be appointed such representative.

## CHAPTER II — THE BANGKO SENTRAL AND THE MEANS OF PAYMENT

### ARTICLE I. THE UNIT OF MONETARY VALUE

**SECTION 48. The Peso.** — The unit of monetary value in the Philippines is the "peso," which is represented by the sign "₱."

The peso is divided into one hundred (100) equal parts called "centavos," which are represented by the sign "c."

### ARTICLE II. ISSUE OF MEANS OF PAYMENT

#### A. CURRENCY

**SECTION 49. Definition of Currency.** — The word "currency" is hereby defined, for purposes of this Act, as meaning all Philippine notes and coins issued or circulating in accordance with the provisions of this Act.

**SECTION 50. Exclusive Issue Power.** — The Bangko Sentral shall have the sole power and authority to issue currency, within the territory of the Philippines. No other person or entity, public or private, may put into circulation notes, coins or any other object or document which, in the opinion of the Monetary Board, might circulate as currency, nor reproduce or imitate the facsimiles of Bangko Sentral notes without prior authority from the Bangko Sentral.

The Monetary Board may issue such regulations as it may deem advisable in order to prevent the circulation of foreign currency or of currency substitutes as well as to prevent the reproduction of facsimiles of Bangko Sentral notes.

The Bangko Sentral shall have the authority to investigate, make arrests, conduct searches and seizures in accordance with law, for the purpose of maintaining the integrity of the currency.

Violation of this provision or any regulation issued by the Bangko Sentral pursuant thereto shall constitute an offense punishable by imprisonment of not less than five (5) years but not more than ten (10) years. In case the Revised Penal Code provides for a greater penalty, then that penalty shall be imposed.

**SECTION 51. Liability for Notes and Coins.** — Notes and coins issued by the Bangko Sentral shall be liabilities of the Bangko Sentral and may be issued only against, and in amounts not exceeding, the assets of the Bangko Sentral. Said notes and coins shall be a first and paramount lien on all assets of the Bangko Sentral.

The Bangko Sentral's holdings of its own notes and coins shall not be considered as part of its currency issue and, accordingly, shall not form part of the assets or liabilities of the Bangko Sentral.

**SECTION 52. Legal Tender Power.** — All notes and coins issued by the Bangko Sentral shall be fully guaranteed by the Government of the Republic of the Philippines and shall be legal tender in the Philippines for all debts, both public and private: Provided, however, That, unless otherwise fixed by the Monetary Board, coins shall be legal tender in amounts not exceeding Fifty pesos (₱50.00) for denominations of Twenty-five centavos and above, and in amounts not exceeding Twenty pesos (₱20.00) for denominations of Ten centavos or less.

**SECTION 53. Characteristics of the Currency.** — The Monetary Board, with the approval of the President of the Philippines, shall prescribe the denominations, dimensions, designs, inscriptions and other characteristics of notes issued by the Bangko Sentral: Provided, however, That said notes shall state that they are liabilities of the Bangko Sentral and are fully guaranteed by the Government of the Republic of the Philippines. Said notes shall bear the signatures, in facsimile, of the President of the Philippines and of the Governor of the Bangko Sentral.

Similarly, the Monetary Board, with the approval of the President of the Philippines, shall prescribe the weight, fineness, designs, denominations and other characteristics of the coins issued by the Bangko Sentral. In the minting of coins, the Monetary Board shall give full consideration to the availability of suitable metals and to their relative prices and cost of minting.

**SECTION 54. Printing of Notes and Mintage of Coins.** — The Monetary Board shall prescribe the amounts of notes and coins to be printed and minted, respectively, and the conditions to which the printing of notes and the minting of coins shall be subject. The Monetary Board shall have the authority to contract institutions, mints or firms for such operations.

All expenses incurred in the printing of notes and the minting of coins shall be for the account of the Bangko Sentral.

**SECTION 55. Interconvertibility of Currency.** — The Bangko Sentral shall exchange, on demand and without charge, Philippine currency of any denomination for Philippine notes and coins of any other denomination requested. If for any reason the Bangko Sentral is temporarily unable to provide notes or coins of the denominations requested, it shall meet its obligations by delivering notes and coins of the denominations which most nearly approximate those requested.

**SECTION 56. Replacement of Currency Unfit for Circulation.** — The Bangko Sentral shall withdraw from circulation and shall demonetize all notes and coins which for any reason whatsoever are unfit for circulation and shall replace them by adequate notes and coins: Provided, however, That the Bangko Sentral shall not replace notes and coins the identification of which is impossible, coins which show signs of filing, clipping or perforation, and notes which have lost more than two-fifths (2/5) of their surface or all of the signatures inscribed thereon. Notes and coins in such mutilated conditions shall be withdrawn from circulation and demonetized without compensation to the bearer.

**SECTION 57. Retirement of Old Notes and Coins.** — The Bangko Sentral may call in for replacement notes of any series or denomination which are more than five (5) years old and coins which are more than (10) years old.

Notes and coins called in for replacement in accordance with his provision shall remain legal tender for a period of one (1) year from the date of call. After this period, they shall cease to be legal tender but during the following year, or for such longer period as the Monetary Board may determine, they may be exchanged at par and without charge in the Bangko Sentral and by agents duly authorized by the Bangko Sentral for his purpose. After the expiration of this latter period, the notes and coins which have not been exchanged shall cease to be a liability of the Bangko Sentral and shall be demonetized. The Bangko Sentral shall also demonetize all notes and coins which have been called in and replaced.

#### B. DEMAND DEPOSITS

**SECTION 58. Definition.** — For purposes of this Act, the term "demand deposits" means all those liabilities of the Bangko Sentral and of other banks which are denominated in Philippine currency and are subject to payment in legal tender upon demand by the presentation of checks.



**SECTION 59. Issue of Demand Deposits.** — Only banks duly authorized to do so may accept funds or create liabilities payable in pesos upon demand by the presentation of checks, and such operations shall be subject to the control of the Monetary Board in accordance with the powers granted it with respect thereto under this Act.

**SECTION 60. Legal Character.** — Checks representing demand deposits do not have legal tender power and their acceptance in the payment of debts, both public and private, is at the option of the creditor. Provided, however, that a check which has been cleared and credited to the account of the creditor shall be equivalent to a delivery to the creditor of cash in an amount equal to the amount credited to his account.

## CHAPTER III — GUIDING PRINCIPLES OF MONETARY ADMINISTRATION BY THE BANGKO SENTRAL

### ARTICLE I. DOMESTIC MONETARY STABILIZATION

**SECTION 61. Guiding Principle.** — The Monetary Board shall endeavor to control any expansion or contraction in monetary aggregates which is prejudicial to the attainment or maintenance of price stability.

**SECTION 62. Power to Define Terms.** — For purposes of this article and of this Act, the Monetary Board shall formulate definitions of monetary aggregates, credit and prices and shall make public such definitions and any changes thereof.

**SECTION 63. Action When Abnormal Movements Occur in the Monetary Aggregates, Credit, or Price Level.** — Whenever abnormal movements in the monetary aggregates, in credit, or in prices endanger the stability of the Philippine economy or important sectors thereof, the Monetary Board shall:

- (a) take such remedial measures as are appropriate and within the powers granted to the Monetary Board and the Bangko Sentral under the provisions of this Act; and
- (b) submit to the President of the Philippines and the Congress, and make public, a detailed report which shall include, as a minimum, a description and analysis of:
  - (1) the causes of the rise or fall of the monetary aggregates, of credit or of prices;
  - (2) the extent to which the changes in the monetary aggregates, in credit, or in prices have been reflected in changes in the level of domestic output, employment, wages and economic activity in general, and the nature and significance of any such changes; and
  - (3) the measures which the Monetary Board has taken and the other monetary, fiscal or administrative measures which it recommends to be adopted.

Whenever the monetary aggregates, or the level of credit, increases or decreases by more than fifteen percent (15%), or the cost of living index increases by more than ten percent (10%), in relation to the level existing at the end of the corresponding month of the preceding year, or even though any of these quantitative guidelines have not been reached when in its judgment the circumstances so warrant, the Monetary Board shall submit the reports mentioned in this section, and shall state therein

whether, in the opinion of the Board, said changes in the monetary aggregates, credit or cost of living represent a threat to the stability of the Philippine economy or of important sectors thereof.

The Monetary Board shall continue to submit periodic reports to the President of the Philippines and to Congress until it considers that the monetary, credit or price disturbances have disappeared or have been adequately controlled.

### ARTICLE II. INTERNATIONAL MONETARY STABILIZATION

**SECTION 64. International Monetary Stabilization.** — The Bangko Sentral shall exercise its powers under this Act to preserve the international value of the peso and to maintain its convertibility into other freely convertible currencies primarily for, although not necessarily limited to, current payments for foreign trade and invisibles.

**SECTION 65. International Reserves.** — In order to maintain the international stability and convertibility of the Philippine peso, the Bangko Sentral shall maintain international reserves adequate to meet any foreseeable net demands on the Bangko Sentral for foreign currencies.

In judging the adequacy of the international reserves, the Monetary Board shall be guided by the prospective receipts and payments of foreign exchange by the Philippines. The Board shall give special attention to the volume and maturity of the Bangko Sentral's own liabilities in foreign currencies, to the volume and maturity of the foreign exchange assets and liabilities of other banks operating in the Philippines and, insofar as they are known or can be estimated, the volume and maturity of the foreign exchange assets and liabilities of all other persons and entities in the Philippines.

**SECTION 66. Composition of the International Reserves.** — The international reserves of the Bangko Sentral may include but shall not be limited to the following assets:

- (a) gold; and
- (b) assets in foreign currencies in the form of: documents and instruments customarily employed for the international transfer of funds; demand and time deposits in central banks, treasuries and commercial banks abroad; foreign government securities; and foreign notes and coins.

The Monetary Board shall endeavor to hold the foreign exchange resources of the Bangko Sentral in freely convertible currencies; moreover, the Board shall give particular consideration to the prospects of continued strength and convertibility of the currencies in which the reserve is maintained, as well as to the anticipated demands for such currencies. The Monetary Board shall issue regulations determining the other qualifications which foreign exchange assets must meet in order to be included in the international reserves of the Bangko Sentral.

The Bangko Sentral shall be free to convert any of the assets in its international reserves into other assets as described in subsections (a) and (b) of this section.

**SECTION 67. Action When the International Stability of the Peso is Threatened.** — Whenever the international reserve of the Bangko Sentral falls to a level which the Monetary Board considers inadequate to meet prospective net demands on the Bangko Sentral for foreign currencies, or whenever the international reserve appears to be in imminent danger of falling to such a level, or whenever the international reserve is falling as a result of payments or remittances abroad which, in the opinion of the Monetary Board, are contrary to the national welfare, the Monetary Board shall:

- (a) take such remedial measures as are appropriate and within the powers granted to the Monetary Board and the Bangko Sentral under the provisions of this Act; and

(b) submit to the President of the Philippines and to Congress a detailed report which shall include, as a minimum, a description and analysis of:

- (1) the nature and causes of the existing or imminent decline;
- (2) the remedial measures already taken or to be taken by the Monetary Board;
- (3) the monetary, fiscal or administrative measures further proposed; and
- (4) the character and extent of the cooperation required from other government agencies for the successful execution of the policies of the Monetary Board.

If the resultant actions fail to check the deterioration of the reserve position of the Bangko Sentral, or if the deterioration cannot be checked except by chronic restrictions on exchange and trade transactions or by sacrifice of the domestic objectives of a balanced and sustainable growth of the economy, the Monetary Board shall propose to the President, with appropriate notice of Congress, such additional action as it deems necessary to restore equilibrium in the international balance of payments of the Philippines.

The Monetary Board shall submit periodic reports to the President and to Congress until the threat to the international monetary stability of the Philippines has disappeared.

## CHAPTER IV — INSTRUMENTS OF BANGKO SENTRAL ACTION

### ARTICLE I. GENERAL CRITERION

**SECTION 68. Means of Action.** — In order to achieve the primary objective of price stability, the Monetary Board shall rely on its moral influence and the powers granted to it under this Act for the management of monetary aggregates.

### ARTICLE II. OPERATIONS IN GOLD AND FOREIGN EXCHANGE

**SECTION 69. Purchases and Sales of Gold.** — The Bangko Sentral may buy and sell gold in any form, subject to such regulations as the Monetary Board may issue.

The purchases and sales of gold authorized by this section shall be made in the national currency at the prevailing international market price as determined by the Monetary Board.

**SECTION 70. Purchases and Sales of Foreign Exchange.** — The Bangko Sentral may buy and sell foreign notes and coins, and documents and instruments of types customarily employed for the international transfer of funds. The Bangko Sentral may engage in future exchange operations.

The Bangko Sentral may engage in foreign exchange transactions with the following entities or persons only:

- (a) banking institutions operating in the Philippines;
- (b) the Government, its political subdivisions and instrumentalities;
- (c) foreign or international financial institutions;

(d) foreign governments and their instrumentalities; and

(e) other entities or persons which the Monetary Board is hereby empowered to authorize as foreign exchange dealers, subject to such rules and regulations as the Monetary Board shall prescribe.

In order to maintain the convertibility of the peso, the Bangko Sentral may, at the request of any banking institution operating in the Philippines, buy any quantity of foreign exchange offered, and sell any quantity of foreign exchange demanded, by such institution, provided that the foreign currencies so offered or demanded are freely convertible into gold or United States dollars. This requirement shall not apply to demands for foreign notes and coins.

The Bangko Sentral shall effect its exchange transactions between foreign currencies and the Philippine peso at the rates determined in accordance with the provisions of Section 74 of this Act.

**SECTION 71. Foreign Asset Position of the Bangko Sentral.** — The Bangko Sentral shall endeavor to maintain at all times a net positive foreign asset position so that its gross foreign exchange assets will always exceed its gross foreign liabilities. In the event that the equivalent amount in pesos of the foreign exchange liabilities of the Bangko Sentral exceed twice the equivalent amount in pesos of the foreign exchange assets of the bank, the Bangko Sentral shall, within sixty (60) days from the date the limit is exceeded, submit a report to the Congress stating the origin of these liabilities, and the manner in which they will be paid.

**SECTION 72. Emergency Restrictions on Exchange Operations.** — In order to achieve the primary objective of the Bangko Sentral as set forth in Section 3 of this Act, or to protect the international reserves of the Bangko Sentral in the imminence of, or during an exchange crisis, or in time of national emergency and to give the Monetary Board and the Government time in which to take constructive measures to forestall, combat, or overcome such a crisis or emergency, the Monetary Board, with the concurrence of at least five (5) of its members and with the approval of the President of the Philippines, may temporarily suspend or restrict sales of exchange by the Bangko Sentral, and may subject all transactions in gold and foreign exchange to license by the Bangko Sentral, and may require that any foreign exchange hereafter obtained by any person residing or entity operating in the Philippines be delivered to the Bangko Sentral or to any bank or agent designated by the Bangko Sentral for the purpose, at the effective exchange rate or rates: Provided, however, That foreign currency deposits made under Republic Act No. 6426 shall be exempt from these requirements.

**SECTION 73. Acquisition of Inconvertible Currencies.** — The Bangko Sentral shall avoid the acquisition and holding of currencies which are not freely convertible, and may acquire such currencies in an amount exceeding the minimum balance necessary to cover current demands for said currencies only when, and to the extent that, such acquisition is considered by the Monetary Board to be in the national interest. The Monetary Board shall determine the procedures which shall apply to the acquisition and disposition by the Bangko Sentral of foreign exchange which is not freely utilizable in the international market.

**SECTION 74. Exchange Rates.** — The Monetary Board shall determine the exchange rate policy of the country.

The Monetary Board shall determine the rates at which the Bangko Sentral shall buy and sell spot exchange, and shall establish deviation limits from the effective exchange rate or rates as it may deem proper. The Bangko Sentral shall not collect any additional commissions or charges of any sort, other than actual telegraphic or cable costs incurred by it.

The Monetary Board shall similarly determine the rates for other types of foreign exchange transactions by the Bangko Sentral, including purchases and sales of foreign notes and coins, but the margins between the effective exchange rates and the rates thus established may not exceed the

corresponding margins for spot exchange transactions by more than the additional costs or expenses involved in each type of transactions.

**SECTION 75. Operations with Foreign Entities.** — The Monetary Board may authorize the Bangko Sentral to grant loans to and receive loans from foreign banks and other foreign or international entities, both public and private, and may engage in such other operations with these entities as are in the national interest and are appropriate to its character as a central bank. The Bangko Sentral may also act as agent or correspondent for such entities.

Upon authority of the Monetary Board, the Bangko Sentral may pledge any gold or other assets which it possesses as security against loans which it receives from foreign or international entities.

### ARTICLE III. REGULATION OF FOREIGN EXCHANGE OPERATIONS OF THE BANKS

**SECTION 76. Foreign Exchange Holdings of the Banks.** — In order that the Bangko Sentral may at all times have foreign exchange resources sufficient to enable it to maintain the international stability and convertibility of the peso, or in order to promote the domestic investment of bank resources, the Monetary Board may require the banks to sell to the Bangko Sentral or to other banks all or part of their surplus holdings of foreign exchange. Such transfers may be required for all foreign currencies or for only certain of such currencies, according to the decision of the Monetary Board. The transfers shall be made at the rates established under the provisions of Section 74 of this Act.

The Monetary Board may, whenever warranted, determine the net assets and net liabilities of banks and shall, in making such a determination, take into account the bank's net worth, outstanding liabilities, actual and contingent, or such other financial or performance ratios as may be appropriate under the circumstances. Any such determination of net assets and net liabilities shall be applied in all banks uniformly and without discrimination.

**SECTION 77. Requirement of Balanced Currency Position.** — The Monetary Board may require the banks to maintain a balanced position between their assets and liabilities in Philippine pesos or in any other currency or currencies in which they operate. The banks shall be granted a reasonable period of time in which to adjust their currency positions to any such requirement.

The powers granted under this section shall be exercised only when special circumstances make such action necessary, in the opinion of the Monetary Board, and shall be applied to all banks alike and without discrimination.

**SECTION 78. Regulation of Non-spot Exchange Transactions.** — In order to restrain the banks from taking speculative positions with respect to future fluctuations in foreign exchange rates, the Monetary Board may issue such regulations governing bank purchases and sales of non-spot exchange as it may consider necessary for said purpose.

**SECTION 79. Other Exchange Profits and Losses.** — The banks shall bear the risks of non-compliance with the terms of the foreign exchange documents and instruments which they buy and sell, and shall also bear any other typically commercial or banking risks, including exchange risks not assumed by the Bangko Sentral under the provisions of the preceding section.

**SECTION 80. Information on Exchange Operations.** — The banks shall report to the Bangko Sentral the volume and composition of their purchases and sales of gold and foreign exchange each day, and must furnish such additional information as the Bangko Sentral may request with reference to the movements in their accounts in foreign currencies.

The Monetary Board may also require other persons and entities to report to it currently all transactions or operations in gold, in any shape or form, and in foreign exchange whether entered into or undertaken by them directly or through agents, or to submit such data as may be required on operations or activities giving rise to or in connection with or relating to a gold or foreign exchange transaction. The Monetary Board shall prescribe the forms on which such declarations must be made. The accuracy of the declarations may be verified by the Bangko Sentral by whatever inspection it may deem necessary.

### ARTICLE IV. LOANS TO BANKING AND OTHER FINANCIAL INSTITUTIONS

#### A. CREDIT POLICY

**SECTION 81. Guiding Principles.** — The rediscounts, discounts, loans and advances which the Bangko Sentral is authorized to extend to banking institutions under the provisions of the present article of this Act shall be used to influence the volume of credit consistent with the objective of price stability.

#### B. NORMAL CREDIT OPERATIONS

**SECTION 82. Authorized Types of Operations.** — Subject to the principle stated in the preceding section of this Act, the Bangko Sentral may normally and regularly carry on the following credit operations with banking institutions operating in the Philippines:

- (a) Commercial credits. — The Bangko Sentral may rediscount, discount, buy and sell bills, acceptances, promissory notes and other credit instruments with maturities of not more than one hundred eighty (180) days from the date of their rediscount, discount or acquisition by the Bangko Sentral and resulting from transactions related to:
  - (1) the importation, exportation, purchase or sale of readily saleable goods and products, or their transportation within the Philippines; or
  - (2) the storing of non-perishable goods and products which are duly insured and deposited, under conditions assuring their preservation, in authorized bonded warehouses or in other places approved by the Monetary Board.
- (b) Production credits. — The Bangko Sentral may rediscount, discount, buy and sell bills, acceptances, promissory notes and other credit instruments having maturities of not more than three hundred sixty (360) days from the date of their rediscount, discount or acquisition by the Bangko Sentral and resulting from transactions related to the production or processing of agricultural, animal, mineral, or industrial products. Documents or instruments acquired in accordance with this subsection shall be secured by a pledge of the respective crops or products: Provided, however, That the crops or products need not be pledged to secure the documents if the original loan granted by the Bangko Sentral is secured by a lien or mortgage on real estate property seventy percent (70%) of the appraised value of which equals or exceeds the amount of the loan granted.
- (c) Other credits. — Special credit instruments not otherwise rediscountable under the immediately preceding subsections (a) and (b) may be eligible for rediscounting in accordance with rules and regulations which the Bangko Sentral shall prescribe. Whenever necessary, the Bangko Sentral shall provide funds from non-inflationary sources: Provided, however, That the Monetary Board shall prescribe additional safeguards for disbursing these funds.

(d) Advances. — The Bangko Sentral may grant advances against the following kinds of collaterals for fixed periods which, with the exception of advances against collateral named in clause (4) of the present subsection, shall not exceed one hundred eighty (180) days:

- (1) gold coins or bullion;
- (2) securities representing obligations of the Bangko Sentral or of other domestic institutions of recognized solvency;
- (3) the credit instruments to which reference is made in subsection (a) of this section;
- (4) the credit instruments to which reference is made in subsection (b) of this section, for periods which shall not exceed three hundred sixty (360) days;
- (5) utilized portions of advances in current amount covered by regular overdraft agreements related to operations included under subsections (a) and (b) of this section, and certified as to amount and liquidity by the institution soliciting the advance;
- (6) negotiable treasury bills, certificates of indebtedness, notes and other negotiable obligations of the Government maturing within three (3) years from the date of the advance; and
- (7) negotiable bonds issued by the Government of the Philippines, by Philippine provincial, city or municipal governments, or by any Philippine Government instrumentality, and having maturities of not more than ten (10) years from the date of advance.

The rediscounts, discounts, loans and advances made in accordance with the provisions of this section may not be renewed or extended unless extraordinary circumstances fully justify such renewal or extension.

Advances made against the collateral named in clauses (6) and (7) of subsection (d) of this section may not exceed eighty percent (80%) of the current market value of the collateral.

### C. SPECIAL CREDIT OPERATION

**SECTION 83. Loans for Liquidity Purposes.** — The Bangko Sentral may extend loans and advances to banking institutions for a period of not more than seven (7) days without any collateral for the purpose of providing liquidity to the banking system in times of need.

### D. EMERGENCY CREDIT OPERATION

**SECTION 84. Emergency Loans and Advances.** — In periods of national and/or local emergency or of imminent financial panic which directly threaten monetary and banking stability, the Monetary Board may, by a vote of at least five (5) of its members, authorize the Bangko Sentral to grant extraordinary loans or advances to banking institutions secured by assets as defined hereunder: Provided, That while such loans or advances are outstanding, the debtor institution shall not, except upon prior authorization by the Monetary Board, expand the total volume of its loans or investments.

The Monetary Board may, at its discretion, likewise authorize the Bangko Sentral to grant emergency loans or advances to banking institutions, even during normal periods, for the purpose of assisting a bank in a precarious financial condition or under serious financial pressures brought by unforeseen events, or events which, though foreseeable, could not be prevented by the bank

concerned: Provided, however, That the Monetary Board has ascertained that the bank is not insolvent and has the assets defined hereunder to secure the advances: Provided, further, That a concurrent vote of at least five (5) members of the Monetary Board is obtained.

The amount of any emergency loan or advance shall not exceed the sum of fifty percent (50%) of total deposits and deposit substitutes of the banking institution and shall be disbursed in two (2) or more tranches. The amount of the first tranche shall be limited to twenty-five percent (25%) of the total deposit and deposit substitutes of the institution and shall be secured by government securities to the extent of their applicable loan values and other unencumbered first class collaterals which the Monetary Board may approve: Provided, That if as determined by the Monetary Board, the circumstances surrounding the emergency warrant a loan or advance greater than the amount provided hereinabove, the amount of the first tranche may exceed twenty-five percent (25%) of the bank's total deposit and deposit substitutes if the same is adequately secured by applicable loan values of government securities and unencumbered first class collaterals approved by the Monetary Board, and the principal stockholders of the institution furnish an acceptable undertaking to indemnify and hold harmless from suit a conservator whose appointment the Monetary Board may find necessary at any time.

Prior to the release of the first tranche, the banking institution shall submit to the Bangko Sentral a resolution of its board of directors authorizing the Bangko Sentral to evaluate other assets of the banking institution certified by its external auditor to be good and available for collateral purposes should the release of the subsequent tranche be thereafter applied for.

The Monetary Board may, by a vote of at least five (5) of its members, authorize the release of a subsequent tranche on condition that the principal stockholders of the institution:

- (a) furnish an acceptable undertaking to indemnify and hold harmless from suit a conservator whose appointment the Monetary Board may find necessary at any time; and
- (b) provide acceptable security which, in the judgment of the Monetary Board, would be adequate to supplement, where necessary, the assets tendered by the banking institution to collateralize the subsequent tranche.

In connection with the exercise of these powers, the prohibitions in Section 128 of this Act shall not apply insofar as it refers to acceptance as collateral of shares and their acquisition as a result of foreclosure proceedings, including the exercise of voting rights pertaining to said shares: Provided, however, That should the Bangko Sentral acquire any of the shares it has accepted as collateral as a result of foreclosure proceedings, the Bangko Sentral shall dispose of said shares by public bidding within one (1) year from the date of consolidation of title by the Bangko Sentral.

Whenever a financial institution incurs an overdraft in its account with the Bangko Sentral, the same shall be eliminated within the period prescribed in Section 102 of this Act.

### E. CREDIT TERMS

**SECTION 85. Interest and Rediscount.** — The Bangko Sentral shall collect interest and other appropriate charges on all loans and advances it extends, the closure, receivership or liquidations of the debtor-institution notwithstanding. This provision shall apply prospectively.

The Monetary Board shall fix the interest and rediscount rates to be charged by the Bangko Sentral on its credit operations in accordance with the character and term of the operation, but after due consideration has been given to the credit needs of the market, the composition of the Bangko Sentral's portfolio, and the general requirements of the national monetary policy. Interest and rediscount rates shall be applied to all banks of the same category uniformly and without discrimination.

**SECTION 86. Endorsement.** — The documents rediscounted, discounted, bought or accepted as collateral by the Bangko Sentral in the course of the credit operations authorized in this article shall bear the endorsement of the institution from which they are received.

**SECTION 87. Repayment of Credits.** — Documents rediscounted, discounted or accepted as collateral by the Bangko Sentral must be withdrawn by the borrowing institution on the dates of their maturities, or upon liquidation of the obligations which they represent or to which they relate whenever said obligations have been liquidated prior to their dates of maturity.

Banks shall have the right at any time to withdraw any documents which they have presented to the Bangko Sentral as collateral, upon payment in full of the corresponding debt to the Bangko Sentral, including interest charges.

**SECTION 88. Other requirements.** — The Monetary Board may prescribe, within the general powers granted to it under this Act, additional conditions which borrowing institutions must satisfy in order to have access to the credit of the Bangko Sentral. These conditions may refer to the rates of interest charged by the banks, to the purposes for which their loans in general are destined, and to any other clearly definable aspect of the credit policy of the bank.

**SECTION 89. Provisional Advances to the National Government.** — The Bangko Sentral may make direct provisional advances with or without interest to the National Government to finance expenditures authorized in its annual appropriation: Provided, That said advances shall be repaid before the end of three (3) months extendible by another three (3) months as the Monetary Board may allow following the date the National Government received such provisional advances and shall not, in their aggregate, exceed twenty percent (20%) of the average annual income of the borrower for the last three (3) preceding fiscal years.

## ARTICLE V. OPEN MARKET OPERATIONS FOR THE ACCOUNT OF THE BANGKO SENTRAL

**SECTION 90. Principles of Open Market Operations.** — The open market purchases and sales of securities by the Bangko Sentral shall be made exclusively in accordance with its primary objective of achieving price stability.

**SECTION 91. Purchases and Sales of Government Securities.** — In order to achieve the objectives of the national monetary policy, the Bangko Sentral may, in accordance with the principle stated in Section 90 of this Act and with such rules and regulations as may be prescribed by the Monetary Board, buy and sell in the open market for its own account:

- (a) evidences of indebtedness issued directly by the Government of the Philippines or by its political subdivisions; and
- (b) evidences of indebtedness issued by government instrumentalities and fully guaranteed by the Government.

The evidences of indebtedness acquired under the provisions of this section must be freely negotiable and regularly serviced and must be available to the general public through banking institutions and local government treasuries in denominations of a thousand pesos or more.

**SECTION 92. Issue and Negotiation of Bangko Sentral Obligations.** — In order to provide the Bangko Sentral with effective instruments for open market operations, the Bangko Sentral may, subject to such rules and regulations as the Monetary Board may prescribe and in accordance with the

principles stated in Section 90 of this Act, issue, place, buy and sell freely negotiable evidences of indebtedness of the Bangko Sentral: Provided, That issuance of such certificates of indebtedness shall be made only in cases of extraordinary movement in price levels. Said evidences of indebtedness may be issued directly against the internal reserve of the Bangko Sentral or against the securities which it has acquired under the provisions of Section 91 of this Act, or may be issued without relation to specific types of assets of the Bangko Sentral.

The Monetary Board shall determine the interest rates, maturities and other characteristics of said obligations of the Bangko Sentral, and may, if it deems it advisable, denominate the obligations in gold or foreign currencies.

Subject to the principles stated in Section 90 of this Act, the evidences of indebtedness of the Bangko Sentral to which this section refers may be acquired by the Bangko Sentral before their maturity, either through purchases in the open market or through redemptions at par and by lot if the Bangko Sentral has reserved the right to make such redemptions. The evidences of indebtedness acquired or redeemed by the Bangko Sentral shall not be included among its assets, and shall be immediately reissued and cancelled.

## ARTICLE VI. COMPOSITION OF BANGKO SENTRAL'S PORTFOLIO

**SECTION 93. Review of the Bangko Sentral's Portfolio.** — At least once every month the Monetary Board shall review the portfolio of the Bangko Sentral in relation to its future credit policy. In reviewing the Bangko Sentral's portfolio, the Monetary Board shall especially consider whether a sufficiently large part of the portfolio consists of assets with early maturities, in order that a contraction in Bangko Sentral credit may be effected promptly whenever the national monetary policy so requires.

## ARTICLE VII. BANK RESERVES

**SECTION 94. Reserve Requirements.** — In order to control the volume of money created by the credit operations of the banking system, all banks operating in the Philippines shall be required to maintain reserves against their deposit liabilities: Provided, That the Monetary Board may, at its discretion, also require all banks and/or quasi-banks to maintain reserves against funds held in trust and liabilities for deposit substitutes as defined in this Act. The required reserves of each bank shall be proportional to the volume of its deposit liabilities and shall ordinarily take the form of a deposit in the Bangko Sentral. Reserve requirements shall be applied to all banks of the same category uniformly and without discrimination.

Reserves against deposit substitutes, if imposed, shall be determined in the same manner as provided for reserve requirements against regular bank deposits, with respect to the imposition, increase, and computation of reserves.

The Monetary Board may exempt from reserve requirements deposits and deposit substitutes with remaining maturities of two (2) years or more, as well as interbank borrowings.

Since the requirement to maintain bank reserves is imposed primarily to control the volume of money, the Bangko Sentral shall not pay interest on the reserves maintained with it unless the Monetary Board decides otherwise as warranted by circumstances.

**SECTION 95. Definition of Deposit Substitutes.** — The term "deposit substitutes" is defined as an alternative form of obtaining funds from the public, other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrower's own account, for the purpose of

relending or purchasing of receivables and other obligations. These instruments may include, but need not be limited to, bankers acceptances, promissory notes, participations, certificates of assignment and similar instruments with recourse, and repurchase agreements. The Monetary Board shall determine what specific instruments shall be considered as deposit substitutes for the purposes of Section 94 of this Act. Provided, however, That deposit substitutes of commercial, industrial and other non-financial companies for the limited purpose of financing their own needs or the needs of their agents or dealers shall not be covered by the provisions of Section 94 of this Act.

**SECTION 96. Required Reserves Against Peso Deposits.** — The Monetary Board may fix and, when it deems necessary, alter the minimum reserve ratios to peso deposits, as well as to deposit substitutes, which each bank and/or quasi-bank may maintain, and such ratio shall be applied uniformly to all banks of the same category as well as to quasi-banks.

**SECTION 97. Required Reserves Against Foreign Currency Deposits.** — The Monetary Board is similarly authorized to prescribe and modify the minimum reserve ratios applicable to deposits denominated in foreign currencies.

**SECTION 98. Reserves Against Unused Balances of Overdraft Lines.** — In order to facilitate Bangko Sentral control over the volume of bank credit, the Monetary Board may establish minimum reserve requirements for unused balances of overdraft lines.

The powers of the Monetary Board to prescribe and modify reserve requirements against unused balances of overdraft lines shall be the same as its powers with respect to reserve requirements against demand deposits.

**SECTION 99. Increase in Reserve Requirements.** — Whenever in the opinion of the Monetary Board it becomes necessary to increase reserve requirements against existing liabilities, the increase shall be made in a gradual manner and shall not exceed four percentage points in any thirty-day period. Banks and other affected financial institutions shall be notified reasonably in advance of the date on which such increase is to become effective.

**SECTION 100. Computation on Reserves.** — The reserve position of each bank or quasi-bank shall be calculated daily on the basis of the amount, at the close of business for the day, of the institution's reserves and the amount of its liability accounts against which reserves are required to be maintained. Provided, That with reference to holidays or non-banking days, the reserve position as calculated at the close of the business day immediately preceding such holidays and non-banking days shall apply on such days.

For the purpose of computing the reserve position of each bank or quasi-bank, its principal office in the Philippines and all its branches and agencies located therein shall be considered as a single unit.

**SECTION 101. Reserve Deficiencies.** — Whenever the reserve position of any bank or quasi-bank, computed in the manner specified in the preceding section of this Act, is below the required minimum, the bank or quasi-bank shall pay the Bangko Sentral one-tenth of one percent (1/10 of 1%) per day on the amount of the deficiency or the prevailing ninety-one-day treasury bill rate plus three percentage points, whichever is higher. Provided, however, That banks and quasi-banks shall ordinarily be permitted to offset any reserve deficiency occurring on one or more days of the week with any excess reserves which they may hold on other days of the same week and shall be required to pay the penalty only on the average daily deficiency during the week. In cases of abuse, the Monetary Board may deny any bank or quasi-bank the privilege of offsetting reserve deficiencies in the aforesaid manner.

If a bank or quasi-bank chronically has a reserve deficiency, the Monetary Board may limit or prohibit the making of new loans or investments by the institution and may require that part or all of the net profits of the institution be assigned to surplus.

The Monetary Board may modify or set aside the reserve deficiency penalties provided in this section, for part or the entire period of a strike or lockout affecting a bank or a quasi-bank as defined in the Labor Code, or of a national emergency affecting operations of banks or quasi-banks. The Monetary Board may also modify or set aside reserved deficiency penalties for rehabilitation program of a bank.

**SECTION 102. Interbank Settlement.** — The Bangko Sentral shall establish facilities for interbank clearing under such rules and regulations as the Monetary Board may prescribe. Provided, That the Bangko Sentral may charge administrative and other fees for the maintenance of such facilities.

The deposit reserves maintained by the banks in the Bangko Sentral in accordance with the provisions of Section 94 of this Act shall serve as basis for the clearing of checks and the settlement of interbank balances, subject to such rules and regulations as the Monetary Board may issue with respect to such operations. Provided, That any bank which incurs on overdrawing in its deposit account with the Bangko Sentral shall fully cover said overdraft, including interest thereon at a rate equivalent to one-tenth of one percent (1/10 of 1%) per day or the prevailing ninety-one-day treasury bill rate plus three percentage points, whichever is higher, not later than the next clearing day. Provided, further, That settlement of clearing balances shall not be effected for any account which continues to be overdrawn for five (5) consecutive banking days until such time as the overdrawn is fully covered or otherwise converted into an emergency loan or advance pursuant to the provisions of Section 84 of this Act. Provided, finally, That the appropriate clearing office shall be officially notified of banks with overdrawn balances. Banks with existing overdrafts with the Bangko Sentral as of the effectivity of this Act shall, within such period as may be prescribed by the Monetary Board, either convert the overdraft into an emergency loan or advance with a plan of payment, or settle such overdrafts, and that, upon failure to so comply herewith, the Bangko Sentral shall take such action against the bank as may be warranted under this Act.

**SECTION 103. Exemption from Attachment and Other Purposes.** — Deposits maintained by banks with the Bangko Sentral as part of their reserve requirements shall be exempt from attachment, garnishments, or any other order or process of any court, government agency or any other administrative body issued to satisfy the claim of a party other than the Government, or its political subdivisions or instrumentalities.

## ARTICLE VIII. SELECTIVE REGULATION OF BANK OPERATIONS

**SECTION 104. Guiding Principle.** — The Monetary Board shall use the powers granted to it under this Act to ensure that the supply, availability and cost of money are in accord with the needs of the Philippine economy and that bank credit is not granted for speculative purposes prejudicial to the national interests. Regulations on bank operations shall be applied to all banks of the same category uniformly and without discrimination.

**SECTION 105. Margin Requirements Against Letters of Credit.** — The Monetary Board may at any time prescribe minimum cash margins for the opening of letters of credit, and may relate the size of the required margin to the nature of the transaction to be financed.

**SECTION 106. Required Security Against Bank Loans.** — In order to promote liquidity and solvency of the banking system, the Monetary Board may issue such regulations as it may deem necessary with respect to the maximum permissible maturities of the loans and investments which the banks may make, and the kind and amount of security to be required against the various types of credit operations of the banks.

**SECTION 107. Portfolio Ceilings.** — Whenever the Monetary Board considers it advisable to prevent or check an expansion of bank credit, the Board may place an upper limit on the amount of loans and investments which the banks may hold, or may place a limit on the rate of increase of such

assets within specified periods of time. The Monetary Board may apply such limits to the loans and investments of each bank or to specific categories thereof.

In no case shall the Monetary Board establish limits which are below the value of the loans or investments of the banks on the date on which they are notified of such restrictions. The restrictions shall be applied to all banks uniformly and without discrimination.

**SECTION 108. Minimum Capital Ratios.** — The Monetary Board may prescribe minimum ratios which the capital and surplus of the banks must bear to the volume of their assets, or to specific categories thereof, and may alter said ratios whenever it deems necessary.

## ARTICLE IX. COORDINATION OF CREDIT POLICIES BY GOVERNMENT INSTITUTIONS

**SECTION 109. Coordination of Credit Policies.** — Government-owned corporations which perform banking or credit functions shall coordinate their general credit policies with those of the Monetary Board.

Toward this end, the Monetary Board may, whenever it deems it expedient, make suggestions or recommendations to such corporations for the more effective coordination of their policies with those of the Bangko Sentral.

## CHAPTER V — FUNCTIONS AS BANKER AND FINANCIAL ADVISOR OF THE GOVERNMENT

### ARTICLE I. FUNCTIONS AS BANKER OF THE GOVERNMENT

**SECTION 110. Designation of Bangko Sentral as Banker of the Government.** — The Bangko Sentral shall act as a banker of the Government, its political subdivisions and instrumentalities.

**SECTION 111. Representation with the International Monetary Fund.** — The Bangko Sentral shall represent the Government in all dealings, negotiations and transactions with the International Monetary Fund and shall carry such accounts as may result from Philippine membership in, or operations with, said Fund.

**SECTION 112. Representation with Other Financial Institutions.** — The Bangko Sentral may be authorized by the Government to represent it in dealings, negotiations or transactions with the International Bank for Reconstruction and Development and with other foreign or international financial institutions or agencies. The President may, however, designate any of his other financial advisors to jointly represent the Government in such dealings, negotiations or transactions.

**SECTION 113. Official Deposits.** — The Bangko Sentral shall be the official depository of the Government, its political subdivisions and instrumentalities as well as of government-owned or controlled corporations and, as a general policy, their cash balances should be deposited with the Bangko Sentral, with only minimum working balances to be held by government-owned banks and such other banks incorporated in the Philippines as the Monetary Board may designate, subject to such rules and regulations as the Board may prescribe: Provided, That such banks may hold deposits of the

political subdivisions and instrumentalities of the Government beyond their minimum working balances whenever such subdivisions or instrumentalities have outstanding loans with said banks.

The Bangko Sentral may pay interest on deposits of the Government or of its political subdivisions and instrumentalities, as well as on deposits of banks with the Bangko Sentral.

**SECTION 114. Fiscal Operations.** — The Bangko Sentral shall open a general cash account for the Treasurer of the Philippines, in which the liquid funds of the Government shall be deposited.

Transfers of funds from this account to other accounts shall be made only upon order of the Treasurer of the Philippines.

**SECTION 115. Other Banks as Agents of the Bangko Sentral.** — In the performance of its functions as fiscal agent, the Bangko Sentral may engage the services of other government-owned and controlled banks and of other domestic banks for operations in localities at home or abroad in which the Bangko Sentral does not have offices or agencies adequately equipped to perform said operations: Provided, however, That for fiscal operations in foreign countries, the Bangko Sentral may engage the services of foreign banking and financial institutions.

**SECTION 116. Remuneration for Services.** — The Bangko Sentral may charge equitable rates, commissions or fees for services which it renders to the Government, its political subdivisions and instrumentalities.

## ARTICLE II. THE MARKETING AND STABILIZATION OF SECURITIES FOR THE ACCOUNT OF THE GOVERNMENT

### A. THE ISSUE AND PLACING OF GOVERNMENT SECURITIES

**SECTION 117. Issue of Government Obligations.** — The issue of securities representing obligations of the Government, its political subdivisions or instrumentalities, may be made through the Bangko Sentral, which may act as agent of, and for the account of, the Government or its respective subdivisions or instrumentality, as the case may be: Provided, however, That the Bangko Sentral shall not guarantee the placement of said securities, and shall not subscribe to their issue except to replace its maturing holdings of securities with the same type as the maturing securities.

**SECTION 118. Methods of Placing Government Securities.** — The Bangko Sentral may place the securities to which the preceding section refers through direct sale to financial institutions and the public.

The Bangko Sentral shall not be a member of any stock exchange or syndicate, but may intervene therein for the sole purpose of regulating their operations in the placing of government securities.

The Government, or its political subdivisions or instrumentalities, shall reimburse the Bangko Sentral for the expenses incurred in the placing of the aforesaid securities.

**SECTION 119. Servicing and Redemption of the Public Debt.** — The servicing and redemption of the public debt shall also be effected through the Bangko Sentral.

## B. BANGKO SENTRAL SUPPORT OF THE GOVERNMENT SECURITIES MARKET

**SECTION 120. The Securities Stabilization Fund.** — There shall be established a "Securities Stabilization Fund" which shall be administered by the Bangko Sentral for the account of the Government.

The operations of the Securities Stabilization Fund shall consist of purchases and sales, in the open market, of bonds and other evidences of indebtedness issued or fully guaranteed by the Government. The purpose of these operations shall be to increase the liquidity and stabilize the value of said securities in order thereby to promote investment in government obligations.

The Monetary Board shall use the resources of the Fund to prevent, or moderate, sharp fluctuations in the quotations of said government obligations, but shall not endeavor to alter movements of the market resulting from basic changes in the pattern or level of interest rates.

The Monetary Board shall issue such regulations as may be necessary to implement the provisions of this section.

**SECTION 121. Resources of the Securities Stabilization Fund.** — Subject to Section 132 of this Act, the resources of the Securities Stabilization Fund shall come from the balance of the fund as held by the Central Bank under Republic Act No. 265 as of the effective date of this Act.

**SECTION 122. Profits and Losses of the Fund.** — The Securities Stabilization Fund shall retain net profits which it may make on its operations, regardless of whether said profits arise from capital gains or from interest earnings. The Fund shall correspondingly bear any net losses which it may incur.

## ARTICLE III. FUNCTIONS AS FINANCIAL ADVISOR OF THE GOVERNMENT

**SECTION 123. Financial Advice on Official Credit Operations.** — Before undertaking any credit operation abroad, the Government, through the Secretary of Finance, shall request the opinion, in writing, of the Monetary Board on the monetary implications of the contemplated action. Such opinions must similarly be requested by all political subdivisions and instrumentalities of the Government before any credit operation abroad is undertaken by them.

The opinion of the Monetary Board shall be based on the gold and foreign exchange resources and obligations of the nation and on the effects of the proposed operation on the balance of payments and on monetary aggregates.

Whenever the Government, or any of its political subdivisions or instrumentalities, contemplates borrowing within the Philippines, the prior opinion of the Monetary Board shall likewise be requested in order that the Board may render an opinion on the probable effects of the proposed operation on monetary aggregates, the price level, and the balance of payments.

**SECTION 124. Representation on the National Economic and Development Authority.** — In order to assure effective coordination between the economic, financial and fiscal policies of the Government and the monetary, credit and exchange policies of the Bangko Sentral, the Deputy Governor designated by the Governor of the Bangko Sentral shall be an ex officio member of the National Economic and Development Authority Board.

## CHAPTER VI — PRIVILEGES AND PROHIBITIONS

### ARTICLE I. PRIVILEGES

**SECTION 125. Tax Exemptions.** — The Bangko Sentral shall be exempt for a period of five (5) years from the approval of this Act from all national, provincial, municipal and city taxes, fees, charges and assessments.

The exemption authorized in the preceding paragraph of this section shall apply to all property of the Bangko Sentral, to the resources, receipts, expenditures, profits and income of the Bangko Sentral, as well as to all contracts, deeds, documents and transactions related to the conduct of the business of the Bangko Sentral: Provided, however, That said exemptions shall apply only to such taxes, fees, charges and assessments for which the Bangko Sentral itself would otherwise be liable, and shall not apply to taxes, fees, charges, or assessments payable by persons or other entities doing business with the Bangko Sentral: Provided, further, That foreign loans and other obligations of the Bangko Sentral shall be exempt, both as to principal and interest, from any and all taxes if the payment of such taxes has been assumed by the Bangko Sentral.

**SECTION 126. Exemption from Customs Duties.** — The provision of any general or special law to the contrary notwithstanding, the importation and exportation by the Bangko Sentral of notes and coins, and of gold and other metals to be used for purposes authorized under this Act, and the importation of all equipment needed for bank note production, minting of coins, metal refining and other security printing operations shall be fully exempt from all customs duties and consular fees and from all other taxes, assessments and charges related to such importation or exportation.

**SECTION 127. Applicability of the Civil Service Law.** — Appointments in the Bangko Sentral, except as to those which are policy-determining, primarily confidential or highly technical in nature, shall be made only according to the Civil Service Law and regulations: Provided, That no qualification requirements for positions in the Bangko Sentral shall be imposed other than those set by the Monetary Board: Provided, further, That the Monetary Board or Governor, in accordance with Sections 15(c) and 17(d) of this Act, respectively, may without need of obtaining prior approval from any other government agency, appoint personnel in the Bangko Sentral whose services are deemed necessary in order not to unduly disrupt the operations of the Bangko Sentral.

Officers and employees of the Bangko Sentral, including all members of the Monetary Board, shall not engage directly or indirectly in partisan activities or take part in any election except to vote.

### ARTICLE II. PROHIBITIONS

**SECTION 128. Prohibitions.** — The Bangko Sentral shall not acquire shares of any kind or accept them as collateral, and shall not participate in the ownership or management of any enterprise, either directly or indirectly.

The Bangko Sentral shall not engage in development banking or financing: Provided, however, That outstanding loans obtained or extended for development financing shall not be affected by the prohibition of this section.



## CHAPTER VII — TRANSITORY PROVISIONS

**SECTION 129. Phase-out of Fiscal Agency Functions.** — Unless circumstances warrant otherwise and approved by the Congress Oversight Committee, the Bangko Sentral shall, within a period of three (3) years but in no case longer than five (5) years from the approval of this Act, phase out all fiscal agency functions provided for in Sections 117, 118, 119, and 120 as well as in other pertinent provisions of this Act and transfer the same to the Department of Finance.

**SECTION 130. Phase-out of Regulatory Powers Over the Operations of Finance Corporations and Other Institutions Performing Similar Functions.** — The Bangko Sentral shall, within a period of five (5) years from the effectivity of this Act, phase out its regulatory powers over finance companies without quasi-banking functions and other institutions performing similar functions as provided in existing laws, the same to be assumed by the Securities and Exchange Commission.

**SECTION 131. Implementing Details.** — The Bangko Sentral shall be made operational by the performance of the following acts:

- (a) the President shall constitute the Monetary Board by appointing its members thereof within sixty (60) days from the effectivity of this Act; and
- (b) the transfer of such assets and liabilities from the Central Bank to the Bangko Sentral as provided in Section 132 shall be completed within ninety (90) days from the constitution of the Monetary Board.

All incumbent personnel in the Central Bank as of the date of the approval of this Act shall continue to exercise their duties and functions as personnel of the Bangko Sentral subject to the provisions of Section 133; Provided, That such personnel in the Central Bank as may be necessary for the purpose of implementing Section 132 may be assigned by the Bangko Sentral Monetary Board to the Central Bank.

**SECTION 132. Transfer of Assets and Liabilities.** — Upon the effectivity of this Act, three (3) members of the Monetary Board, which may include the Governor, in representation of the Bangko Sentral, the Secretary of Finance and the Secretary of Budget and Management in representation of the National Government, and the Chairmen of the Committees on Banks of the Senate and the House of Representatives shall determine the assets and liabilities of the Central Bank which may be transferred to or assumed by the Bangko Sentral. The Committee shall complete its work within ninety (90) days from the constitution of the Monetary Board submitting a comprehensive report with all its findings and justification.

The following guidelines shall be strictly observed in the determination of which assets and liabilities shall be transferred to the Bangko Sentral:

- (a) the Monetary Board and the Secretary of Finance shall have primary responsibility for working out creative monetary and financial solutions to retire the Central Bank liabilities and losses at the least cost to the Government;
- (b) the Bangko Sentral shall remit seventy-five percent (75%) of its net profits to a special deposit account (sinking fund) until such time as the net liabilities of the Central Bank shall have been liquidated through generally accepted finance mechanisms such as, but not limited to, write-offs, set-offs, condonation, collections, reappraisal, revaluation and bond issuance by the National Government, or to the National Government as dividends;
- (c) the assets and liabilities to be transferred shall be limited to an amount that will enable the Bangko Sentral to perform its responsibilities adequately and operate on a viable basis.

Provided, That the assets shall exceed the liabilities as certified by the Commission on Audit (COA), by an initial amount of Ten billion pesos (P10,000,000,000);

- (d) liabilities to be assumed by the Bangko Sentral shall include liability for notes and coins in circulation as of the effective date of this Act; and
- (e) any asset or liability of the Central Bank not transferred to the Bangko Sentral shall be retained and administered, disposed of and liquidated by the Central Bank itself which shall continue to exist as the CB Board of Liquidators only for the purposes provided in this paragraph but not later than twenty-five (25) years or until such time that liabilities have been liquidated: Provided, That the Bangko Sentral may financially assist the Central Bank of Liquidators in the liquidation of CB liabilities: Provided, finally, That upon disposition of said retained assets and liquidation of said retained liabilities, the Central Bank shall be deemed abolished.

All actions taken by the Bangko Sentral Monetary Board under this section shall be reported to Congress and the President within thirty (30) days.

**SECTION 133. Mandate to Organize.** — The Bangko Sentral shall be organized by the Monetary Board without being subject to the provisions of Republic Act No. 7430, by adopting if it so desires, an entirely new staffing pattern on organizational structure to suit the operations of the Bangko Sentral under this Act. No preferential or priority right shall be given to or enjoyed by any personnel for appointment to any position in the new staffing pattern, nor shall any personnel be considered as having prior or vested rights with respect to retention in the Bangko Sentral or in any position which may be created in the new staffing pattern, even if he should be the incumbent of a similar position prior to organization. The formulation of the program of organization shall be completed within six (6) months after the effectivity of this Act, and shall be fully implemented within a period of six (6) months thereafter. Personnel who may not be retained are deemed separated from the service.

**SECTION 134. Separation Benefits.** — Pursuant to Section 15 of this Act, the Monetary Board is authorized to provide separation incentives, and all those who shall retire or be separated from the service on account of reorganization under the preceding section shall be entitled to such incentives, which shall be in addition to all gratuities and benefits to which they may be entitled under existing laws.

**SECTION 135. Repealing Clause.** — Except as may be provided for in Section 46 and 132 of this Act, Republic Act No. 265, as amended, the provisions of any other law, special charters, rule or regulation issued pursuant to said Republic Act No. 265, as amended, or parts thereof, which may be inconsistent with the provisions of this Act are hereby repealed. Presidential Decree No. 1792 is likewise repealed.

**SECTION 136. Transfer of Powers.** — All powers, duties and functions vested by law in the Central Bank of the Philippines not inconsistent with the provisions of this Act shall be deemed transferred to the Bangko Sentral ng Pilipinas. All references to the Central Bank of the Philippines in any law or special charters shall be deemed to refer to the Bangko Sentral.

**SECTION 137. Separability Clause.** — If any provision or section of this Act or the application thereof to any person or circumstance is held invalid, the other provisions or sections of this Act, and the application of such provision or section to other persons or circumstances, shall not be affected thereby.

**SECTION 138. Effectivity Clause.** — This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved,

(Sgd.) **EDGARDO J. ANGARA**  
President of the Senate

(Sgd.) **JOSE DE VENEZIA, JR.**  
Speaker of the House  
of Representatives

This Act which is a consolidation of House Bill No. 7037 and Senate Bill No. 1235 was finally passed by the House of Representatives and the Senate on June 10, 1993.

(Sgd.) **EDGARDO E. TUMANGAN**  
Secretary of the Senate

(Sgd.) **JOSE DE VENEZIA, JR.**  
Secretary General  
House of Representatives

Approved:

(Sgd.) **FIDEL V. RAMOS**  
President of the Philippines

フィリピン共和国

「国家電力部門資産・負債管理公社 ALM マスタープラン調査」事前調査 (S/W 協議)

報告書

資料 3-3

Meralco 電気料金

- Summary Schedule of Rates Effective June 2008
- Comparison of Residential Bills & Rates per kWh





**COMPARISON OF RESIDENTIAL BILLS\* & RATES PER KWH**  
**May vs. June 2008**

Bill Amount	KWh Bkt	Number of Customers (April 2008)	% of Total	Cumulative Number of Customers (April 2008)	KWh	May-08	Jun-08	Incr/(Decr.)	% Incr/(Decr.)	Breakdown of June 2008 Charges										Total June 08 Bill	VAT Rate
										Generation	Transmission	System Loss	Distribution	Supply	Metering	Customer	Lifeline	Upline	Power Act		
0-50	50	693,596	17.0%	693,596	221.02	207.78	(13.23)	(5.99%)	222.60	49.61	36.98	28.65	26.36	12.18	5.00	(190.68)	0.83	18.61	5.00	207.78	37.22%
51-70	70	380,752	9.3%	1,074,348	403.86	379.58	(24.28)	(6.01%)	311.64	69.45	51.77	40.10	36.90	17.05	5.00	(186.17)	1.70	35.56	2.79	379.58	50.80%
71-100	100	571,428	14.0%	1,645,776	711.54	688.62	(42.92)	(6.03%)	448.20	99.22	73.95	57.29	52.71	24.35	5.00	(151.54)	2.99	64.34	7.96	688.62	64.34%
101-200	200	1,221,873	30.0%	2,867,649	1,810.57	1,696.16	(114.41)	(6.32%)	890.40	198.44	147.90	114.58	105.42	48.70	5.00		7.57	167.13	11.94	1,696.16	83.56%
201-300	300	550,871	13.5%	3,418,520	2,815.55	2,643.94	(171.62)	(6.10%)	1,335.60	297.66	221.85	262.95	158.13	73.05	5.00		31.17	362.11	11.94	2,643.94	87.12%
301-400	400	266,112	6.5%	3,684,632	3,881.10	3,652.28	(228.82)	(5.90%)	1,780.80	396.88	295.80	465.12	210.84	97.40	5.00		11.79	482.56	19.90	3,652.28	90.53%
401-500	500	138,343	3.4%	3,822,975	5,130.64	4,844.61	(286.03)	(5.57%)	2,226.00	496.10	369.75	830.75	263.65	121.75	5.00		21.60	965.11	19.90	4,844.61	96.51%
501-600	600	77,430	1.9%	3,900,405	6,155.64	5,812.41	(343.23)	(5.57%)	2,671.20	694.54	443.70	996.90	316.26	146.10	5.00		25.92	1,360.00	19.90	5,812.41	96.49%
601-700	700	41,600	1.0%	3,942,005	7,185.64	6,785.20	(400.44)	(5.57%)	3,116.40	793.76	517.65	1,163.05	368.97	170.45	5.00		30.23	1,775.34	19.90	6,785.20	96.47%
701-800	800	22,200	0.6%	3,964,205	8,220.64	7,763.00	(457.64)	(5.57%)	3,561.60	892.98	591.60	1,329.20	421.68	194.80	5.00		34.55	1,964.12	19.90	7,763.00	96.47%
801-900	900	11,400	0.3%	3,975,605	9,255.64	8,740.80	(514.85)	(5.56%)	4,006.80	992.20	665.55	1,495.35	474.39	219.15	5.00		38.86	2,150.00	19.90	8,740.80	96.45%
901-1000	1000	5,841	0.1%	3,981,446	10,290.64	9,718.59	(572.05)	(5.56%)	4,452.00	1,092.20	739.50	1,661.50	527.10	243.50	5.00		43.18	2,333.50	19.90	9,718.59	96.43%
1001-1500	1500	37,294	0.9%	4,018,740	15,515.65	14,659.52	(856.13)	(5.53%)	6,678.00	1,488.30	1,109.25	2,492.25	790.65	365.25	5.00		64.76	2,518.25	19.90	14,659.52	96.41%
1501-3000	3000	20,929	0.5%	4,039,669	31,415.67	29,699.52	(1,716.15)	(5.46%)	13,560.00	2,976.60	2,181.50	4,984.50	1,581.30	730.50	5.00		129.49	2,847.50	19.90	29,699.52	96.41%
3001-5000	5000	3,060	0.1%	4,042,729	52,615.70	49,755.45	(2,860.25)	(5.44%)	22,260.00	4,981.00	3,697.50	8,307.50	2,635.50	1,217.50	5.00		215.80	3,063.00	19.90	49,755.45	96.40%
Over 5000		791	0.0%	4,043,520																	
Rate per kWh		4,079,043		100.0%																	

Rate per kWh	May-08	Jun-08	Incr/(Decr.)	% Incr/(Decr.)	Generation	Transmission	System Loss	Distribution	Supply	Metering	Customer	Lifeline	Upline	Power Act	Local Franchise	Energy Tax	Universal Charge	Total June 08 Bill	VAT Rate
50	4.4203	4.1557	(0.2646)	(5.99%)	4.4520	0.9922	0.7395	0.5729	0.5271	0.2435	5.00	(190.68)	0.83	18.61	5.00	207.78	0.0398	4.1557	37.22%
70	5.7694	5.4225	(0.3469)	(6.01%)	4.4520	0.9922	0.7395	0.5729	0.5271	0.2435	5.00	(186.17)	1.70	35.56	2.79	379.58	0.0398	5.4225	50.80%
100	7.1154	6.6862	(0.4292)	(6.03%)	4.4520	0.9922	0.7395	0.5729	0.5271	0.2435	5.00	(151.54)	2.99	64.34	7.96	688.62	0.0398	6.6862	64.34%
200	9.0528	8.4808	(0.5721)	(6.10%)	4.4520	0.9922	0.7395	0.5729	0.5271	0.2435	5.00		7.57	167.13	11.94	1,696.16	0.0398	8.4808	83.56%
300	9.3852	8.8131	(0.5721)	(6.10%)	4.4520	0.9922	0.7395	0.5729	0.5271	0.2435	5.00		31.17	362.11	11.94	2,643.94	0.0398	8.8131	87.12%
400	9.7027	9.1307	(0.5721)	(5.90%)	4.4520	0.9922	0.7395	1.1628	0.5271	0.2435	5.00		11.79	482.56	19.90	3,652.28	0.0398	9.1307	90.53%
500	10.2613	9.6892	(0.5721)	(5.57%)	4.4520	0.9922	0.7395	1.6615	0.5271	0.2435	5.00		21.60	965.11	19.90	4,844.61	0.0398	9.6892	96.51%
600	10.2594	9.6873	(0.5721)	(5.57%)	4.4520	0.9922	0.7395	1.6615	0.5271	0.2435	5.00		25.92	1,360.00	19.90	5,812.41	0.0398	9.6873	96.49%
700	10.2758	9.6931	(0.5721)	(5.57%)	4.4520	0.9922	0.7395	1.6615	0.5271	0.2435	5.00		30.23	1,775.34	19.90	6,785.20	0.0398	9.6931	96.47%
800	10.2906	9.7037	(0.5721)	(5.56%)	4.4520	0.9922	0.7395	1.6615	0.5271	0.2435	5.00		34.55	1,964.12	19.90	7,763.00	0.0398	9.7037	96.47%
900	10.2906	9.7186	(0.5721)	(5.56%)	4.4520	0.9922	0.7395	1.6615	0.5271	0.2435	5.00		38.86	2,150.00	19.90	8,740.80	0.0398	9.7186	96.45%
1000	10.3438	9.7717	(0.5721)	(5.53%)	4.4520	0.9922	0.7395	1.6615	0.5271	0.2435	5.00		43.18	2,333.50	19.90	9,718.59	0.0398	9.7717	96.43%
1500	10.4719	9.8998	(0.5721)	(5.46%)	4.4520	0.9922	0.7395	1.6615	0.5271	0.2435	5.00		64.76	2,518.25	19.90	14,659.52	0.0398	9.8998	96.41%
3000	10.5231	9.9511	(0.5721)	(5.44%)	4.4520	0.9922	0.7395	1.6615	0.5271	0.2435	5.00		129.49	2,847.50	19.90	29,699.52	0.0398	9.9511	96.41%
5000					4.4520	0.9922	0.7395	1.6615	0.5271	0.2435	5.00		215.80	3,063.00	19.90	49,755.45	0.0398	9.9511	96.40%

Rates:	May-08	Jun-08	Incr/(Decr.)	% Incr/(Decr.)
Generation Charge	4.8754	4.4520	(0.4234)	(8.68%)
System Loss Charge	0.8033	0.7395	(0.0638)	(7.94%)
Lifeline Rate Subsidy	0.1334	0.1038	(0.0295)	(22.11%)
Power Act Reduction (PAR)	(0.0757)	(0.0886)	(0.0129)	(17.04%)
%age point Increase				
Generation Charge	10.50%	10.82%		0.32%
Transmission Charge	10.15%	10.19%		0.04%
System Loss Charge	10.45%	10.71%		0.26%
Power Act Reduction (PAR)	8.21%	8.58%		0.37%

\*Bills include 0.50% local franchise tax

フィリピン共和国

「国家電力部門資産・負債管理公社 ALM マスタープラン調査」事前調査 (S/W 協議)

報告書

資料 4-1

PSALM 財務諸表

- 監査済み Power Sector Assets and Liabilities Management Corporation 財務諸表  
(Balance Sheet December 31, 2007, Statement of Income and Expenses for the Year ended December 31, 2007, Statement of Cash Flows for the Year ended December 31, 2007, Statement of Changes in Equity for the Year ended December 31, 2007)
- 注記表  
(Notes to Financial Statements)





**POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION**  
**BALANCE SHEET**

December 31, 2007  
(With comparative figures for 2006)  
(In Philippine Peso)

	Notes	2007	2006
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	2 & 3	29,440,995,614	11,846,343,033
Receivables	4 & 6	5,739,913,577	4,065,466,517
Office Supplies Inventory	2	3,111,005	1,149,964
Other Current Assets	5	3,944,899	3,728,372
<b>Total Current Assets</b>		<b>35,187,965,095</b>	<b>15,916,687,886</b>
<b>Non-Current Assets</b>			
Asset Sale Receivable	4 & 6	2,537,383,432	3,430,046,015
Investment in Bonds	2 & 7	9,069,166,727	10,299,003,647
Property and Equipment, net	2 & 8	71,411,919	68,765,240
Assumed REP Loans	2 & 9	9,049,103,276	10,844,516,683 <sup>1</sup>
Other Non-Current Assets	10	94,380,002	107,251,948
<b>Total Non-Current Assets</b>		<b>20,821,445,356</b>	<b>24,749,583,533</b>
<b>Other Assets</b>			
Electricity Trading	2 & 11	8,157,143	- <sup>2</sup>
Universal Charge	12	849,849,019	582,598,401
Employees' Productivity Improvement Program	13	1,804,200	
<b>Total Other Assets</b>		<b>859,810,362</b>	<b>582,598,401</b>
<b>TOTAL ASSETS</b>		<b>56,869,220,813</b>	<b>41,248,869,820</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Current Portion of Long-Term Liabilities		2,614,180,578	2,603,720,601
Due to Government Agencies	14	11,253,170,181	8,539,363,832
Other Current Liabilities	15	209,767,328	122,805,665
<b>Total Current Liabilities</b>		<b>14,077,118,087</b>	<b>11,265,890,098</b>
<b>Non-Current Liabilities</b>			
Long-Term Liabilities - net of current portion	16	30,812,614,207	35,368,185,367
		<b>30,812,614,207</b>	<b>35,368,185,367</b>
<b>Other Liabilities</b>			
Electricity Trading	2 & 11	8,157,143	- <sup>2</sup>
Universal Charge	12	849,849,019	582,598,401
Others	13	1,804,200	
<b>Total Other Liabilities</b>		<b>859,810,362</b>	<b>582,598,401</b>
<b>TOTAL LIABILITIES</b>		<b>45,749,542,656</b>	<b>47,216,673,866</b>
<b>EQUITY</b>	17	<b>11,119,678,157</b>	<b>-5,967,804,046<sup>1</sup></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>56,869,220,813</b>	<b>41,248,869,820</b>

See accompanying Notes to Financial Statements

<sup>1</sup> Recast to effect the change in amortization policy adopted in the year 2007 based on IAS/PAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors- paragraphs 14, 19 and 22.

<sup>2</sup> The receivables from and payables to arising from the electricity trading were treated under pass through arrangement based on IAS/PAS 39 - Financial Instruments: Recognition and Measurement - paragraphs 17 to 20.

**POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION**  
**STATEMENT OF INCOME AND EXPENSES**

For the year ended December 31, 2007

(With comparative figures for 2006)

(In Philippine Peso)

	Notes	2007	2006
<b>INCOME</b>	18	<b>20,543,744,002</b>	760,680,053
<b>EXPENSES</b>			
<b>Personal Services</b>			
Salaries & Wages		87,754,204	80,871,559
Personnel Benefits Contribution		11,633,805	10,671,677
Other Compensation		23,278,325	17,168,504
Other Personnel Benefits		7,080,130	5,196,978
		<b>129,746,464</b>	113,908,718
<b>Maintenance and Other Operating Expenses</b>			
Professional Services	19	75,343,782	116,125,601
Depreciation		19,576,041	17,963,126
Utilities		13,618,884	9,466,719
Taxes Insurance Premiums & Other Fees	19	11,658,028	366,455
Rent		11,553,601	10,413,854
Traveling Expenses	19	8,916,041	3,682,826
Supplies & Materials		7,446,311	5,285,299
Communication		7,331,949	5,683,788
Representation		5,521,333	2,784,339
Training and Scholarship		2,688,072	4,782,683
Extraordinary & Miscellaneous Expenses		2,266,383	1,812,235
Advertising		1,710,354	1,058,220
Repairs & Maintenance		1,242,861	1,029,651
Printing and Binding		273,343	627,894
Other Maintenance & Operating Expenses	19	54,850,860	26,592,213
		<b>223,997,843</b>	207,674,903
<b>Financial Expenses</b>			
Am'tzn of Assumed REP Loans & Other Charges	2 & 9	1,822,692,600	1,823,707,251
Interest Expense	16	461,510,624	424,300,976
Financial Charges		35,889,145	35,049,846
		<b>2,320,092,369</b>	2,283,058,073
<b>INCOME (LOSS) FROM OPERATIONS</b>		<b>17,869,907,326</b>	-1,843,961,641
<b>OTHER INCOME (EXPENSES)</b>			
Gain (Loss) on Foreign Exchange	2 & 20	-1,539,076,162	1,105,201,352
Interest Income		803,897,898	299,835,824
Miscellaneous Income		397,724	251,426
		<b>-734,780,540</b>	1,405,288,602
<b>NET INCOME (LOSS)</b>		<b>17,135,126,786</b>	-438,673,039

See accompanying Notes to Financial Statements.

<sup>1</sup> Recast to effect the change in amortization policy adopted in the year 2007 based on IAS/PAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - paragraphs 14, 19 and 22.

**POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION**

**STATEMENT OF CHANGES IN EQUITY**

For the year ended December 31, 2007

(With comparative figures for 2006)

(In Philippine Peso)

	Retained Earnings	Total
Balances - January 1, 2006	717,788,315	717,788,315
Changes in Equity for 2006:		
Net Income for the year	685,413,499	685,413,499
Reduction of expense due to recomputation using Effective Interest Rate Method	8,363,105	8,363,105
Adjustment on over accrual of 2005 interest expense on Nomura bond	7,994,686	7,994,686
Reversal of outstanding balance of prior years Certified Obligations	2,675,144	2,675,144
Adjustment to reflect the correct value of investment in NPC bonds	(1,330,010,492)	(1,330,010,492)
Adjustment on over accrual of 2005 Interest Income on Investment in NPC bond	(4,051,777)	(4,051,777)
Adjustments on reconciliation of office supplies consumption	(945,291)	(945,291)
Non accrual of other MOOE expenses	(608,098)	(608,098)
Additional share in the Phi. Hosting of the 7th ACE Governing Council Meeting (AMEMSOME)	(216,055)	(216,055)
<b>Balances - December 31, 2006</b>	<b>86,403,035</b>	<b>86,403,035</b>
Balances - January 1, 2007	86,403,035	86,403,035
Adjustment on amort'zn of assumed REP loans	(245,296,047)	(245,296,047)
Change in the amortization policy of assumed REP loans (Note 2)	(5,808,911,035)	(5,808,911,035)
Adjusted balances - January 1, 2007	(5,967,804,047)	(5,967,804,047)
Changes in Equity for 2007:		
Net income for the year	17,135,126,786	17,135,126,786
Adjustments in 2006 accruals arising from forex differences:		
Interest expense on Nomura bond	8,120,911	8,120,911
Interest income on investment in NPC bond	(3,815,595)	(3,815,595)
Guaranty fee	149,895	149,895
Adjustment from change in expense sharing between PSALM and NPC in Nomura bonds	(13,559,622)	(13,559,622)
Additional professional fee	(21,174,317)	(21,174,317)
Accrual of NMR success fee for the successful sale of Pantabangan	(5,340,729)	(5,340,729)
Reversal of outstanding balance of prior year's Certified Obligations	3,320,366	3,320,366
Add'l maintenance & other operating expenses	(309,479)	(309,479)
Provision for employee benefits	(15,036,012)	(15,036,012)
<b>Balances - December 31, 2007</b>	<b>11,119,678,157</b>	<b>11,119,678,157</b>

See accompanying Notes to Financial Statements.

**POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**

For the year ended December 31, 2007  
 (With comparative figures for 2006)  
 (In Philippine Peso)

	Note	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt of Interest Income		743,779,871	256,189,399
Receipt of Performance Bonds/Bid Security		19,312,419	273,143
Collection of Income		9,840,354	761,257,752
Reimbursable Insurance - Pantabangan/Masiway		507,399	
Refund of Overpayment of Expenses		140,059	70,987
Collection of Receivables		14,566	129,607
Payment of Operating Expenses		(223,301,161)	(189,323,415)
Remittance of GSIS,PAG-IBIG/Withholding Taxes		(60,819,015)	(44,225,086)
Payment of Payables		(50,179,011)	(30,888,335)
Purchases of Office Supplies		(5,071,801)	(4,020,273)
Refund of Performance Bond		(3,424,469)	(24,829)
Payment of Prepaid Expenses		(1,568,724)	(771,797)
Net Cash Provided (Used) by Operating Activities		429,230,487	748,667,153
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of GenCo Assets		25,450,463,223	2,569,938,000
Earned Interest from Deferred Payment - GenCo Assets	3 & 6	844,915,730	
Receipt of NPC payment of Nomura Bonds			2,000,000,000
Debt Servicing of NPC Loans from Priva Proceeds		(3,895,728,021)	
Purchase of Property and Equipment		(4,255,492)	(15,742,481)
Other Property, Plant and Equipment		(1,853,049)	(184,474)
Net Cash Provided by Investing Activities		22,393,542,391	4,554,011,045
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipt of Payment of Advances to NPC			1,642,000,000
Payment of Assumed RECs Loans from NEA	16	(1,800,329,829)	(1,760,260,000)
Other Government Agencies			(2,122,778)
Net Cash Used by Financing Activities		(1,800,329,829)	(120,382,778)
<b>EFFECT OF FOREIGN EXCHANGE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		(3,427,790,468)	(121,367,906)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>21,022,443,049</b>	<b>5,182,295,420</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>11,846,343,033</b>	<b>6,785,415,519</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>29,440,995,614</b>	<b>11,846,343,033</b>

See accompanying Notes to Financial Statements.

## **POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION NOTES TO FINANCIAL STATEMENTS**

### **1. CORPORATE INFORMATION**

To avert the crippling power crisis in the 1990s and continue to energize the developing economy, the Philippine government embarked on the electric power industry privatization and restructuring program. This program is outlined in Republic Act No. 9136, known as the Electric Power Industry Reform Act of 2001 or "EPIRA", enacted on June 8, 2001.

EPIRA seeks, among others, to ensure quality, reliable, secure and affordable electric power supply; to promote a regime of free and fair competition; to enhance the inflow of private capital and broaden the ownership base of the power generation, transmission and distribution sectors; and to provide for an orderly and transparent privatization of the assets and liabilities of the National Power Corporation (NPC).

Thus, Power Sector Assets and Liabilities Management Corporation (PSALM Corp. or the "Corporation") was created on June 26, 2001 as a government-owned and controlled corporation by virtue of Section 49, Chapter VI of EPIRA. It is mandated to take ownership of all the existing generation assets, independent power producer (IPP) contracts, real estate and all other disposable assets, and to assume all liabilities and obligations of NPC. The principal purpose of PSALM Corp. is to manage the orderly sale, disposition and privatization of NPC's assets with the objective of liquidating in an optimal manner all of NPC's financial obligations and stranded contract costs.

PSALM Corp. shall, in the performance of its function and for the attainment of its objective, have, among others, the following powers under Section 51 of the EPIRA:

- a. To formulate and implement a program for the sale and privatization of the NPC assets and IPP contracts and the liquidation of NPC debts and stranded contract costs, such liquidation to be completed within the terms of existence of the PSALM Corp.;
- b. To take title to and possession of, administer and conserve the assets transferred to it; to sell or dispose of the same at such price and under such terms and conditions as it may deem necessary or proper, subject to applicable laws, rules and regulations;
- c. To take title to and possession of the NPC IPP contracts and to appoint, after public bidding in transparent and open manner, qualified independent entities who shall act as the IPP Administrators in accordance with the EPIRA;

d. To calculate the amount of the stranded debts and stranded contract costs of NPC which shall form the basis for Energy Regulatory Commission (ERC) in the determination of the universal charge;

e. To liquidate the NPC stranded contract costs, utilizing the proceeds from the sale and other property contributed to it, including the proceeds from the universal charge;

f. To borrow money and incur such liabilities, including the issuance of bonds, securities and other evidence of indebtedness utilizing its assets as collateral and/or through the guarantee of the National Government, provided that all such debts or borrowings shall have been paid off before the end of its corporate life;

g. To restructure existing loans of NPC;

h. To collect, administer, and apply NPC's portion of the universal charge; and

i. To structure the sale, privatization or disposition of NPC assets and IPP contracts and/or their energy output based on such terms and conditions which shall optimize the value and sale prices of said assets.

The following funds, assets, contributions and other property constitute the property of PSALM Corp., as enumerated in Section 55 of the EPIRA:

a. The generation assets, real estate, contracts with IPPs, other disposable assets of NPC, proceeds from the sale or disposition of such assets and the residual assets from Build-Operate-Transfer (BOT), Rehabilitate-Operate-Transfer (ROT), and other variations thereof;

b. Transfers from the National Government;

c. Proceeds from loans incurred to restructure or refinance NPC's transferred liabilities, provided, however, that all borrowings shall be fully paid for by the end of the life of PSALM Corp.;

d. Proceeds from the universal charge allocated for the stranded contract costs and the stranded debts of NPC;

e. Net profit of NPC;

f. Net profit of TRANSOCO;

g. Official assistance, grants, and donations from external sources; and

h. Other sources of funds as may be determined by PSALM Corp. necessary for the above-mentioned purposes.

Moreover, Section 56 of the EPIRA provides that the following shall constitute the claims against PSALM Corp.:

- a. NPC liabilities transferred to PSALM Corp.;
- b. Transfers from the National Government;
- c. New loans; and
- d. Stranded contract costs of NPC.

To carry out the mandate of ownership of assets and assumption of obligations of NPC by PSALM Corp., a Deed of Transfer was executed by and between PSALM Corp. and NPC in December 2001. This Deed enumerated, among others, the assets to be transferred and retained, liabilities to be assumed, representations and warranties and conditions precedent to transfer.

Notwithstanding the above, NPC assets and liabilities still remain in the books of NPC pending receipt of creditors' consent. Without creditors' consent, transfers cannot be effectively made without violating the provisions of the loan agreements (between NPC and its creditors) prohibiting the conveyance of the assets. In the meantime, PSALM Corp. sought specific consents from creditors for each plant that is being privatized. Pending the transfer, PSALM Corp. recognizes an obligation to NPC (Due to Government Agencies) corresponding to the proceeds of the various assets sold.

PSALM Corp. has started in 2007 the initial asset transfer from NPC to PSALM with the transfer of 360 MW Magat Hydro Electric Power Plant (HEPP). Apart from the EPIRA, the transfer was backed by the plant's Deed of Transfer, specific creditors' consent and the Transfer Certificate of Title. PSALM will continue with the asset-debt transfer as it obtains similar documentary supports. Upon issuance of the creditors' universal consent, full implementation of the asset-debt transfer will commence and all privatization-related transactions will be recognized in the PSALM books.

PSALM Corp. shall exist for a period of twenty-five (25) years from the effectivity of the EPIRA, unless otherwise provided by law, and all assets and liabilities of the Corporation outstanding upon the expiration of its term of existence shall revert to and be assumed by the National Government.

The Corporation's principal place of business is in Ayala Avenue, Makati City, Metro Manila.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Preparation of Financial Statements**

The financial statements of PSALM Corp. have been prepared on a historical cost basis and transactions are recorded using the accrual basis of accounting in accordance with paragraphs 25 and 26 of Philippine Accounting Standards (PAS) I and with the New Government Accounting System (NGAS) prescribed by the Commission on Audit.

### **Cash Equivalents**

Cash equivalents consist of short-term placements/time deposits which are highly liquid investments with a maturity of three months or less from the date of acquisition and which are subject to insignificant risk of changes in value.

### **Inventories**

Inventories are valued at cost using the moving-average method and consist only of office supplies.

### **Investment in Bonds**

Investment in bonds are recorded at cost and adjusted for amortization of discount and other costs. Discount is amortized using the effective interest method with other costs treated as outright expenses. Balance is revalued at year-end to reflect Philippine peso to Japanese yen exchange rate prevailing as of the balance sheet date in accordance with paragraph 23 of PAS 21, which requires foreign currency monetary items to be translated using the closing rate.

### **Property and Equipment and Depreciation**

Property and equipment, which consists mainly of computers, office furniture and fixtures, vehicles and communication equipment, are stated at cost less accumulated depreciation and any impairment in value. The stated cost comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Generally, tangible assets that are expected to be used for more than one year are considered as capital assets. Expenditures for additions, improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the useful lives of the assets as follows:

Furniture, Fixtures and Equipment	5 - 10 years
Transportation Equipment	7 years
Computers and Accessories	5 years

Residual value equivalent to ten percent (10%) of the acquisition cost is deducted before dividing the same by the estimated useful life.

The carrying values of property and equipment are reviewed for impairment when changes in circumstances indicate that the carrying value may not be recoverable or may have diminished. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount and impairment losses are recognized in the statement of income and expenses.

#### **Accounting for Lease and Amortization**

Service vehicles acquired through finance lease are recorded under property and equipment at the amount equal to the present value of the lease payments. The obligation is amortized over the term of the lease of three (3) years.

#### **Assumed Loans**

The total amount of electric cooperatives (ECs) loans from National Electrification Administration (NEA) which was assumed by PSALM Corp. was charged to a deferred asset account and subject to amortization. This deferred asset account increases as PSALM assumes additional ECs loans from other government agencies (OGA) and local government units (LGUs). In 2007, the deferred asset account *Assumed REP Loans* was restated to effect the change in amortization policy. The amortization expense for CY 2007 was computed based on a straight-line 10-year amortization of the total assumed NEA loans and a straight-line amortization of the OGA and LGU loans over the remaining balance of the 10-year period, beginning from the year the OGA and LGU loans were assumed. The change in policy was based on IAS/PAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, paragraphs 14, 19 and 22. Accordingly, the understatement of prior years' amortization expense was treated as an adjustment to the *Equity* account.

#### **Electricity Trading**

As owner of NPC-IPP contracts, PSALM trades the output of these IPPs in the Wholesale Electricity Spot Market (WESM). All transactions for electricity trading pass through the books of PSALM and are recorded in a separate set of books. Only the net receivables from Philippine Electricity Market Corporation (PEMC) (billings less payments and adjustments), are reflected in PSALM's balance sheet under the *Other Assets - Electricity Trading* account with the same amount presented in the contra account *Other Liabilities - Electricity Trading*.

In the 2007 balance sheet, the Electricity Trading accounts are derecognized due to the observation that their inclusion overstates PSALM's assets and liabilities. The accrual of receivables from PEMC is made by PSALM in behalf of NPC and PSALM has no obligation to remit to NPC more than what it received as payments from PEMC. The derecognition of these accounts are in accordance

with the guidelines set under IAS/PAS 39 - Financial Instruments: Recognition and Measurement, paragraphs 17 to 20.

#### **Bonds Payable**

Bonds payable are presented net of unamortized discount and are revalued at year-end to reflect Philippine peso to Japanese yen exchange rate prevailing as of the balance sheet date in accordance with paragraph 23 of PAS 21, which requires foreign currency monetary items to be translated at balance sheet date using the closing rate.

#### **Foreign Currency Transactions**

The accounting records of the Corporation are maintained in Philippine pesos. Expenses incurred which are denominated in foreign currencies are translated into Philippine pesos at exchange rates prevailing on the transaction dates in accordance with paragraph 21 of PAS 21. Under paragraph 21, foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of transaction.

The Corporation translates its foreign currency-denominated deposits and loans at year-end rates in accordance with paragraph 23 of PAS 21, which requires foreign currency monetary items to be translated at balance sheet date using the closing rate. The resulting gains and losses from the exchange differences are recognized in the statement of income and expenses.

Year-end foreign currency exchange rates follow:

	2007	2006
Philippine Peso (P) : US Dollar (\$)	41.4010	49.1320
Philippine Peso (P) : Japanese Yen (¥)	0.3642	0.4131

### **3. CASH AND CASH EQUIVALENTS**

This account consists of the following:

	2007	2006
Cash on Hand and Cash in Banks	P 39,112,204	P 744,957,148
Cash Equivalents - Priva proceeds	21,926,498,398	2,806,576,845
- Others	7,475,385,012	8,294,809,040
	P 29,440,995,614	P 11,846,343,033

Cash *Equivalents* include the short-term placement of the proceeds from the sale of generation plants with the Bangko Sentral ng Pilipinas (BSP), Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) as follows:

	2007	2006
	US\$	Peso
BSP	501,434,609	20,759,894,274
LBP	27,731,018	1,148,091,875
DBP	447,145	18,512,249
		25,800,000
		31,323,196
		1,538,971,245
		2,806,576,845
	<b>529,612,772</b>	<b>21,926,498,398</b>
		57,123,196

The P17.595 billion increase in the Cash and Cash Equivalents account compared to last year's level was brought about by the receipt of full payment for the sale of Magat plant and land (P25.104 billion), deferred payment for Pantabangan-Masiway (P0.347 billion), and interest on deferred payments for sold plants (P0.845 billion). These were offset by the funds released to NPC for its debt service requirements (P3.896 billion net), payments made to NEA for PSALM-assumed loans (P1.800 billion), and the net amount used for corporate operations (P3.005 billion).

#### 4. RECEIVABLES

This account is composed of the following:

	2007	2006
Due from GOCCs		
Asset Sale Receivable-current portion (Note 6)	P 5,197,223,472	P 3,619,856,349
Interest Receivable	395,330,672	372,770,785
Due from NGAs	106,154,283	43,320,152
Due from/Advances to Officers & Employees and Others	38,945,811	29,216,734
	<b>2,259,339</b>	<b>302,497</b>
	<b>P 5,739,913,577</b>	<b>P 4,065,466,517</b>

The Due from Government-Owned and Controlled Corporations (GOCCs) account pertains to advances to NPC for debt service and for the settlement agreements with independent power producers (IPPs) and the Philippine Geothermal Inc. (PGI). This is in line with PSALM Corp.'s mandate to renegotiate with certain IPPs for the reduction of stranded contract costs (the excess of the contracted cost of electricity under eligible contracts over the actual selling price of the contracted energy output of such contracts in the market). NPC Board Resolution Nos. 2005-03 and 2005-04, both dated January 11, 2005, provide, among others, that these advances shall be repaid by NPC on terms and conditions to be agreed upon by the parties. Net advances to NPC in 2007 amounted to P1.577 billion.

The PGI transaction originated from the 1971 service contract between NPC and PGI for the development of PNC's Tiwi and Makiling-Banahaw geothermal steam fields. The contract was for 25 years with an option to extend for another 25 years. Upon expiry of the contract in 1996, a dispute arose as NPC challenged the constitutionality of the renewability provisions in view of the prohibition in the 1987 Constitution for wholly-owned foreign corporations to explore, exploit and utilize the country's natural resources. The dispute was brought by PGI before the International Court of Arbitration for payment of damages while NPC filed a Petition for Declaratory Relief before the Regional Trial Court of Quezon City which was eventually elevated to the Supreme Court (SC). So as not to jeopardize the operations of Tiwi and Makban steam fields, an Interim Agreement was put in place. A joint motion to suspend the determination of the case was filed by NPC and PGI before the SC as both parties endeavored to negotiate a settlement of the case. In October 2002, the PSALM-NPC-PGI Term Sheet for the Settlement Agreement was completed. The Term Sheet was formalized into the Compromise Agreement and executed by PSALM, NPC and PGI and was concurred in by the Republic of the Philippines through the Department of Energy.

Interest Receivable is interest income accruing on short-term placements/time deposits. Due from National Government Agencies (NGAs) is mostly due from the Bureau of Internal Revenue (BIR) for input tax. The bulk of the increase in Due from/Advances to Officers & Employees was due to the advances made by the Corporation in behalf of employees for the payment of their group and life insurance coverage to the Insular Life Assurance Co. Ltd.

#### 5. OTHER CURRENT ASSETS

This account is composed of the following:

	2007	2006
Rent deposit	P 2,191,912	P 1,786,828
Guaranty deposit related to bonds	1,348,487	1,529,544
Guaranty deposit related to vehicles	402,500	402,500
Others	2,000	9,500
	<b>P 3,944,899</b>	<b>3,728,372</b>

The Corporation holds office at the five floors (third to seventh) of Bankmer Building which it leases from the Bankmer Realty Corporation. Section 2.2 of the Contract of Lease provides that the lessee shall deposit an amount equivalent to three (3) months rental which shall answer for damages and any other monetary obligation under or resulting from the lessee's violation of any of the provisions of this Contract.



*Guaranty deposit related to Nomura bonds* pertains to the amount of US\$30,000 or ₱3,702,600 deducted from the proceeds of the Nomura bonds issued by PSALM Corp. in 2002. This was deposited in a special account with JP Morgan Chase Bank (Nomura bond's fiscal agent, paying agent and common depository bank) for the sole purpose of paying for any carrying cost associated with the negative interest rates of yen. Upon maturity of the bonds, any amount in the account will be transferred back to PSALM Corp.

#### 6. ASSET SALE RECEIVABLE

The ₱2.933 billion asset sale receivable in 2007 represents the balance of the sale proceeds of US\$ 129 million (₱6.338 billion) of the 112 MW Pantabangan-Masiway hydro-electric power plant complex to the First Generation Hydro Power Corporation (First Gen). The sales price is payable by First Gen as follows: 40% cash upfront and the 60% balance payable in 14 equal semi-annual payments with an interest of 12% per annum starting 17 May 2007. Amounts falling due in May and November 2008 are presented as part of current receivables (see Note 4).

Pending the transfer of the NPC assets and liabilities as discussed in Note 1, PSALM Corp. recognizes an obligation to NPC corresponding to the sale price of the various NPC assets sold (see Note 13).

#### 7. INVESTMENT IN BONDS

Breakdown of this account is as follows:

	2007	2006
Beginning balance	₱ 10,299,003,647	₱ 14,737,952,073
Payments by NPC	-	( 2,000,000,000 )
Amortization of bond discount	1,411,481	74,743,335
Revaluation	( 1,217,688,778 )	( 2,513,691,761 )
Change in the number of decimal point of % allocation	( 13,559,623 )	
	₱ 9,069,166,727	₱ 10,299,003,647

Under the On-Lending Agreement dated December 12, 2002, PSALM Corp. issued Nomura bonds with the proceeds used to subscribe to bonds issued by NPC, specifically Tranche A bonds and Tranche B bonds with principal amounts of ₱24.75 billion or ₱10.77 billion and ₱37.0 billion or ₱16.08 billion. NPC Tranches A and B bonds were purchased at the price of 99.457% and 99.645%, respectively, and will fall due in 2020 and 2022, respectively. Tranche A bears annual interest of 3.2% and Tranche B of 3.55%. The On-Lending Agreement was entered into between PSALM Corp. and NPC in order to cover partly the funding requirements of NPC for fiscal years 2002 and 2003.

In 2003, PSALM Corp. required NPC to prepay a portion of the above investment. By 2004, the full amount of Tranche A was already paid in full by NPC. Thus, the above numbers for both years pertain to Tranche B alone. The additional prepayments of ₱4.844 billion or ₱2.0 billion, ₱4.709 billion or ₱2.118 billion and ₱2.516 billion or ₱1.368 billion were applied against Tranche B in 2006, 2005, and 2004, respectively.

The decrease in the revaluation was due to the appreciation of peso against Japanese yen.

#### 8. PROPERTY AND EQUIPMENT

Following is the breakdown of this account:

COST	Computers and Accessories	Furniture, Fixtures and Equipment	Transportation Equipment		Total
			Regular	Under Lease	
As of Jan. 1, 2007	₱92,857,971	₱24,024,945	₱5,718,182	₱ 3,622,500	₱126,223,598
Additions	10,546,308	7,862,126	3,814,286		22,222,720
Adjustment	103,404,279	31,887,071	9,532,468	3,622,500	148,446,318
As of Dec. 31, 2007					
ACCUMULATED DEPRECIATION					
As of Jan. 1, 2007	47,398,634	6,167,560	2,706,721	1,185,443	57,458,358
Provision	15,555,465	2,767,881	857,727	394,968	19,576,041
As of Dec. 31, 2007	62,954,099	8,935,441	3,564,448	1,580,411	77,034,399
Carrying amount	₱40,450,180	₱22,951,630	₱5,968,020	₱2,042,089	₱71,411,919
As of Dec. 31, 2007					
Carrying amount	₱45,459,337	₱17,857,385	₱3,011,461	₱2,437,057	₱68,765,240
As of Dec. 31, 2006					

#### 9. ASSUMED RURAL ELECTRIFICATION PROGRAM (REP) LOANS

Section 60 of the EPIRA provides that all outstanding financial obligations of the electric cooperatives (ECs) to NEA and other government agencies incurred for the purpose of financing the rural electrification program shall be assumed by PSALM Corp. in accordance with the program approved by the President of the Philippines within one (1) year from the effectivity of the Act which shall be implemented and completed within three (3) years from the effectivity of the Act. Section 2, Rule 31 of the Implementing Rules and Regulations of EPIRA states that the assumption covers all outstanding REP-related financial obligations of the ECs as of 26 June 2001.

The Act also provides that ERC shall ensure a reduction in the rates of ECs commensurate with the resulting savings due to the removal of the amortization

payments of their loans. However, any EC which shall transfer ownership or control of its assets, franchise or operations within five years shall repay PSALM Corp. the total debts including accrued interests thereon.

To carry out the aforementioned objective and that of Executive Order (EO) No. 119, Restructuring Program for Electric Cooperatives, PSALM Corp. and NEA entered into a Memorandum of Agreement (MOA) on 3 October 2003 to lay down the operational legal framework upon which the financial obligations of ECs to NEA shall be lawfully assumed by PSALM Corp. Article IV of the MOA provides that repayment of the assumed loan shall be for the period of 10 years in accordance with the amortization schedule as may be mutually agreed by the parties.

The total amount of ECs loans to NEA for assumption and condonation by PSALM Corp. amounted to ₱17,978 billion. The obligations of ECs to other government agencies amounted to ₱0.096 billion, putting the total loans assumed to-date by PSALM Corp. at ₱18.074 billion.

The condonation was subject to compliance with certain conditions required under Executive Order (EO) No. 119. On 2 September 2006, EO 460 was issued amending EO 119 by giving retroactive effect to the effectivity of the assumption by PSALM Corp. of the rural electrification loan obligations of the ECs to NEA and other government agencies.

#### 10. OTHER NON-CURRENT ASSETS

The amount represents legal fees and other costs incurred in securing creditors' consents for the transfer of NPC debts to PSALM Corp. and are being amortized over the remaining life of the related debts.

#### 11. OTHER ASSETS – ELECTRICITY TRADING

This account represents the amount due (plus interest earned) to the National Irrigation Administration (NIA)-Baligatan Hydroelectric Power Plant for the income generated from the trading of their energy output in excess of their station service use and net of the value of energy withdrawn from the market when the plant is not generating power, as follows:

Billing period	April 26 to November 25, 2007
Traded quantity (MWh), net	1,478.96
Traded amount, net	₱ 8,079,432
Market fees, net of taxes	(17,252)
Interest from fund management, net	94,963
Balance	₱ 8,157,143

NIA-Baligatan used to be an NPC-IPP by virtue of an Electric Interchange Power Agreement (EIPA) between NIA and NPC for the purchase by the latter of the excess power generated by the plant under an off-setting arrangement. When PSALM commenced trading in WESM, NIA-Baligatan was included in the portfolio of its Trading Team 1 as an NPC-IPP.

When the EIPA was terminated between NPC and NIA in 2007, NIA requested PSALM to continue trading its power output. The two corporations are currently involved in negotiations towards this end and a Memorandum of Agreement (MOA) has been drafted for the purpose. Pending its finalization, PSALM is holding the funds under restricted cash.

#### 12. OTHER ASSETS – UNIVERSAL CHARGE

Section 34 of the EPIRA provides that a Universal Charge (UC) to be determined, fixed and approved by the Energy Regulatory Commission (ERC) shall be imposed on all end-users for the following purposes:

- Payment for the stranded debts in excess of the amount assumed by the National Government and stranded contract costs of NPC and as well as qualified stranded contract costs of distribution utilities resulting from the restructuring of the industry;
- Missionary electrification;
- The equalization of the taxes and royalties applied to indigenous or renewable sources of energy vis-à-vis imported energy fuels;
- An environmental charge equivalent to one-fourth of one centavo per kilowatt-hour (₱0.0025/kWh), which shall accrue to an environmental fund to be used solely for watershed rehabilitation and management and shall be managed by NPC under existing arrangements; and
- A charge to account for all forms of cross-subsidies for a period not exceeding three (3) years.

The UC shall be a non-by passable charge which shall be passed on and collected from all end-users on a monthly basis by the distribution utilities. The collections by the distribution utilities and the TRANSOCO in any given month shall be remitted to the PSALM Corp. on or before the fifteenth (15<sup>th</sup>) of the succeeding month. Any end-user or self-generating entity not connected to a distribution utility shall remit its corresponding UC directly to the TRANSOCO.

ERC approved the ₱0.0025/kWh for UC-watershed management effective May 2003. The UC for missionary electrification was first approved at ₱0.0168 effective February 2003 and increased to ₱0.0373/kWh effective July 2003.

The composition of UC fund follows:

	2007	2006
Special Trust Fund (STF)	₱ 357,755,392	₱ 317,774,778
Receivables	492,093,627	264,823,623
	₱ 849,849,019	₱ 582,598,401
Transactions affecting the UC are as follows:		
	2007	2006
Remittances by collecting entities to PSALM		
For missionary electrification	₱ 7,395,782,644	₱ 5,640,025,625
For watershed rehabilitation Management	499,157,625	380,693,368
Others <sup>1</sup>	2,811,552	16,987,751
	7,897,751,821	6,037,706,744
Interest earnings, net of bank Charges	103,039,242	93,692,447
Disbursements to NPC	8,000,791,063	6,131,399,191
	( 7,643,035,671 )	( 5,813,624,413 )
STF balance	357,755,392	317,774,778
Receivables from ECs	491,595,417	264,483,946
Interest receivable	498,210	339,677
	₱ 849,849,019	₱ 582,598,401

<sup>1</sup>Remittances with no identification of specific purpose.

Special Trust Funds were created in accordance with the Guidelines on the Remittance and Disbursements duly promulgated by PSALM Corp., concurred by the Department of Finance and approved by the ERC.

PSALM Corp. maintains separate books of accounts for these Special Trust Funds and records all receipts and disbursements on modified accrual basis and in accordance with existing government accounting and auditing rules and regulations on the proper handling and administration of trust funds.

The same amount is presented in the contra account *Other Liabilities – Universal Charge*.

### 13. EPIP FUND

Refers to funds earmarked by the Corporation for the employees' productivity improvement programs (EPIP) pursuant to the Collective Negotiation Agreement between the PSALM Association of Corporate Employees (PACE) and PSALM Management and in accordance with Department of Budget and Management Circular No. 2006-1.

### 14. DUE TO GOVERNMENT AGENCIES

This account consists of amounts due to the following:

	2007	2006
NPC for - sale of assets (Note 6)	₱ 4,080,830,979	₱ 6,594,320,656
- transferred Magat Plant	4,730,855,332	
- Nomura bonds-related items	1,699,440,097	1,207,455,344
- PSALM Corp. initial working fund	716,127,317	716,127,317
- insurance premiums – Pantabangan-Masiway	507,399	
- trading transactions	383,180	
	25,025,877	
Others	₱ 11,253,170,181	₱ 8,539,363,832

*Transferred Magat Plant* refers to the difference between the net carrying value of asset vis-a-vis its outstanding loan. *Nomura bonds-related items* are interests and guaranty fees advanced by NPC for the account of PSALM Corp., while the *initial working fund* consists of the early expenses of the Corporation paid for by NPC. *Others* pertain largely to various withheld taxes for remittance to the BIR in the amount of ₱ 22,925,425 for 2007 and ₱ 19,542,764 for 2006. These withheld taxes are usually remitted to BIR every 10<sup>th</sup> day of the succeeding month so the amounts reflected are payable in January of the succeeding year.

### 15. OTHER CURRENT LIABILITIES

This account consists of the following:

	2007	2006
Accrued interest and guaranty fee on Nomura bonds	₱ 41,378,279	₱ 51,588,335
Accrued professional fees & out-of-pocket expenses	57,658,328	41,281,133
Other current liabilities	110,730,721	29,936,197
	₱ 209,767,328	₱ 122,805,665

*Other current liabilities* refer mostly to the provision for salary differential and 1-month incentive for employees claim for various payments and performance bonds and guaranty deposits payable.

16. LONG-TERM LIABILITIES

This account consists of:

	2007	2006
Bonds payable	₱ 22,489,350,000	₱ 25,508,925,000
Less bond discount	76,922,642	92,064,335
Assumed electric cooperative loans	22,412,427,358	25,416,860,665
Assumed loans – Magat Lease obligation	10,767,687,680	12,553,610,261
	246,679,747	1,435,042
	33,426,794,785	37,971,905,968
Less current portion		
Assumed electric cooperative loans	2,614,180,578	2,602,308,023
Lease obligation		1,412,578
	2,614,180,578	2,603,720,601
	₱ 30,812,614,207	₱ 35,368,185,367

On December 10, 2002, PSALM Corp. issued two tranches of Japanese yen-denominated bonds in the total amount of ¥61.75 billion or ₱26.85 billion jointly guaranteed by the Republic of the Philippines and by the Asian Development Bank. Tranche A consisted of ¥24.75 billion or ₱10.77 billion with a maturity of 18 years at 3.2% annual interest. Tranche B consisted of ¥37.0 billion or ₱16.08 billion with a maturity of 20 years at 3.55% annual interest.

Tranche	2007		2006	
	Original Currency (¥)	US\$	Peso	US\$
A	24,750,000,000	217,723,002	9,013,950,000	208,097,065
B	37,000,000,000	325,484,892	13,475,400,000	311,094,602
	61,750,000,000	543,207,894	22,489,350,000	519,191,667
				25,508,925,000

As provided under the On-Lending Agreement between PSALM Corp. and NPC, the proceeds from Tranches A and B bonds issued by the Corporation were used to subscribe to certain bonds issued by NPC on December 12, 2002 (see Note 7).

Meanwhile, of the total ₱18.074 billion loans assumed by the Corporation from NEA and other government agencies (see Note 9), a total of ₱7.306 billion has been paid as of December 31, 2007.

17. EQUITY

Equity represents accumulated retained earnings of ₱11,119,678,157. PSALM Corp. is a government-owned and-controlled corporation created without specific provision for any authorized capital stock or equity from the National Government. The initial working capital requirement of the Corporation in the amount of ₱0.716 billion was advanced by NPC and was recognized as an obligation of PSALM Corp. to said agency (see Note 14).

18. INCOME

The bulk of the income generated in 2007 came from the ₱20,534,301,372 gain recognized from the sale of Magat HEPP. Other sources of income are the participation fees paid by prospective bidders, sales of compact discs containing data about power plants and fees derived from the Investors' Preliminary Asset Review Program. Below are the details of the income account:

Source	2007	2006
Privatization participation fees	₱ 8,532,279.10	₱ 2,636,905.00
IPARP data room access and site visit/sale of CDs	594,905.00	322,967.20
Magat purchase price option and accrued rental	315,445.51	
Gain on sale of disposed assets	20,534,301,372.21	
Forfeited performance bond of YNN for Masinloc		757,720,181.07
<b>Total</b>	<b>₱ 20,543,744,001.82</b>	<b>₱ 760,680,053.27</b>

19. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

Compared against last year's, notable increases were posted in Other MOOE (₱28.3 million), Taxes, Insurance Premiums & Other Fees (₱11.3 million) and Traveling Expenses (₱5.2 million). A considerable decrease of ₱40.8 million was recorded in Professional Services.

20. GAIN (LOSS) ON FOREIGN EXCHANGE

This account is composed of:

	2007	2006
Unrealized net gain on revaluation of Nomura bonds-related transactions	₱ 1,791,558,058	₱ 1,170,131,037
Unrealized gain on revaluation of privatization proceeds payable to NPC and Asset Sale Receivable for Pantabangan	2,860,532,758	
Unrealized gain (loss) on revaluation of advances to NPC for debt service	( 88,635,320 )	
Unrealized net gain on revaluation of other payables	411,174	56,438,221
Net realized foreign exchange gain(loss) on operating expenses and revaluation of foreign currency deposits	( 6,102,942,832 )	( 121,367,905 )
	₱ ( 1,539,076,162 )	₱ ( 1,105,201,353 )

21. OTHER SIGNIFICANT EVENTS FOR 2007

Privatization

Generation Assets

In 2007 PSALM successfully bid out two (2) 600 MW coal-fired power plants – Masinloc and Calaca, and the 175 MW Ambuklao/Binga Hydroelectric Power Complex. The Masinloc-Power Partners Co. Ltd. won the bidding for Masinloc (US\$930 million) while Calaca was won by the Calaca Holdco Inc. (US\$786.5 million) and the Ambuklao/Binga was won by SN Aboitiz Power Hydro, Inc. (US\$325 million)

The privatization of the four plants generated US\$2.04 billion in expected proceeds. As of 31 December 2007, a total of twelve (12) generation plants have been sold with a total bid price of US\$2,705,618,221.

The successful bidding of the four generation plants brings the privatization level from 13% in 2006 to 49% in 2007, vis-à-vis the 70% requirement for Open Access and Retail Competition.

Decommissioned Plants

PSALM conducted a bidding for the decommissioned 200 MW Manila Thermal Power Plant (MTPP) in the first quarter of 2007. This was the second held for the MTPP but, like the first bidding, was declared a failure due primarily to lack of investor interest.

On 03 October 2007, another Invitation to Bid for the said plant was issued, with the bidding date set for 19 December 2007. The bidding date was subsequently moved to 06 February 2008 to provide leeway for internal submissions such as the receipt of documentary deliverables from interested parties and to enable PSALM to cope with the successive biddings scheduled last December. However, this February 6 bidding for the MTPP was declared a failure.

Transmission Assets

On 05 February 2007, the 3<sup>rd</sup> round of bidding was conducted by PSALM for the transmission business of the National Transmission Corporation (TRANSCO) via a 25-year concession. This bidding was, however, declared a failure after only one (1) investor group submitted its bid out of the three (3) pre-qualified bidders.

On 04 June 2007, the PSALM Board approved the formal launch of the process for the 4<sup>th</sup> round of bidding for the privatization of TRANSCO, retaining the key bidding principles and basic deal structure and parameters under the previous privatization exercise while addressing the outstanding issues identified by the previous bidders.

In July, a TRANSCO roadshow was undertaken by PSALM/TRANSCO locally and in Singapore, London, Dubai and Hongkong. In the same month, the Invitation to Express Interest, Pre-Qualify and Bid was published. Twenty one (21) Expressions of Interest were received but only seventeen (17) interested parties actually purchased bidding packages. Five (5) prospective bidders submitted Pre- Qualification Proposals, of which four (4) passed the pre-qualification process.

PSALM management conducted the bidding on 12 December 2007, which was participated in by two (2) of the pre-qualified bidders. The consortium of Monte Oro Grid Resources Corporation/State Grid Corporation of China /Calaca High Power Corporation won with a bid of US\$3.95 billion. Post-qualification evaluation was conducted 14 - 23 December 2007 and results presented to the Board in January 2008, after which the Notice of Selection was delivered to the consortium.

Management of Privatization Proceeds

With the winning bid price of US\$3.95 billion for the TRANSCO concession, privatization efforts are expected to yield US\$6,655,618,221. As of 31 December 2007, actual cash received amounted to US\$613,635,982, representing full

payment of Talomo, Barit, Agusan, Loboc, Cawayan, Magat, interest payment of Magat and 40% upfront plus two (2) deferred payments (principal and interest) of Pantabangan-Masiway.

On 20 June 2007, the joint Boards of PSALM and NPC under Board Resolution No. 07-29, approved the utilization of the privatization proceeds to liquidate principal and interest obligations of NPC as they fall due. This was amended last 4 October 2007 by Board Resolution No. 07-61, which granted authority to PSALM Management to utilize the privatization proceeds to:

- Prepay NPC's principal obligations,
- Settle NPC's principal and interest obligations as they become due only after NPC shows deficit in its cash flow after utilization of its own internally generated cash,
- Manage NPC's liabilities with the objectives of reducing interest cost and liquidity risk in 2009-2011 and hedging foreign exchange risks at terms and conditions advantageous to the government, and
- Pay other financial obligations of NPC.

From 22 August 2007 to 31 December 2007, a total of US\$111,754,227 was disbursed from the privatization proceeds to service the debt of NPC for 2007 leaving a balance of US\$501,881,755 and ₱1,148,091,875 (representing the amount returned by NPC for the debt service).

PSALM and NPC are currently working on the approvals/concurrence of the Department of Finance (DOF) and BSP on the prepayments of various NPC loans to maximize the utilization of the privatization proceeds through the savings that can be derived from prepaying high interest bearing loans and as a hedge from foreign exchange fluctuations.

On 14 November 2007, under Resolution No. 2007-65, the NPC Board approved the voluntary prepayment of various JBIC-OECF loans amounting to JPY17.3 billion and Miyazawa Tranche B of JPY22.7 billion using the privatization proceeds subject to the approval of DOF and BSP-Monetary Board. As of 31 December 2007, the said prepayment is still in process awaiting concurrence from the two agencies.

#### Management of Finance Matters

##### Consolidated Financial Program of NPC/TRANSCO/PSALM

The consolidated NPC/TRANSCO/PSALM financial condition has significantly improved in 2007 to the point that the three corporations did not tap the international and local capital markets for any funding requirements. This complete financial turn around of NPC/TRANSCO/PSALM was brought about by: (i) the recent success of PSALM in the privatization of major assets; (ii) the strong appreciation of the peso against the US Dollar; and (iii) the efficiencies of NPC and TRANSCO operations.

In 20 June 2007, PSALM secured Board approval of the Liability Management Program Phase-1 (LMP-1). The LMP-1 aims to prepay US\$ 2.4 billion of NPC debt utilizing the privatization proceeds and the refinancing proceeds to achieve the following objectives: (i) liquidate debt from the privatization proceeds; (ii) manage liquidity risks and improve the debt service coverage ratio (DSCR) for the years 2009-2011; (iii) reduce foreign currency exposure of NPC debt from 90.75% to at least 50%; and, (iv) realize foreign exchange mark-to-market gains from 2004 to 2007.

Since NPC's revenues are in peso and almost 88% of its debts are in foreign currency, forex losses incurred during the years after the Asian financial crisis significantly accounted for the increase in the cost of debt. Re-denominating NPC's foreign denominated debts through this prepayment program effectively reduces the volatility of NPC/PSALM's cash flows brought about by forex rate fluctuations.

PSALM is currently processing government approvals for this prepayment program for full implementation within the years 2008-2009. With the current peso appreciation and the nine-year low local interest rate, PSALM will take this extraordinary opportunity to reduce its foreign debt and re-denominate its obligation into peso through this prepayment program to improve the company's debt currency-mix and subsequently lower costs of debt.

In 18 July 2007, PSALM and NPC successfully executed the unprecedented US\$ 300 million Principal Only Swap (POS) transaction with three international banks. This transaction is the first currency swap undertaken by a Government Owned and Controlled Corporation (GOCC) in the Philippines and the longest currency swap transaction ever in Southeast Asia. The POS fixes US\$ 300 million of NPC obligations at a dollar to peso rate of US\$1 to ₱ 44.788 until the maturity year in 2028 for a competitive interest premium per annum. The transaction serves as "liability insurance" as it synthetically transforms 4% of the foreign-denominated debt into peso, an objective PSALM/NPC has set under LMP-1.

#### Asset and Debt Transfer

##### Creditors' Consent

Crucial to the privatization efforts of the Company is the transfer of assets and debts from NPC to PSALM. Without creditors' consent, PSALM cannot effectively privatize NPC's assets without violating the provisions of the loan agreements prohibiting the conveyance of the assets. Thus, PSALM is seeking a universal consent that would set the date of effectivity of the transfer to a single date. In the meantime, PSALM sought specific consents from creditors for each plant that is being privatized.

PSALM already obtained the specific consents of the Asian Development Bank (ADB), World Bank (WB) and Japan Bank for International Cooperation-JEXIM (JBIC-JEXIM) for the recently sold assets. Furthermore, PSALM in coordination

with NPC and DOF, is preparing requests for universal consents from ADB, WB and JBIC-JEXIM for the sale of the remaining generation assets and for the privatization of TRANSOCO via concession.

Most of the commercial creditors of NPC have already given their consent thru signed amendment agreements for the transfer of NPC liabilities to PSALM, except for JBIC-OECF, Erste Bank and Bank of Tokyo-Mitsubishi. Amendment agreements with WB and JBIC-JEXIM were signed this year. PSALM is now compiling the condition precedents such as Monetary Board (MB) final approvals for the effectivity of these signed agreements. Negotiations to finalize the amendment agreements with JBIC-OECF and the commercial banks are now in advanced stages.

#### *Debt Transfer Documentation*

As of 31 December 2007, PSALM/NPC has already secured approval-in-principle from the MB for seven (7) batches of NPC liabilities (bonds and loans from bilateral and commercial banks), of which four (4) batches were subsequently given MB final approval. PSALM continues to work on the conditions precedent stated in the Amendment Agreements before the MB gives its final approval for the remaining batches.

PSALM continues to work on the documentation of other NPC liabilities for submission to MB for the latter's approval in principle (other commercial and restructured loans) and final approval for bonds with automatic transfer provision and JBIC loans.

#### *Separation of NPC and TRANSOCO Books*

The implementation of the separation of books of NPC and TRANSOCO which is part of the debt and asset transfer activity, will commence from the receipt of the creditors' consent. Meantime, the asset/debt transfer had been initially implemented beginning with the Magat HEPP and were reflected in the 2007 financial statements of both PSALM and NPC.

The draft accounting treatment of the asset/debt transfer based on the present set of revised guidelines have been submitted to COA for comment/approval.

#### IPP Renegotiations

The NEDA-Investment Coordination Committee (ICC) has approved the remaining renegotiated IPP contracts: the Bauang General Framework Agreement (GFA) with respect to the Build Operate and Transfer Agreement (BOT) for the 200 MW Bauang Power Station and Supplemental Agreement No. 1 to the Electricity Supply Operation and Maintenance Agreement for Mindanao Power Barges 117 and 118. With the approval of these contracts, the renegotiation of IPP contracts are now completed.

#### IPP Administrator (IPPA)

PSALM was mandated under the EPIRA to competitively select and appoint qualified independent entities called Independent Power Producer Administrators (IPPAs) to administer and manage the contracted energy output of NPC/PSALM IPP contracts. The IPPA process laid out in the EPIRA is part of a broader plan to privatize both the generation and transmission assets of NPC and to bring competition into the supply market through an 'Open Access' mechanism.

Since the Wholesale Electricity Spot Market (WESM) commenced operation in 2006, PSALM has been effectively acting as the interim IPPA by bidding the NPC/PSALM IPPs into the WESM on a day-by-day basis. PSALM initially split the IPPs into four (4) groups, and set up four (4) trading teams to manage them; this has subsequently been reduced to three (3) teams. The total MW capacity of the portfolios of the trading teams has increased, but is still below the 30% of the Luzon Grid capacity threshold established in the EPIRA.

The World Bank, through PHRD Grant Number TF055609 provided Technical Assistance (TA) on the Appointment of IPPAs and Energy Trading for both PSALM and NPC. The objective of the TA is to advise the IPPA-Technical Working Group (IPPA-TWG) on the structure, contract terms and process for the appointment of IPPAs. The IPPA-TWG was created by the DOE with NPC and PSALM as members.

The selection of Consultants has been completed. The IPPA Advisor commenced work on 30 April 2007 and is tasked to review the three (3) options prepared, develop alternative approaches to the privatization of PSALM/NPC-IPP contracts and make final recommendations.

#### Support to Electricity Market Development

The PSALM Board, through Board Resolution No. 07-60 prescribed the policy measures and courses of action that will strengthen the independence of the PSALM trading teams in response to the ERC Resolution recommending that PSALM adopt measures ensuring the independence of its trading teams. It may be noted that the ERC found no prima facie evidence against PSALM on the alleged price manipulation.

#### Organizational Development and Efficiency

Significant corporate efficiency milestones include the approval by the PSALM Board under Board Resolution No. 07-54 of PSALM's 2007-2008 Corporate Priorities and Targets and Corporate Performance Metrics and the submission of the Media and Communications Plan and the Document Management and Control System Policy Manual. Significant accomplishments in organizational development include the hiring of additional manpower complement, the

commencement of initial job evaluation activities, refurbishment of the newly-leased 7<sup>th</sup> floor of Bankmer building to serve primarily as venue for corporate functions and the implementation of training and development programs and employee wellness programs.

Change in Leadership

Ms. Nieves L. Osorio resigned from her post as PSALM President effective close of office hours on February 28, 2007. Appointed as replacement is Mr. Jose C. Ibazeta, who assumed office on March 1, 2007.

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22. AUTHORITY FOR ISSUANCE

These financial statements have been approved for issue by the PSALM Board of Directors on February 14, 2008.



フィリピン共和国

「国家電力部門資産・負債管理公社 ALM マスタープラン調査」事前調査 (S/W 協議)

報告書

資料 4-2

NPC 財務諸表

- 監査済み National Power Corporation 財務諸表  
(Balance Sheet December 31, 2006, Statement of Income and Expenses for the Year ended December 31, 2006, Statement of Cash Flows for the Year ended December 31, 2006, Statement of Changes in Equity for the Year ended December 31, 2006)
- 注記表  
(Notes to Financial Statements)



**NATIONAL POWER CORPORATION**  
**BALANCE SHEET**  
December 31, 2006  
(With Comparative Figures for CY 2005)  
(In Philippine Peso)

	Notes	2006	2005
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Utility Plant - net	3a,3b & 4	275,424,527,779	281,049,098,328
Construction Work in Progress	5	22,570,912,918	28,416,944,256
Electric Plant under Capital Lease	6	505,592,982,684	503,503,784,665
Investment in Government and Other Corporation	7	9,860,922	10,399,492
Non-Utility Property - net	8	3,901,163,390	4,830,040,852
Accounts and Other Receivables - net	9	5,506,804,761	5,370,048,628
Construction Work in Progress - Materials and Supplies	5	317,927,222	635,005,228
Deferred Charges	18	28,937,257,671	21,543,041,927
Contingent Assets	19	1,883,061,869	1,883,061,869
Other Assets	10	71,061,960,325	62,647,364,419
<b>Total Non-Current Assets</b>		<b>915,206,459,541</b>	<b>909,888,789,664</b>
<b>Current Assets</b>			
Cash and Cash Equivalent	11	33,565,017,206	20,189,857,276
Power Customers Receivables - net	12	112,236,127,258	111,386,766,945
Other Receivables	13	32,725,169,437	15,845,012,488
Materials and Supplies for Operation	14	20,200,154,159	18,967,222,963
Advances	15	1,523,380,666	361,255,425
Prepayments	16	883,437,284	880,062,807
Court & Other Deposits	17	1,206,791,586	1,222,279,922
Cash Advances - Officers and Employees		5,528,511	5,313,951
<b>Total Current Assets</b>		<b>202,345,606,107</b>	<b>168,857,771,777</b>
<b>TOTAL ASSETS</b>		<b>1,117,552,065,648</b>	<b>1,078,746,561,441</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>55,647,722,392</b>	<b>(21,410,677,486)</b>
<b>Non-Current Liabilities</b>			
Long Term Debts (Net of Current Portion)	23	360,645,271,496	345,993,735,053
Lease Obligation - BOT	24	536,109,753,841	596,057,988,080
Deferred Credits	26	5,353,419,384	12,198,489,173
<b>Total Non-Current Liabilities</b>		<b>902,108,444,721</b>	<b>954,250,212,306</b>
<b>Current Liabilities</b>			
Accounts Payable and Accrued Expense		91,648,992,046	66,552,773,925
Retention on Contract Payments		834,840,408	906,662,796
Deposits and Trust Funds	25	365,909,492	303,326,374
Dividends Payable		30,215,838	30,215,838
Lease Payable	24	38,919,821,896	41,011,725,807
Interest Payable		12,121,739,595	8,722,925,644
Current Portion of Long-Term Debts	23	15,874,379,260	28,379,396,237
<b>Total Current Liabilities</b>		<b>159,795,898,535</b>	<b>145,907,026,621</b>
<b>TOTAL PROPRIETARY CAPITAL and LIABILITIES</b>		<b>1,117,552,065,648</b>	<b>1,078,746,561,441</b>

See accompanying Notes to Financial Statements

**NATIONAL POWER CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended December 31, 2006  
(With Comparative Figures for 2005)

	Notes	2006	2005
<b>CAPITAL STOCK P100 par value</b>	20		
Authorized P50,000,000,000 divided into 500,000,000 par value P100, Issued 270,488,708 in 1999			
Balance, Beginning		27,048,870,789	27,048,870,789
Balance, End		27,048,870,789	27,048,870,789
<b>DONATED CAPITAL</b>	21		
Balance, Beginning		4,021,996,948	4,021,996,948
Balance, End		4,021,996,948	4,021,996,948
<b>RETAINED EARNINGS</b>	22		
Balance, Beginning		-198,154,400,405	-265,990,092,757
Cash Dividend		-2,600,000,000	-
Correction of Prior Year's Income		-7,264,411,632	-18,157,045,329
Net Income		89,998,568,125	85,992,737,681
Balance, End		-118,020,243,912	-198,154,400,405
<b>APPRAISAL CAPITAL</b>			
Balance, Beginning		143,789,793,314	95,765,308,512
Adjustments		-3,075,756,615	48,024,484,802
Balance, End		140,714,036,699	143,789,793,314
<b>CONTINGENT SURPLUS</b>			
Balance, Beginning		1,883,061,868	1,897,908,007
Adjustments		-	-14,846,139
Balance, End		1,883,061,868	1,883,061,868
<b>EQUITY</b>		55,647,722,392	-21,410,677,486

*See accompanying Notes to Financial Statements*

**NATIONAL POWER CORPORATION**  
**INCOME STATEMENT**  
For the Year Ended December 31, 2006  
(With Comparative Figures for CY 2005)

	Notes	2006	2005
<b>OPERATING REVENUE</b>			
Utility Operating Income		136,721,314,294	119,743,892,248
Fuel Cost Adjustment Income		(310,867,698)	6,381,189,543
Other Demand Energy Adjustment Income		(6,631,638,390)	(2,558,306,240)
FOREX Adjustment	31	(6,178,133)	(494,816,474)
Transmission Services Operating Income		29,568,486,671	26,039,265,839
Ancillary Service Charge		17,161,992,493	17,801,764,852
Universal Charge		1,340,000,866	1,340,000,000
Total Operating Revenues	27	177,843,110,103	168,252,989,768
Prompt Payment Discount		(1,149,516,903)	(1,257,964,740)
Power Factor Adjustment Income		(1,575,710,703)	(1,551,904,818)
Net Operating Revenues		175,117,882,497	165,443,120,210
<b>OPERATING EXPENSES</b>			
Generation		94,799,293,909	98,714,922,153
Depreciation and Depletion	3a & 3b	15,195,996,981	13,722,582,458
Amortization of Electric Plant Under Capital Lease	29	24,263,326,881	24,181,703,084
Transmission and Distribution		2,671,934,479	2,800,021,873
Administrative and General Expenses		2,162,267,662	1,993,087,020
Other Operating Expenses	28	1,823,652,217	1,443,137,278
Bad Debts	3f	799,854,163	702,526,707
Total Operating Expenses		141,716,326,292	143,557,980,573
<b>OPERATING INCOME</b>		33,401,556,205	21,885,139,637
<b>OTHER INCOME</b>			
Interest Income		3,251,610,063	4,101,127,620
FOREX Recovery	31	1,536,253,906	4,633,151,686
Gain on FOREX Fluctuation	30	68,743,643,281	78,742,081,276
Gain on Diesel/Fuel Transfer		8,826,017	54,594,678
Gain on Retirement of Asset	32	6,371,783,087	313,754,704
Miscellaneous Income	33	1,883,419,254	511,949,477
Total Other Income		81,795,535,608	88,356,659,441
<b>INTEREST AND OTHER CHARGES</b>			
Interest Expense		20,279,499,386	19,592,198,029
Depreciation-Other Plants/Property		1,758,757,305	1,638,551,040
Finance & Other Bank Charges		2,171,042,601	2,651,521,211
Privatization & Subsidiarization Expense		3,187,902	1,526,976
Miscellaneous Expenses	34	986,036,494	365,264,141
Total Interest and Other Charges		25,198,523,688	24,249,061,397
<b>NET INCOME</b>		89,998,568,125	85,992,737,681

See accompanying Notes to Financial Statements

**National Power Corporation**  
**CASH FLOW STATEMENT**

For the Year Ended December 31, 2006  
(With Comparative Figures for 2005)  
(In Philippine Peso)

	2006	2005
<b>Cash Flows from Operating Activities:</b>		
<b>Cash Inflows:</b>		
Cash Collected from Power Customers	184,181,257,045	167,917,466,050
Interest and Dividends Received	1,144,507,231	691,866,333
Cash Collected from Other Receivables	1,160,114,654	2,331,668,717
Cash Collected (Refund) from Deposits and Trust Funds	82,019,904	245,920,925
<b>Total Cash Inflows</b>	<b>186,567,898,834</b>	<b>171,186,922,025</b>
<b>Cash Outflows:</b>		
Fuel Oil	14,690,774,260	19,713,384,039
Coal	13,714,498,062	16,648,256,086
Natural Gas	10,925,054,926	9,959,961,483
Steam	10,658,535,123	10,627,397,162
Purchased Power Cost	41,410,826,529	41,352,185,590
Personnel Cost	3,177,281,449	3,410,841,284
Other Operating Expenses	5,692,911,245	5,482,357,492
Other Expenses	1,583,270,284	287,769,501
Statutory Remittances	7,437,267,668	1,223,239,973
Taxes and Duties	111,132,393	187,356,674
Financial Assistance	245,105,003	115,414,813
Realty Tax	52,267,657	54,894,705
Share in the National Wealth	277,365,105	161,844,510
Interest paid	764,137	1,158,310
Deposits and Other Advances	209,893,919	1,293,676,175
<b>Total Cash Outflows</b>	<b>110,186,947,760</b>	<b>110,519,737,797</b>
<b>Net Cash from Operating Activities</b>	<b>76,380,951,074</b>	<b>60,667,184,228</b>
<b>Cash Flows from Investing Activities</b>		
<b>Cash Inflows:</b>		
Proceeds from Sale of Assets	16,655,720	-
Interest Received from Investment	468,254,855	289,675,100
<b>Total Cash Inflows</b>	<b>484,910,575</b>	<b>289,675,100</b>
<b>Cash Outflows:</b>		
Capital Expenditures	6,045,866,034	6,150,793,481
Purchase of General Equipment	711,332,253	248,430,672
Interest paid on Loans for PMEC & Other Transmission Projects	13,825,860	-
Investment in Government & Other Corporation	-	608,251
<b>Total Cash Outflows</b>	<b>6,771,024,147</b>	<b>6,399,832,404</b>
<b>Net Cash Used in Investing Activities</b>	<b>(6,286,113,572)</b>	<b>(6,110,157,304)</b>
<b>Cash Flows from Financing Activities</b>		
<b>Cash Inflows:</b>		
Borrowings	98,562,597	-
Bond Floatation	34,910,065,000	7,491,752,723
Advances - National Government	-	9,557,487,608
Cash Restricted Account	720,430,039	4,776,860,889
<b>Total Cash Inflows</b>	<b>35,729,057,636</b>	<b>21,826,101,220</b>

	2006	2005
<b>Cash Outflows:</b>		
Dividends Payment to Bureau of Treasury	2,600,000,000	-
Payment of Capacity Fees - BOT	34,186,179,698	31,232,586,727
Payment of Advances to Bureau of Treasury	2,196,000,000	9,367,368,121
Payment of Loans	16,418,153,458	16,754,140,673
Payment of Bonds	2,000,000,000	2,118,000,000
Payment of KEPCO Deposit	455,985,000	246,190,000
Payment of Guarantee Fees/Commitment Fees	70,373,682	68,146,611
Advances to SRMPP Non Power Components	601,948,179	422,258,412
Advances to PEMC	-	344,570,650
Cash Restricted Account	20,185,183,830	-
Interest paid on Loans	13,647,401,561	17,691,375,678
<b>Total Cash Outflows</b>	<b>92,361,225,408</b>	<b>78,244,636,872</b>
<b>Net Cash Used in Financing Activities</b>	<b>(56,632,167,772)</b>	<b>(56,418,535,652)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalent</b>	<b>13,462,669,730</b>	<b>(1,861,508,728)</b>
<b>Effects of Foreign Exchange Rate Changes on Cash &amp; Cash Equivalents</b>	<b>(87,509,800)</b>	<b>(35,462,547)</b>
<b>Cash &amp; Cash Equivalents, Beginning of the Year</b>	<b>20,189,857,276</b>	<b>22,086,828,551</b>
<b>Cash &amp; Cash Equivalents, December 31, 2006</b>	<b>33,565,017,206</b>	<b>20,189,857,276</b>

*See accompanying Notes to Financial Statements*

**NATIONAL POWER CORPORATION  
NOTES TO FINANCIAL STATEMENTS**

December 31, 2006  
(With Comparative Figures for 2005)  
(In Philippine Peso)

**1. COMPANY PROFILE**

The National Power Corporation (NPC), a government-owned and controlled corporation, was created under Commonwealth Act No. 120 on November 3, 1936. Its Charter was then revised by virtue of Republic Act (R.A.) No. 6395, as amended. NPC has an authorized Capital Stock of Fifty Billion Pesos (P50 billion), of which as of balance sheet date, P27.049 billion worth of shares were subscribed and issued representing paid-up capital of the Government of the Republic of the Philippines. This represents 54.1% of the authorized capitalization and 2.5% of the Corporation's total assets of more than One Trillion Pesos, which were mostly financed through loans/borrowings duly guaranteed by the Philippine Government.

**Primary Function** – Section 1 of its Charter provides that the Corporation has the following declared policy: (1) the comprehensive development, utilization and conservation of Philippine water resources for all beneficial uses, including power generation; and (2) total electrification of the Philippines through the development of power from all sources to meet the needs of industrial development and dispersal and the needs of rural electrification are primary objectives of the nation which shall be pursued coordinately and supported by all instrumentalities and agencies of the government, including its financial institutions.

**Non-profit Character of the Corporation** – Section 13 of its Charter provides that "the corporation shall be non-profit and shall devote all its returns from its capital investment as well as excess revenues from its operation, for expansion. To enable the corporation to pay its indebtedness and obligations and in furtherance and effective implementation of the policy enunciated in Section One of this Act, the Corporation, including its subsidiaries, is hereby declared exempt from the payment of all forms of taxes, duties, fees, imposts as well as costs and service fees including filing fees, appeal bonds, superseded bonds, in any court or administrative proceedings." While NPC was subjected to VAT under Republic Act (R.A.) No. 9337, which took effect November 2005, its non-profit character under the Charter as affirmed by the Department of Finance's Ruling dated 20 January 2000, has not been affected. Moreover, the Corporation continuously performs its essential governmental function.

**2. STATUS OF OPERATION**

**National Power Corporation**

**KEY ACCOMPLISHMENTS FOR 2006**

**Sustaining Profitability and Operational Efficiency**

**Financial Snapshot**

The year 2006 proved to be another record year, as NPC endeavors on sustaining profitability by posting a net income of P90 billion, following a successful financial recovery in 2005 where NPC posted almost P86 billion in net income, after 7 years of net loss.

**Operational Snapshot**

Results of Operations indicated that gross generation totalled 39,147GWh in 2006, slightly higher than the 38,758 GWh produced in 2005. Among the three major grids, Luzon accounted for the biggest share of electricity output with 26,448 GWh (or 67.56%), followed by Mindanao and the Visayas with 7,366 GWh (or 18.82%) and 5,333 GWh (or 13.62%), respectively.

Meanwhile, coal continued to account for the biggest share of NPC's generation mix at 29%, followed by geothermal at 26%, hydro at 23%, and natural gas at 14%. The prudent use of our oil-fired power plants brought down their share in the 2006 generation mix to only 8%, lower than the year-ago figure of 9%.

NPC sold 35,534 GWh in 2006, just slightly more than the 2005 energy sales of 35,291 GWh. Sales were expected to be higher if not for the three (3) super typhoons – Milenyo, Senyang and Reming – which hit the country in 2006, impeding more sales due to toppled towers and power transmission lines.

**Completion of Power Generation Projects (Capacity Addition)**

For 2006, NPC was able to boost its capacity by an additional 240,498 MW following the implementation of two key capacity enhancement projects in Visayas and Mindanao. These were the completion and commissioning of Engines A (14,626 MW), C (12,936 MW) & D (12,936 MW) in February of the Dingle Diesel Power Project II (Transfer of Pinamucan), and Units 1 (100 MW) & 2 (100 MW), in September and November, respectively, of the 200-MW Mindanao Coal-Fired Thermal Power Project.



#### Certificate of Compliance (COC) of NPC Plants

NPC has filed with the ERC applications for COCs for 41 of its power plants. Of these, the ERC already issued COCs for 29 plants as of end of December 2006. Meanwhile, NPC-SPUG likewise applied for the COC issuance for 92 of its power plants. As validated by the ERC, 51 of these plants have already submitted complete documents and are just awaiting the issuance of COCs. NPC is likewise striving to complete the submission of required documents of the other plants.

Meanwhile, COC issuance was not sought from the ERC for the decommissioned plants included in PSALM's privatization schedule except for Ormat Makban plant.

#### Missionary Electrification

For 2006, NPC, through its Small Power Utilities Group (SPUG), continued to fulfill its corporate commitment of energizing isolated barangays and far-flung islands that are not connected to any of the main grids. To increase electrification in off-grid areas, NPC-SPUG energized a total of 1,550 households in 38 barangays in Northern Samar and Antique, thus completing the *Electrification of 100 Barangays*. Earlier, 62 barangays were completed in 2005.

Meanwhile, NPC-SPUG completed in 2006 the construction of the 48.85 circuit-kilometers, 69 kV Mobo-Arroyo transmission line in Masbate. The project is now under post-construction pending the resolution of a Right of Way (ROW) concern.

#### Environmental Management

NPC, through its Environmental Management Department, made considerable strides in addressing the compliance of its plants and facilities with corporate environmental strategy based on environmental laws and regulations. In 2006, NPC secured a total of 45 permits such as Environmental Compliance Certificates and Amendments, Certificates of Non-Coverage, Permits to Operate, and Discharge Permits. It has likewise conducted several monitoring and audit activities such as multipartite monitoring, compliance monitoring, site assessment, environmental due diligence audit, laboratory services, emission testing, bacteriological testing and engineering studies.

NPC has likewise drawn up a rehabilitation package for the mangrove areas of Semirara Island that were affected by an oil spill from NPC's Power Barge 106 last December 2005. It also provided a livelihood assistance package for affected residents of the island. It likewise conducted consultations with the local government of Semirara to determine what mode of livelihood assistance would be most appropriate for the affected residents with the aim of having a long-term impact on the lives of the residents. On the other hand, a rehabilitation package for the affected mangrove areas will address the need to reforest these areas.

#### Watershed Management

In fulfillment of its corporate commitment to take care of the environment, NPC continued to actively pursue the protection of watersheds hosting its power plants and other facilities. Through its Watershed Management Department, NPC accomplished the following in 2006:

#### Watershed Rehabilitation

- Established a total area of 929 hectares of open and denuded areas covering 11 watersheds. 419 hectares were planted to various forestry species, 396 hectares planted to combination of agro-forestry and forestry species, 14 hectares to different species of bamboo and 100 hectares as silvicultural treatment;
- Established 35,000 linear meters of vegetative measures (hedgerows, fascines, wattling) and 2,700 cubic meters of structural measures (riprap and checkdam) to control and prevent soil erosion of degraded and flood prone areas;
- Produced 176,179 seedlings of various forestry species and fruit trees purposely for landholdings development (planting) and dispersal.

#### Watershed Protection

- Confiscated 17,262 board feet of lumber amounting to ₱ 2,071,440.00;
- Filed 20 criminal cases in court due to illegal cutting and transport of forest products;
- Organized multi-sectoral watershed protection council and institutionalization of Banlay Watershed Task Forces of seven (7) area teams for forest protection.

NPC also implemented various other watershed management programs and projects pertaining to Information, Education, Communication (IEC), Community Development and Extension, and Data Base Management. Such activities were meant to enhance occupants' awareness on the importance of watersheds, maintain good relationship between NPC and forest occupants as well as uplift their socio-economic conditions.

#### Benefits to Host Communities

The Amended E.R. 1-94 prescribes the provisions of direct benefits to pertinent local government units (LGUs) hosting energy resource development projects and/or energy-generating facilities within their territorial jurisdiction. It required

energy resource developers and/or producers to provide, among others, financial benefits equivalent to one centavo per kilowatt-hour from electricity sale proceeds of their energy projects or energy generating facilities.

For the period covering January to December 2006, the corporation has paid a total amount of ₱288 Million in E.R. 1-94 financial benefits. These funds are remitted to the DOE for purposes of electrification, development and livelihood, reforestation, watershed management, and health and/or environment enhancement of host regions, provinces, municipalities, barangays, and resettlement areas.

### National Transmission Corporation

#### 2006 COMPLETED PROJECTS

Project	Capacity	Date Completed
San Roque-San Manuel 230KV DC-STTL	20.0 ckm	15-Jul-06
Panay-Soracay Interconnection Project	1.2 ckm	08-Apr-06
Bauang-San Esteban 230KV T/L Line 2	93.2 ckm	02-Sep-06
Wright Substation	50 MVA	03-Jun-06

#### 2006 ON - GOING PROJECTS

##### LUZON

Project Name	Components	Target Date of Completion
1. Bauang-San Esteban 230KV Line 2 Stringing Project	Stringing of 95.2 km 2 <sup>nd</sup> circuit 230 KV transmission line to provide N-1 contingency at the San Esteban Substation, the main link of power supply in the Ilocos Region.	June 2007
2. New Gamu Substation Project	Construction of new substation with 50 MVA, 230/69-13.8 KV power transformer including associated protection equipment.	June 2007
3. Tap Hemosa - Balintawak 230 KV T/L Project	Construction of 1.2 ckt-km, SP/SC, 2-785 MCM ACSR, 230 KV transmission line to change tap Meralco's Duhat Substation from Mexico-Balintawak 230KV line to Hemosa-Balintawak 230KV line.	June 2007
4. Batangas Reinforcement Project	Construction of 157 ckt-km 230 KV transmission line to augment transmission backbone to allow the full dispatch of generation in the Southern Luzon.	June 2008
5. Hermosa-Balintawak 230KV T/L Relocation	Relocation of 14.73 ckt-km 230 KV transmission line to give way to road widening project of the Department of Public Works and Highways (DPWH).	Dec. 2007
6. Luzon 230 KV Transmission Line Upgrading Project	Construction of new 234.15 ckt-km 230 KV transmission line including associated protection equipment to meet the projected load growth in the area.	Oct. 2008
7. Bicol Power Restoration Project (Emergency Project)	Immediate procurement of 118 steel towers including the materials to replace damaged towers by typhoon *Reming* last 30 November 2006.	Jan. 2008

##### VISAYAS

Project Name	Components	Target Date of Completion
1. Layte-Samar Reinforcement Project (ORMOC 230 KV S/S)	The project involves the installation of 150 MVA 230/138 KV Transformer. This Transformer is the remaining component of this project. Installation of this project will provide the n-1 provision in the Ormoc Substation.	Nov. 2007
2. Cebu III Transmission Project	The project involves the construction of the new 100MVA substation at Quiot, Cebu City to serve as a new delivery point in Metro Cebu. This new substation will decongest the Banilad Substation and improve the power transmission in Cebu, particularly the southern portion.	Dec. 2007
3. Negros V Transmission Project	Construction of 52 ckt-kms, SC-ST, 1-336.4MCM, 69 KV transmission line from San Carlos to Guinhugan to boost the power delivery services in the northeastern part of Negros Island.	Dec. 2008
4. Visayas Project I	The project consists of 14 X 7.5 MVAR capacitors to be installed at different substations in Cebu, Negros, Panay, Leyte and Samar grids to improve voltage regulation and reduce system losses.	Dec. 2008
5. Cebu Interconnection Upgrading Project	The project involves the construction of a new substation at Suba and expansion of Arban and Old Naga Substations, installation of a total of 100 MVA power transformer, and 100 kms of 138 KV transmission line. Power in the Visayas Grid generally flows from Leyte to Cebu (and Luzon). Excess power from Cebu is transmitted to Negros and Panay. The transfer capability of the Cebu-Negros-Panay line has to be upgraded due to the projected deficit supply especially in Panay.	April 2008
6. Wright 138KV Transmission Project	The project involves the construction of 65 kms, ST-DC, 1795 MCM of 138 KV transmission line and the expansion of Wright S/S and construction of new substation at Cabayog composed of 50 MVA transformer, 3x138 KV and 3x65 KV PCBs. It also involves the installation of 134 kms. of 24 Fibers (OPGW) telecommunication system.	June 2009
7. Negros - Panay Interconnection Upgrading Project	The project involves two phases. Phase 1: Panay Grid - involves the construction of a new 50 MVA S/S at San Juan and expansion of the Dingile S/S, and installation of 35 kms of 138 KV double circuit-first stringing T/L. Phase 2: Negros Grid - involves the construction of 18.8 kms, 2x300mm <sup>2</sup> , 138 KV oil-filled sub-cable, construction of Tomonton Switching Station, expansion of the Bacolod S/S and installation of 13.15 kms of 138 KV from Bacolod to Talisay and 16.85 kms of 138 KV from Talisay to Tomonton. Power in the Visayas Grid generally flows from Leyte to Cebu (and Luzon). Excess power from Cebu is transmitted to Negros and Panay. The transfer capability of the Cebu-Negros-Panay line has to be upgraded due to the projected deficit of supply especially in Panay.	Phase 1 - April 2009 Phase 2 - June 2009

Project Name	Components	Target Date of Completion
8. Northern Panay Backbone Transmission Project	The project involves the construction of 105 km of 138 kV overhead T/L from Panitan to Nabas, expansion of a new 100 MVA Nabas S/S, and construction of the Panitan S/S to accommodate load growth, address voltage problems, improve system reliability and operational flexibility, and serve as the receiving facility for incoming power generation projects in the northern Panay area. With the intended commissioning of the recently ICC-approved Cebu-Negros interconnection Upgrading Project (CNUUP) in 2007 and the programmed implementation of the Negros-Panay interconnection Upgrading Project (NPIUP) by 2008, a strong Panay sub-grid would be necessary in accommodating prospective power supply transfer from Negros and thereby addressing the future demand of Panay.	June 2009

**MINDANAO**

Project Name	Components	Target Date of Completion
1. Mindanao Subtransmission Project	The project involves the installation/construction of 5 kms 69 kV DC-ST and 10 kms 69 kV SC-ST for Maco tap (Maco-Mati) and KM 13 - Surgao City, respectively. The project is intended to accommodate the load growth of the region and extend the electrification to the countryside. It will further enhance the efficiency of the concerned load-end substation.	Dec. 2007
2. Zamboanga City Area 138 kV T/L Project	The project involves the construction of a new 100 MVA S/S at Pilego and 32 kms of DC-ST 138 kV T/L. It aims to provide/extend reliable bulk power services in Western Mindanao and remedy operational problem such as line outages.	Dec. 2008
3. San Francisco 138 kV Substation Project (New)	The project involves the installation/ construction of 0.1 km of 138 kV overhead T/L and a new 50 MVA S/S in San Francisco. The proposed project is envisaged to provide a new power interchange in Agusan del Sur which is highly dependent on a long and vulnerable 69 kV T/L from Bislig S/S. It is intended to accommodate load growth, address low voltage problems and ensure system reliability and operational flexibility.	June 2008
4. Abaga-Kirahon 230 kV Transmission Backbone Project	The Project involves the construction of 120 kms, 230 kV double circuit overhead transmission line from Abaga to Kirahon (Phase 1). It also involves the construction of new switching station on Kirahon and the expansion of Abaga Substation.	June 2009
5. Marapag-Bunawan 230 kV Transmission Backbone Project	The project involves the construction of 102 kms, 230 kV double circuit overhead transmission line from Marapag to Bunawan (Phase 2, Stage 1) and installation of a total of 150 MVA power transformer. It aims to reinforce the existing transmission system, thereby ensuring stability, reliability and efficiency of power supply in the Southern and Eastern Mindanao Grid.	June 2009

Project Name	Components	Target Date of Completion
6. Gen. Santos-Tacurong 138 kV Transmission Project	The project will provide additional 60 kms of T/L and 200 MVA S/S capacity to Mindanao Grid. It aims to increase the power transfer capability of the bulk power system in SOCKSARGEN.	June 2009
7. Mindanao Substation Expansion Project-2006	The project involves the expansion of various substations in Mindanao. The installation of a total 525 MVA power transformer overloading bought about by the increased load demand, thereby assuring efficient and reliable delivery of power to the customers.	June 2009
8. Kirahon-Maramag 230 kV Transmission Backbone Project	The project involves the construction of 108 kms, 230 kV double circuit overhead transmission line from Kirahon to Maramag (Phase 2-Stage 2). The project will complete the Mindanao Backbone Transmission Project.	June 2009

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Financial Statement Preparation**

The accompanying Financial Statements of NPC were prepared and presented in accordance with the accounting principles and standards presently accepted in the Philippines under the historical cost basis, except for property, plant and equipment, which are carried in the balance sheet at revalued amounts.

**Statement of Compliance**

Pursuant to the provisions on the *Scope and Authority*, paragraph 7 of the Preface to Philippine Financial Reporting Standards, PFRSs are designed to apply to the general purpose financial statements and other financial reporting of *all profit-oriented entities*. Hence, NPC, being a GOCC of non-profit character, may not be subject to the full compliance with the same, in its strict sense. Nevertheless, the following PFRS/Philippine Accounting Standards (PAS), as appropriate, were adopted and made the basis, in the preparation of the Financial Statements in order to achieve the primary objective of fairly presenting the company's results of operation, financial condition and cash flow, in so far as practicable and consistent with the standards and principles applied based on the former SFAS/IAS, which are now governed by PFRS/PAS.

- PAS 1, "Presentation of financial Statements"
- PAS 2, "Inventories"
- PAS 7, "Cash Flow Statements"
- PAS 16, "Property Plant and Equipment"
- PAS 17, "Leases"
- PAS 18, "Revenue"

- PAS 19 "Employee Benefits"
- PAS 21, "The Effects of Changes in Foreign Exchange Rates"
- PAS 39, "Financial Instruments: Recognition and Measurement"

#### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new amendments to PAS 2, "Inventories". The amendment reduces the alternatives for measurement of inventories. It eliminated the use of Last-in, First-out (LIFO) method to measure the cost of inventories. The Corporation has long been adopting the weighted average method in the valuation of its Materials, Supplies and Equipment inventory. On the fuel inventory, the adoption on the fuel costing methodology from LIFO to weighted average has been made effective January 1, 2006. The adoption did not have material effect on the financial statements.

PAS 1 "Amendment – Presentation of Financial Statements: Capital Disclosures" which requires additional disclosures in the financial statements on the level of the Corporation's capital and how it manages capital will be adopted in CY 2007.

#### Application of the Accounting Policies/Standards

##### a. Utility, Plant and Depreciation

Utility plant is carried in the books at appraised values except for additions during the year which are recorded at cost. These assets are revalued in consonance with NPC's loan covenants with creditor banks and in pursuance to Philippine Accounting Standards (PAS) No. 16, previously SFAS 16, which permits revaluation of properties, plant and equipment. Land and landholdings, which include all the cost of land and land rights used in connection with power generation and transmission are also included in the revaluation.

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

Depreciation of fixed assets is charged from the date of acquisition of the fixed assets or after the completion of works. Depreciation based on depreciable values is computed using the Straight Line (SL) method pursuant to NPC Board Res. No. 94-58 effective 1994. Depreciating the assets based on the Sound Value over its remaining useful life, as ascertained by consultants, will result in amortizing the remaining cost of the assets reflective of its true physical state. The average remaining life employed in the revaluation was

determined by subtracting the age of the asset from the estimated standard economic life (shown below) given by Resource Management International Inc., (RMI), NPC's last independent appraiser.

Type of Plant	Economic Life
1. Thermal Production	35
a. Oil-fired	
b. Coal-fired	
2. Hydraulic Production	40
3. Geothermal Production	30
4. Other Production	20
a. Combined-cycle	
b. Diesel Plants and Barges	
c. Gas Turbine	

Depletion expense shows the periodic provision for the depletion of extractable natural resources such as steam, natural gas, etc. The same straight line method and remaining useful life are used in the computation of the expense.

Effective CY 2005, TransCo adopted a new set of standard economic lives per asset category based on the recommendation of the independent appraiser in the Revaluation of TransCo Assets as of CY 2004 from the previous composite life of 30 years. This was approved by the joint TransCo and PSALM Boards per TransCo Board Resolution No. TC 2005-036 dated 24 August 2005.

Moreover, a conventional depreciation has been applied to the expired portion of the asset class lives. A residual life of five (5) yrs. has been assigned to most assets. For assets which have shorter asset lives, a residual life of one (1) year has been assigned.

Following are the recommended lives of TransCo assets adopted in CY 2005:

Category	Description	Life (years)	Notes
Transmission Lines			
	Lattice steel tower line	50	
	Wood pole line	25	
	Concrete pole line	50	
	Steel pole line	50	

Category	Description	Life (years)	Notes
Power cables			
	Submarine HVDC	50	
	Submarine HVAC	50	
	Underground HVAC	50	
Outdoor Substations - MEAs			
	Transformers 500 Kv	45	N-1 security
	Transformers 230 kv	35	Without N-1 security
	Transformers 115 kv	45	With N-1 security
	Transformers 115 kv	35	Without N-1 security
	Reactors	45	With N-1 security
	Reactors	35	
	Capacitor banks	40	
	Outdoor switchbays	40	500 kv, 230 kv, 138/115 kv, 69 kv outdoor assemblies (see Note 1)
	Substation establishment assets	50	See Note 2
Outdoor Substations- individual equipment			
	Circuit breakers	40	500 kv, 230 kv, 138/115 kv, 69 kv
Indoor GIS Substations			
	500 kv GIS switchbay	45	
	230 kv GIS switchbay	45	
	115 kv GIS switchbay	45	
Substations Secondary			
	Protective relays and controls	15	
	Metering equipment	30	
	RTUs, SCADA systems	15	
Communications			
	OPGW links	50	
	PLC links	35	
	Radio links	15	
System Operations			
		15	

Notes:

1. A switchgear bay includes the primary equipment, buswork, foundations, equipment supports and other structures, protective and control equipment and cabling directly associated with the bay.
2. Substation establishment assets include earthworks, roads, fencing, drainage, earth grid, auxiliary AC and DC power supplies, batteries, cabling not specific to a bay, auxiliary mechanical services, protection and control equipment not specific to a bay.

**b. Appraisal of Utility Plants**

Electric Plants in Service are recorded at appraised values in compliance with the Asian Development Bank's (ADB) and World Bank's loan covenants and pursuant to PAS No. 16 which permits the appraisal of property, plant and equipment.

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

The 1996 external asset revaluation undertaken by RMI commenced in 1997 and was completed in 1998. In summary, the final values of NPC's operating assets as of 1996 price level are as follows:

- Revalued Cost New (RCN) ₱ 333,171 million
- Sound Value (SV) ₱ 164,528 million

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

TransCo assets as of December 31, 2004 were revalued in compliance with the requirements of Article IV Section 4.6.1 of the Transmission Wheeling Rates Guidelines. Sinclair Knight Merz (SKM) in association with PricewaterhouseCoopers (PwC) and Cuervo Appraisers Inc. conducted the revaluation in accordance with the requirements of the TWFRG. Optimized Depreciated Replacement Cost using a combination of the suitable valuation techniques as provided in the TWFRG i.e., Indexation, absolute value by replacement cost analysis, and absolute value using MEA analysis, was adopted in the revaluation. The primary methodology that was applied to majority of the fixed network assets was the Modern Equipment Asset (MEA) approach.

The results of the revaluation were taken-up in the books following the approval of the SKM Report by the joint TransCo and PSALM Boards per TransCo Board Resolution No. TC 2005-036 dated 24 August 2005.

The 2004 revaluation increased the value of TransCo's Assets by P47,129 million. On the contrary, the accumulated depreciation went down by P1,006 million as a consequence of the increase in the asset lives of most assets as compared to the previous composite economic life of thirty (30) years applied to all fixed assets.

**c. Capitalization of Interest**

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

**d. Allocation of Support Group Expenses**

Expenses of the Home Office Support Group are allocated between operation and construction. The allocation rate is based on the extent of support services rendered to operations and capital projects. The present ratio of operating expenses to capital expenses of NPC is 94/6 while that of TRANSOCO is 30/70.

Cost Center services that cannot be clearly classified, as well as expenses identified as having no direct effect to projects are treated as one hundred percent operating expenses.

**e. Investments**

Local investments are valued at purchase price while foreign investments are recorded at the date of the transaction using standard booking rates equivalent to the Bangko Sentral ng Pilipinas (BSP) guiding rate on the last working day of the preceding year. Foreign investment balances are then revalued at the end of each year using the BSP guiding rates.

Interest earnings on placements follow the accrual method of accounting. However, for short-dated placements of less than a month, the interest earnings are recognized in the books at maturity dates.

**f. Receivables and Allowance for Doubtful Accounts**

Power and other receivables are stated net of allowance for doubtful accounts. Allowances are determined through the specific identification of uncollectible accounts.

**g. Materials and Supplies for Operation**

Materials and supplies for operation categorized as fuel (and its related products) and non-fuel. The Fuel M & S are composed of the fuel oil, diesel, coal & thermal chemical stocks used by NPC plants for power generation. These inventories are valued using the weighted average method. The fuel M & S issued to IPPs as stipulated in the individual contracts are also valued using the weighted average method and are recorded under Asset in Trust. The changed in accounting treatment for Fuel M & S, that is from Last in First Out (LIFO) to weighted average method has been made effective January 1, 2006 in compliance with PAS 2 for "inventories".

The non-Fuel M & S, on the other hand, are likewise valued using the moving average method and can be further broken down into the non-fuel M & S of NPC plants and areas and those non-Fuel M & S assigned to private IPPs.

The non-Fuel M & S of NPC plants and areas represented basically the materials, supplies and equipment received by NPC property custodian for use in operations.

The non-Fuel M & S assigned to private IPPs includes spares, materials and supplies transferred to private contractors as stipulated in the individual contracts.

**h. Deferred Taxes and Duties**

By virtue of FIRB# 17-87 of the Department of Finance, the Corporation is exempt from payment of taxes and duties on local oil purchases. Oil suppliers bill NPC at gross selling price inclusive of taxes and duties. Fuel deliveries and consumption are recorded in the books net of taxes and duties. Said taxes and duties are recognized as Deferred Taxes and Duties representing claims from the Bureau of Internal Revenue and the Bureau of Customs. Upon receipt of Tax Credit Certificates (TCC), the refund is debited to Accounts Receivable-Others and a corollary entry is made by a debit to Other Expense and credit to Other Income.

However, with the enactment of RA No. 9337 otherwise known as the Reformed Value-Added Tax (RVAT) Law of 2005 which took effect on November 1, 2005, NPC's purchases of fuel and purchased power as well as its sale of electricity were subjected to VAT specifically stated under Section 24(A) of RA No. 9337 repealing Section 13 of RA No. 6395 on the exemption from VAT of the National Power Corporation. Effective February 1, 2006, the value-added tax rate increased from 10% to 12% pursuant to Revenue Memorandum Circular No. 7-2006 dated January 1, 2006.

**i. Accounting for Foreign Exchange Fluctuation**

Transactions denominated in foreign currencies are recorded at standard booking rate and then restated at the end of the year using the rate of exchange ruling at balance sheet date. Foreign exchange (Forex) differentials accruing on loans for projects under construction are recorded as project cost while differentials on the restatement of outstanding loans used for operating plants are debited outright to Gain/Loss on Forex Fluctuations. This is in compliance with the PAS 21 which supersedes Statement of Financial Accounting Standards (SFAS) No. 8A, "Deferral of Foreign Exchange Differences" which no longer allows the deferral of Forex differentials for future amortization. PAS 21 was made effective January 1, 2005.

On the other hand, foreign exchange difference from the restatement of working capital loans are also recorded as Gain/Loss on Forex Fluctuation. Payments of loans and interest thereon are recorded at the prevailing exchange rate at transaction date. Any difference thereof from the booking rate is likewise treated as Gain/Loss on Forex Fluctuation.

**j. Accounting for BOT Projects**

Total capacity fees for the duration of the cooperation period were recognized in the books of NPC as assets under the account Electric Plant Under Capital Lease and with a corresponding set up for Lease Obligation under the Long-Term-Debts. This is consistent with PAS 17 and International Accounting Standards (IAS) 17 - Leases. Hopewell Pagbilao and Sual Coal-Fired Thermal Power Plants are amortized over 29 and 25 years, respectively, while the Kalayaan 2 and San Roque Power Plant are both being amortized over 40 years. The rest of the BOT assets are amortized over 20 years.

Lease obligations denominated in foreign currencies are restated at year-end using standard booking rates. Foreign exchange differentials on these restatements are debited outright to Gain/Loss on Forex Fluctuations in compliance with PAS No. 21.

**k. Income Determination**

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

**i. Accounting for Taxes and Duties on Importation**

Taxes and duties on imported materials and equipment intended for projects are recorded as part of project costs while taxes and duties on materials and equipment for operation are expensed as incurred.

**m. Composition of Rate Base**

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

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

The assets under capital lease are not classified under Utility Plant In Service; hence, these are excluded in the computation of the rate base. For purposes of determining compliance with loan covenants relating to the minimum rate of Return On Rate Base (RORB), the World Bank (WB) and Asian Development Bank (ADB) agreed to exclude Build-Operate-Transfer (BOT) plants from the computation of RORB.

Under the loan covenants with creditors, NPC is required to achieve a minimum RORB of either 7% or 8%. Considering that NPC could hardly meet the required RORB of its creditors, waivers or amendments to loan agreements with respect to such breaches were sought from all of the creditors. Some creditors provided NPC with waivers such as the ADB, while the WB has agreed to delete, effective 2000, the RORB Covenant from the loan agreements. Other creditors who have not provided NPC with waivers or amendments to such loan agreements have continued to provide NPC with financing notwithstanding the defaults.

**4. UTILITY PLANT**

This account consists of the following electric plants in service:

Year Ended December 31, 2006	Steam Production Plant	Hydroelectric Production Plant	Other Production Plant	Transmission Plant	Distribution Plant	Others	Total
Beginning	164,776,510.813	64,545,163.852	65,732,201.262	210,521,135.443	349,826,654	39,064,760.734	670,966,462.358
Additions	651,722,084	337,474,896	731,500,849	1,246,647,237	17,158,828	2,696,837,494	5,676,451,190
Retirements	0	0	0	(767,200,659)	0	(2,034,860)	(769,266,139)
Adjustments	1,132,187,203	2,265,317,751	3,569,345,673	3,390,390,873	1,021,970	511,745,640	6,110,389,415
Ending	165,908,208.917	67,147,532.499	69,263,547.124	233,954,272.714	365,141,222	42,265,334,258	862,979,972.614

	2006		2005	
Accumulated Depreciation/Depletion				
Beginning	96,413,316,652	61,728,779,539	38,274,116,607	60,368,950,106
Additions	5,244,401,566	1,977,383,365	2,438,190,846	4,709,469,032
Retirements	0	0	0	0
Adjustments	875,339,937	(2,046,196,413)	2,040,735,313	(955,365,005)
Ending net book value	101,533,057,155	61,662,666,491	40,714,925,726	64,963,054,133
	64,571,149,882	24,252,323,898	17,190,959,658	132,386,522,292
				119,945,294
				32,620,833,996
				276,454,857,772

### 5. CONSTRUCTION WORK IN PROGRESS (CWIP)

Cost of projects under construction is presented as Construction Work in Progress while stock inventory intended for projects but still in the custody and within the responsibility of project custodians and stock inventory still in transit are segregated from the account and classified under Investment and Other Assets, as follows:

	2006		2005	
Construction Work in Progress - Work Order	22,570,912,918	28,416,944,256		
Construction Work in Progress - Materials & Supplies	317,927,222	635,005,228		
	<b>22,888,840,140</b>	<b>29,051,949,484</b>		

The significant decrease in the balance of the Construction Work in Progress was mainly due to the utilization of various work orders of TransCo that were substantially completed.

### 6. ELECTRIC PLANT UNDER CAPITAL LEASE

This account represents the total computed capacity fees of Build Operate and Transfer (BOT) Plants for the duration of the cooperation period as follows:

	2006		2005	
Electric Plant Under Capital Lease	676,329,357,928	651,273,489,734		
Accumulated Amortization	(170,736,375,245)	(147,768,715,069)		
	<b>505,592,982,683</b>	<b>503,504,774,665</b>		

Existing BOT plants as of December 31, 2006 are the following:

PLANT	COMMISSIONING DATE	COOPERATION PERIOD (YRS.)	TOTAL CAPACITY FEE (in P80)
PASBILAO I (350 MW)	March 1996	29	71,839,467,000
PASBILAO II (350 MW)	May 1996	29	71,839,467,000
ILUAN NAT GAS (1200 MW)	June 2002	20	107,387,216,364
CRK-KALAYAAN 2 Unit 3 (177.5 MW)	February 2003	25	17,387,881,744
CRK-KALAYAAN 2 Unit 4 (177.5 MW)	February 2003	25	17,387,881,744
ENRON SUBIC (108 MW)	February 1994	15	11,629,091,463
BAUJANG (FFPC) (215 MW)	October 1994	15	16,190,346,338
SAN ROQUE MULTI-PURPOSE PLT (846 MW)	May 2003	25	92,954,875,257
SUAL I (600 MW)	October 1999	25	96,734,388,479
SUAL II (600 MW)	October 1999	25	96,734,388,479

PLANT	COMMISSIONING DATE	COOPERATION PERIOD (YRS.)	TOTAL CAPACITY FEE (in P80)
BAKUN I (35 MW)	March 2001	25	24,500,769,930
BAKUN II (35 MW)	October 2000	25	24,500,769,930
STEAG MINDANAO COAL FIRED 1 (100 MW)	September 2006	24	13,562,363,463
STEAG MINDANAO COAL FIRED 2 (100 MW)	November 2006	24	13,562,363,463
<b>TOTAL</b>			<b>876,329,357,928</b>

### 7. INVESTMENTS IN GOVERNMENT AND OTHER CORPORATIONS

This account mainly consists of investment in securities such as the Special Stock Subscription Agreement with Meralco.

### 8. NON-UTILITY PROPERTY

Non-utility property account consists of the following:

Year Ended	Non-Utility Plants	Non-Utility Lands	Total
December 31, 2006			
Cost:			
Beginning	604,133,362	50,987,638,539	51,591,771,901
Additions	0	110,343	110,343
Retirements	0	0	0
Adjustments	0	19,002,688	19,002,688
Ending	604,133,362	51,006,751,568	51,610,884,930
Accumulated Depreciation			
Beginning	46,761,731,048	0	46,761,731,048
Additions	943,415,648	0	943,415,648
Retirements	0	0	0
Adjustments	4,574,843	0	4,574,843
Ending	47,709,721,540	0	47,709,721,540
Ending net book value	<b>(47,105,588,178)</b>	<b>51,006,751,568</b>	<b>3,901,163,360</b>

### 9. ACCOUNTS AND OTHER RECEIVABLES

This account consists of:

	2006		2005	
Non-Current Receivable	4,973,609,691	4,972,484,087		
Non-Current Power Receivable	1,343,948,898	1,334,775,493		
	<b>6,317,558,589</b>	<b>6,107,259,580</b>		
Allowance for Bad Debts	(810,754,228)	(737,220,962)		
	<b>5,506,804,361</b>	<b>5,370,048,618</b>		



Non-current receivables include the ₱1,694 billion royalty fees paid to PNOC-EDC for the unutilized geothermal energy from July 1996 to December 1998 and the ₱3,133 billion receivables from MWSS for their utilization of Angat Dam pursuant to the optimization project of the government from 1992 to 1997.

#### 10. OTHER ASSETS

Other assets substantially consist of the following:

	2006	2005
Restricted Cash	2,165,637,668	2,060,624,003
Advances to San Roque Multi Purpose Project	23,029,629,270	23,091,315,317
Stored Fuel – Iljan	39,578,788,314	31,280,058,351
Stored Energy – Leyte A & B	5,823,343,304	5,823,343,304
Investment in Maintenance Eng'g Ctr.	209,709,363	209,709,363
Stock for Disposal	254,652,406	182,314,081
	<b>71,081,960,325</b>	<b>62,647,364,419</b>

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

Stored energy which is classified under Court and Other Deposits is presented in the balance sheet as Other Assets in the amount of ₱2,250 billion and ₱3,573 billion for Leyte A & B, respectively. The said amounts represent advance payments made to PNOC-EDC for the cost of contracted energy for Leyte A & B.

Meanwhile, the stored fuel, which is also classified under Court and Other Deposits is likewise presented in the balance sheet as Other Assets in the amount of ₱39,579 billion. This amount represents the difference between the actual gas lifted and that of the contracted fuel with Shell Philippines Exploration B.V. (SPEX) for the Iljan Natural Gas Power Plant.

The San Roque Multi-Purpose (SRMP) projects pertain to the construction of the project's non-power components such as watershed management, water quality, flood control and irrigation. The Memorandum of Agreement (MOA) covering this project provides that NPC shall be reimbursed by the Department of Agriculture (DA), National Irrigation Administration (NIA), Department of Environment and Natural Resources (DENR) and Department of Public Works and Highways (DPWH) in the amount and terms specified in the MOA, through the Department of Finance (DOF).

#### 11. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2006	2005
Cash in Bank	2,846,791,336	2,197,321,729
Cash on Hand	51,491,111	29,629,434
Funds with the Bureau of Treasury	157,802,301	157,802,301
Working Fund	61,744,729	26,958,466
Temporary Investment	30,447,187,729	17,778,145,326
	<b>33,565,017,206</b>	<b>20,199,857,276</b>

Temporary investments amounting to ₱ 30,447 billion represents short-term placements with the Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP) and Philippine National Bank (PNB) which are intended for general funding requirements of National Power Corporation's operations.

#### 12. POWER CUSTOMER RECEIVABLES

Receivables from power customers consist of the following:

	2006	2005
Power Receivables	74,912,779,667	66,624,379,167
Accrued Utility Revenue	27,166,063,986	45,918,397,905
Restructured Power Receivables	1,061,705,254	888,005,932
Due from Other Agencies	19,159,580,399	7,356,276,615
	122,300,109,306	120,787,059,619
Allowance for Bad Debts	(10,063,982,048)	(9,400,292,674)
	<b>112,236,127,258</b>	<b>111,386,766,945</b>

The increase in Power Receivable in CY 2006 was on account of the following:

- Receivable due from PEMC on the energy traded by NPC in the electricity spot market (WESM).
- Unsettled disputed accounts which are still litigated in local courts and at the Energy Regulatory Commission (ERC).
- Accounts under receivership, rehabilitation and with stay order from the courts.

The account Due from Other Agencies consists of receivables from PSALM on the energy traded at the Wholesale Electricity Spot Market (WESM). PSALM traded IPP plants' energy capacity at the WESM starting the billing period June 2006. It also consists of the receivable from TransCo for ancillary services provided to customers being billed and collected by TransCo as a result of the unbundling of power tariffs, where the ancillary services rate has been included in the power bills of TransCo pursuant to Energy Regulatory Commission's decision on ERC Case

No. 2001-901 entitled "In the Matter of Application for the Approval of the Revised Unbundled Power Rates".

The Accrued Utility Revenue includes the ₱20,445 million balance of Deferred Accounting Adjustment (DAA) on the Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Exchange Rate Adjustment (ICERA) as well as Forex Correction component of ICERA as of September 2004 including balances on the following accruals made on the following DAA:

a. Approval by the ERC (Case No. 2006-013RC) on July 14, 2006 & July 17, 2006 (partial decisions) on NPC's application for the recovery of fuel and IPP costs under the 6<sup>th</sup> GRAM & RORB. The total amount to be recovered is ₱3,206,180,797 and ₱463,487,588 respectively, for the billing period April 2005 to October 2005.

b. Approval by the ERC (Case No. 2006-012RC) on July 12, 2006 of NPC's application for the adoption of the Incremental Currency Exchange Rate Adjustment (5<sup>th</sup> ICERA). Total amount to be recovered is ₱862,664,117.00 for the billing period April 2005 to October 2005.

c. Approval by the ERC (Case No. 2005-040RC) on November 23, 2005 of NPC's application for the recovery of fuel and IPP costs under the 5<sup>th</sup> GRAM. Total amount to be recovered is ₱2,834,937,128.54 for the billing period October 2004 to March 2005.

d. Approval by the ERC (Case No. 2005-039RC) on November 23, 2005 of NPC's application for the adoption of the Incremental Currency Exchange Rate Adjustment (4<sup>th</sup> ICERA). Total amount to be recovered is ₱225,893,374.44 for the billing period October 2004 to March 2005.

In addition, accruals for DAA were recognized in CY 2006 for the following:

e. The application by NPC for the recovery of fuel and IPP costs under the 7<sup>th</sup> GRAM in the amount of ₱1,867,723,547.91 covering November 2005 to January 2006 billing period.

f. The application by NPC for the recovery costs through Incremental Currency Exchange Rate Adjustment (6<sup>th</sup> ICERA) in the amount of ₱407,814,019.97 covering November 2005 to January 2006 billing period.

### 13. OTHER RECEIVABLES

This account consist of the following:

	2006	2005
Receivables from Private Company	6,973,291,286	3,701,188,773
Interest	6,202,043,985	5,453,888,579
Receivables from National Govt	3,873,552,689	3,722,760,757
Receivables from PSALM	3,504,936,888	216,166,852
Tax Credit Certificates	9,308,891	9,308,891
Rent	90,050,300	87,159,081
Receivable from Fuel Oil Suppliers	128,328,033	105,694,547
Recble from Officers & Employees	14,787,888	8,742,220
Output Tax Receivable	6,192,507,097	1,457,104,596
Input Tax on Non-Depreciable Capital	5,395,259,744	879,232,019
Input Tax on Depreciable Capital	91,663,561	84,091,615
Others	983,112,822	890,537,075
	33,468,843,014	16,555,875,005
Allowance for Bad Debts	(743,673,577)	(710,862,517)
	<b>32,725,169,437</b>	<b>15,845,012,488</b>

Increase in Receivables from Private Co. includes the amount still due from First Generation Hydro Power Corporation for the sale of the Pantabangan HEPP amounting to ₱ 3.856 billion.

The Receivables from the National Government include the amount due as a result of transfer of the Philippine Nuclear Power Plant to the National Government. It also includes advances of NPC for the preservation and maintenance of the plant.

The Receivables from PSALM substantially includes the unremitted proceeds from the sale of Pantabangan HEPP amounting to ₱2.850 billion. It also consists of the various expenses incurred by PSALM advanced by NPC amounting to ₱ 684 million.

The increase in output tax receivables and input taxes was mainly due to the increase of value added tax rate from 10% to 12% effective February 1, 2006 pursuant to Revenue Memorandum Circular No. 7-2006.

### 14. MATERIALS AND SUPPLIES FOR OPERATION

Materials and supplies for operation can be categorized into fuel (and its related products) and non-fuel. The fuel materials and supplies are composed of the fuel oil, diesel, coal & thermal chemical stocks used by the NPC plants for power generation. The non-fuel materials and supplies are broken down into materials, supplies and equipment received by NPC property custodian for use in operations and fuel stock, spares, materials, and supplies transferred to private Independent Power Producers (IPPs) as stipulated in their individual contracts. Details of the account are as follows:

	2006	2005
Materials, Supplies And Equipment	7,671,971,922	7,976,923,146
Asset in Trust for Private Power Contractors	4,944,097,781	5,387,214,444
Stock Transfer Clearing Accounts	996,958,699	994,914,606
Fuel Oil	1,299,800,098	872,331,971
M&E in Transit-Operating Plants	2,085,882,363	1,557,507,995
Coal	1,138,663,780	992,181,202
Diesel	759,831,564	732,847,827
Aviation Fuel & Other Oil Products	103,498	211,855
Materials, Supply Temporary Adjustments	954,725,343	249,498,097
Fuel Temporary Adjustment	145,618,002	18,306,884
Thermal Chemicals	48,045,894	57,032,101
Stock for Transshipment	77,138	(466,824)
Gasoline	19,596,900	18,564,933
Other Oils Products	134,761,177	110,164,726
	<b>20,200,154,159</b>	<b>18,967,222,963</b>

#### 15. ADVANCES

Advances consist of the following:

	2006	2005
Advances to Contractors	931,232,507	321,020,298
Advances to Govt Bodies & Institutions	454,946,082	72,228,167
Advances to Philippine Geothermal Inc.	137,203,077	(31,993,040)
	<b>1,523,380,666</b>	<b>361,255,425</b>

Advances to Philippine Geothermal Inc., consists of the peso and dollar cash call equivalent to 55% of the total monthly expenditures of PGI. The negative balance on the Advances to PGI in CY 2005 represents under calls for the period covering October to December 2005, which remained unpaid to PGI as of December 31, 2005.

Substantial increase in Advances to Contractors pertains to NPC and TransCo's advances for the mobilization of projects.

#### 16. PREPAYMENTS

Prepayments consist of the following:

	2006	2005
Marginal & Guaranty Deposits	864,328,899	864,291,081
Prepaid Charges	19,108,395	15,771,726
	<b>883,437,294</b>	<b>880,062,807</b>

#### 17. COURT AND OTHER DEPOSITS

This account includes the amounts deposited with the provincial, municipal or city courts and with other entities as a guaranty for the fulfillment of obligation and for other purposes.

#### 18. DEFERRED CHARGES

Deferred charges include:

	2006	2005
Other Deferred Debits	2,202,264,229	5,012,441,768
Deferred Taxes & Duties	4,127,491,176	4,127,491,176
Preliminary Surveys & Investigation	2,606,293,507	486,712,299
Discount on NPC Bonds Payable	19,451,038,541	11,109,865,375
Deferred Financial Assistance	528,987,188	578,327,961
Others	19,183,030	228,203,348
	<b>28,937,257,671</b>	<b>21,643,041,927</b>

The Deferred Taxes and Duties pertain to the tax and duty exemption privileges of the Corporation in its purchase of petroleum products which are paid by the Corporation at gross prior to the implementation of R-VAT Law in November 1, 2005. Such taxes and duties shall become refundable by tax collecting agencies such as BIR and the Bureau of Customs.

The Preliminary Surveys & Investigation pertains to all expenditures related to preliminary surveys, studies, investigations and other related undertakings to determine the feasibility of a project for development by the Corporation. The increase in said account was mainly contributed by TransCo.

The substantial increase in the Discount on Bonds Payable was on account of the capitalized interest on the Goldman Sachs \$700 million zero coupon bonds issued on December 2002 and March 2003 in compliance with COA audit recommendation.

#### 19. CONTINGENT ASSETS / SURPLUS

The account consists of disallowances in COA post-audit, as well as claims for unrelied losses of NPC properties and claims for all established inventory shortages of Property Custodians. The contra account for these Contingent Assets is Contingent Surplus which is presented as part of the capital accounts in the balance sheet.

#### 20. CAPITAL STOCK

Quarterly Assigned Petroleum Amount from Malampaya covering January 2002 to December 2005.

Said amount was utilized to offset the amount of NPC's payables to SPEX for the Take or Pay Quantity Obligation of NPC pursuant to the Support Assigned and Payment Agreement (SAPA) entered into by the government (through DOE), NPC and Shell Exploration B.V. & Occidental Philippines, Inc.

Foreign Loans are restated at year-end based on the following BSP guiding rates on foreign currencies :

	BSP Guiding Rates	
	12-31-06	12-31-05
Dollar	\$1	53.0670
Yen	¥1	0.4503
Swiss Frank	SFR1	40.3000
Great Britain Pound	GBP1	91.0842
European Monetary Union	EUR	62.8207
Kroner	DKK	8.4210
Korea	KRW	0.0524

**24. LEASE OBLIGATION - BOT**

Total capacity fees for BOT Plants for the duration of the cooperation period are recorded as Electric Plant Under Capital Lease account with a corresponding credit to Lease Obligations. Estimated capacity fees amounting to ₱38.9 billion payable in 2007 was set-up to current liabilities under the Lease Payable account.

	2006	2005
Lease Obligation	575,029,575,737	637,069,713,987
Less: Current Portion	38,919,821,986	41,011,725,807
	<b>536,109,753,751</b>	<b>596,057,988,080</b>

The decrease in the account was mainly due to revaluation of Lease Obligation which amounted to ₱48.164 billion and capacity fee payments amounting to ₱43.167 billion. The lower set-up to current portion was due to lower translation of foreign currencies to peso and the full settlement of obligation with NIMPC 2 due to expiration of contract in January 2006.

**25. DEPOSITS AND TRUST FUNDS**

No additional Capital Stock was issued in 2006. The last issuance of capital stock was made in 1999 equivalent to 5,918,550 shares representing partial payment of the stock dividend declared in CY 1994.

**21. DONATED CAPITAL**

These are grants received from foreign governments and lending institutions, which were used to finance the implementation of various projects of NPC.

**22. RETAINED EARNINGS**

Retained Earnings were appropriated for Bond Sinking Fund equivalent to 5% of Net Operating Income as provided for by the NPC Charter.

On December 2006, the Corporation has remitted to the National Government ₱2.6 billion as CY 2005 dividends pursuant to Malacanang Executive Order No. 599, "Adjusting the Dividend Rate of National Power Corporation on its 2005 Net Earnings Pursuant to Section 5 of Republic Act No. 7656."

**23. LONG-TERM DEBTS**

This account consists of the following:

	2006	2005
Foreign Loans & Other Long-term Debts	159,324,650,132	188,460,482,275
Bonds Payable	196,844,911,838	171,868,243,602
Due to Phil. Govt. & its Agencies	19,195,486,786	12,319,727,963
KEPCO Security Deposits	1,154,602,000	1,724,677,500
	<b>376,519,650,756</b>	<b>374,373,131,290</b>
Less Current Portion		
Foreign Loans & Other Long-term Debts	14,899,279,709	16,911,265,374
NPC Bonds Payable	0	10,613,400,000
Due to Phil. Govt. & its Agencies	532,911,551	377,127,863
KEPCO Security Deposits	442,188,000	477,603,000
	<b>15,874,379,260</b>	<b>28,379,396,237</b>
	<b>360,645,271,496</b>	<b>346,993,735,053</b>

(Please see Appendix 1 for the details of NPC's long term debts.)

For CY2006, two bonds were issued at par. These include 10 Year-Citigroup-Deutsche bond of \$500 million due on November 2016, and Deutsche-HSBC bond amounting to ₱3.68 billion and ₱6.320 billion due on December 20, 2011 and December 19, 2016, respectively.

The account Due to Philippine Government and agencies includes ₱ 13,006 million payable to DOE representing the share of the government from the net proceeds or

Deposits and Trust Funds mainly include amounts received and segregated for the execution of specific projects or contracts. It also include the amounts deposited/advanced by power customers to the Corporation.

#### 26. DEFERRED CREDITS

Deferred credits mainly include net advances of the Bureau of Treasury to NPC for the debt servicing of foreign loans and various payments to Independent Power Producers

#### 27. OPERATING REVENUE

Net Operating Revenue of ₱175,118 million includes energy output traded in the Wholesale Electricity Market amounting to ₱30,607 million and the amount of ₱1,340 million for the Universal Charges for Missionary Electrification in CY2006. It also includes the Net Operating Revenue of TransCo amounting to ₱27,966 billion.

#### 28. OTHER OPERATING EXPENSES

Other Operating expenses consist of:

	2006	2005
Insurance Expense	639,218,801	522,604,428
Local Government Taxes	355,839,641	291,024,521
Financial Assistance	475,285,893	290,248,002
Taxes and Duties	109,793,877	189,371,806
Cost of Audit Services	32,647,742	29,829,720
Job Order	145,883,499	120,058,603
WESM Charges	64,982,764	-
	<b>1,823,652,217</b>	<b>1,443,137,278</b>

The increase in insurance expense was due to the increase in insurance premium from the GSIS.

The Local Government Code empowered Local Government Units (LGUs) to create their own sources of revenue and to levy taxes. Pursuant to this, effective January 1992, the payment of realty, franchise tax and Local Government Unit's share in the national wealth became a contracted obligation of NPC to the LGUs.

WESM charges pertain to the Market transaction fees paid as a registered WESM trading participant. This is in relation with the implementation of the Wholesale Electricity Spot Market (WESM) pursuant to Section 30 of R.A. No. 9136, and the ERC approval on the imposition of Market transaction fees to all registered WESM trading participants.

#### 29. AMORTIZATION OF ELECTRIC PLANTS UNDER CAPITAL LEASE

Amortization of capacity fee consists of the following:

	2006	2005
Ilijan Nat Gas	4,295,488,655	4,295,488,655
Sual Coal Fired Power Plant I	3,869,375,579	3,869,375,579
Sual Coal Fired Power Plant II	3,869,375,579	3,869,375,579
Pagbilao 1	2,477,223,000	2,477,223,000
Pagbilao 2	2,477,223,000	2,477,223,000
San Roque Power Corp.	2,323,871,881	2,323,871,881
Bakun Plant Unit 1	1,225,038,497	1,225,038,497
Bakun Plant Unit 2	1,225,038,497	1,225,038,497
Bauang	809,517,467	809,517,467
Subic - Enron	581,454,074	581,454,074
NMPC 2	13,042,605	106,230,960
Hopewell Tileman	-	52,471,808
Kajayaan Unit 3 & 4	869,394,087	869,394,087
STEAG Unit 1	199,372,283	-
STEAG Unit 2	87,911,697	-
	<b>24,263,326,881</b>	<b>24,181,703,084</b>

#### 30. LOSS/(GAIN) ON FOREX FLUCTUATION

This account consists of:

	2006	2005
Revaluation:		
Loans	22,305,873,035	35,846,681,454
BOT	46,163,936,918	42,384,703,815
Foreign Currency Deposits	(165,668,549)	(198,385,017)
Total Revaluation	68,304,141,404	78,033,000,252
Loss/(Gain) on Foreign Transactions	439,501,877	709,081,024
	<b>68,743,643,281</b>	<b>78,742,081,276</b>

Based on PAS 21, all Forex Differentials should be treated as gains or losses on the period they are identified (see note 3i & 3j).

#### 31. FOREX RECOVERY

For proper matching of cost and revenue, recovery from ICERA 1, which is a recovery of peso fluctuation on principal repayments, is reported as other income while ICERA II, which is a recovery of foreign denominated other operating expenses, is recorded as part of operating revenue. Effective August 26, 1994, the Corporation included in the customer's power bills Foreign Exchange Adjustment charges intended to recover the Corporation's foreign

exchange losses arising from the servicing of its principal indebtedness (FOREX 1 or ICERA 1) and related foreign operating expenses (FOREX 11 or ICERA 2).

**32. GAIN ON RETIREMENT OF ASSET**

The substantial increase in CY 2006 mainly pertains to the gain on sale of the Pantabangan HEPP.

**33. MISCELLANEOUS INCOME**

This account consists of the following:

	2006	2005
Waived Amortization of Security Deposit of CBK Power Co.	1,384,246,581	-
Supplier's Discount/Income from Liquidated Damages	24,144,697	30,164,553
Management Fee-EPZA	157,405,973	134,347,397
Rental Income	10,527,068	10,342,070
Others	307,094,935	337,095,457
	<b>1,883,419,254</b>	<b>511,949,477</b>

Miscellaneous Income – Others consists of proceeds from sale of scrap materials and used fuel and fly ash, penalty for the excess downtime of Island Power Corporation and fuel cost differentials

**34. MISCELLANEOUS EXPENSES**

Miscellaneous expenses consist mainly of expenses of decommissioned plants.

**35. PNOC – EDC SHORTFALL BILLINGS**

PNOC-EDC has informed the Corporation that it has outstanding receivables on fuel shortfall from NPC in the amount of ₱754 million. The account has been left under the advisement until the same can be included in the design of NPC power rates. NPC has not recognized this account.

**36. PENDING CASES**

The Corporation has contingent claims in several lawsuits amounting to ₱48.39 million while its contingent liabilities amounted to a total of ₱13,315 million. The total number of pending cases as of year-end CY 2005 has reached 1,095.

**37. FULL POWERS**

The assumption by the Power Sector Assets and Liabilities Management (PSALM) Corporation of the ownership of the National Power Corporation's generation assets, liabilities, IPP contracts, real estate and all other disposable assets is pursuant to Section 49 of Republic Act No. 9136 (hereafter the "Electric Power Industry Reform Act of 2001" or "EPIRA"). However, before NPC's assets and liabilities can be effectively transferred to PSALM, the creditors' consent must be obtained first.

Nonetheless, pending the actual transfer of the assets and liabilities to PSALM, the need to assume immediately certain functions which are being undertaken by NPC not only to ensure a smooth transition to PSALM of the performance of the functions once the creditors' consents have been secured, but more importantly allow PSALM to make key decisions and develop and execute major plans relating to such functions, has given the way for the approval of the "FULL POWERS" by the PSALM Board on April 30, 2003 and by the NPC Board on May 14, 2003 per Board Resolution No. 2003-60.

Some of the functions of NPC assumed by PSALM under the FULL POWERS are as follows:

- Loans Administration and Management & Treasury Planning
- Risk Management
- Controlship Functions related to Fixed Assets and Loans Management: This function is inclusive of the Accounting, Pre-audit, Utilization and Debt Service of loans, analysis and reconciliation of related accounts, preparation of reports, updating of asset registry, approval and signing of all documents necessary to discharge the Controllership functions assumed and all other functions in relation to the services assumed by PSALM under this Full Powers.
- Financial Planning and Information Systems related to Fixed Assets and Loans
- Universal Levy and Tariff
- Asset Management
- IPP Contract Management

**38. ASSET AND DEBT TRANSFER**

**Asset Transfer**

On December 21, 2001, separate Deeds of Transfer covering all of NPC's generation, transmission, real estate, disposable assets, contracts, liabilities and obligations required under EPIRA to be assumed by PSALM Corp. and TRANSCO, was executed by and between NPC and PSALM, on one hand and NPC and TRANSCO on the other hand, subject to certain terms and conditions contained therein. To date, there are still conditions precedents that have yet to be completed/satisfied to effect the actual transfer of these assets, which include obligation transfer process; creditors consent solicitation, review of transfer and amendment agreement by Bangko Sentral ng Pilipinas (BSP), clearance from the Inter-Agency Committee (IAC) and the final Monetary Board Approval.

Relative to the foregoing Transfer Agreement, PSALM and NPC shall execute a General Framework Agreement (GFA) which will provide the terms and conditions for the following services which shall be undertaken by NPC on behalf of PSALM which is on its finalization stage:

1. IPP contracts management;
2. Operation, maintenance and management of PSALM's generation assets;
3. Operation, maintenance and management of the Agus and Pulangui complexes in Mindanao; and
4. Corporate services.

Under the GFA, it was agreed that PSALM shall provide NPC with funds necessary in the performance of the above services. Consequently, all income generated and assets acquired from the implementation of the GFA shall subsequently be remitted and transferred to PSALM.

The GFA together with its Supplemental Agreements shall become effective beginning the date of transfer until such time that said assets were disposed of by PSALM.

**Debt Transfer**

To execute the transfer to PSALM, consents are being obtained from almost 36 creditors comprising bondholders, bilateral and multilateral lenders, and commercial creditors. A large portion of NPC's obligations are bilateral loans which require control of only one creditor. In general, these syndicated facilities require the consent of banks holding 66 2/3% of the outstanding loans. Advanced discussion with each creditor was made to obtain the necessary consent and to move forward with the privatization.

PSALM already completed the consent solicitation relating to the transfer of two bonds issued by NPC. These were consisted of dollar and yen-denominated bonds where transfer requires the consent of the International Bank for Reconstruction and Development (IBRD) and ADB, respectively. In addition, an exchange offer was conducted to facilitate transfer of Yankee bonds to PSALM of which 98 3/5% of the principal amount outstanding was exchanged. Moreover, on October 23, 2003 the consent solicitation for the Euro bonds of NPC was launched. It requires the passing of Extraordinary Resolution among the bondholders necessary to meet 75% of the outstanding principal amount being represented in person or by proxy. The majority vote of those voting is necessary to effect the Resolution.

**39. TARRIF**

- On July 14, 2006, the ERC issued its final approval of the Sixth Generation Rate Adjustment Mechanism (6<sup>th</sup> GRAM) and Fifth Incremental Currency Exchange Rate Adjustment (5<sup>th</sup> ICERA) under ERC case No. 2006-013. The decision which is based on a test period from April 2005 to October 2005 recovery period granted rate adjustments in P/kwh of 0.3787, 0.0389 and 0.0240 for Luzon, Visayas and Mindanao.

- Recovery for the incremental/decrement costs/savings on fuel and purchased power and foreign currency exchange rate fluctuations covering the test period November 2005 to January 2006 7<sup>th</sup> GRAM and 6<sup>th</sup> ICERA are pending approval by the ERC.

**40. DATE OF AUTHORIZATION FOR ISSUE OF FINANCIAL STATEMENTS**

The Financial Statements were approved and authorized for issue by the National Power Board on May 24, 2007.

No events occurred between balance sheet date and the date on which the financial statements were approved by the board of directors that would require adjustment to or disclosure in the financial statements.





フィリピン共和国

「国家電力部門資産・負債管理公社 ALM マスタープラン調査」事前調査（S/W 協議）

報告書

資料 4-3

PSALM コンサルタント雇用参考 Terms of Reference



## TERMS OF REFERENCE

PSALM 席上 丁-#14  
TOR

### Consultancy Services for the Formulation of PSALM's Liability Management Program to Manage NPC's Financial Obligations

#### Rationale

As stated in section 50 of the Republic Act, No 9136 or the Electric Power Industry Reform Act (EPIRA), one of the objectives of PSALM is to manage NPC's financial obligations.

PSALM's objectives in managing its liabilities are to: (a) maintain a low cost of debt, (b) reduce inter-period volatility of cash flows, (c) decrease the likelihood of extreme fluctuations in earnings and losses over the planning horizon, and (d) increase the transparency to stakeholders and investors of the risk management strategies and practices.

To carry out the mandate set out in the EPIRA and the objectives of liabilities management, PSALM seeks the engagement of expert/consultancy services to provide advice to PSALM on techniques and strategies to manage the liabilities of PSALM/NPC.

#### Objectives

The objective of this consultancy services are the following:

1. To develop a Power Sector Risk Management Model (PSRM) that will serve as an analytical instrument for PSALM to evaluate PSALM/NPC's debt and risk management strategies vis-à-vis the market. The PSRM shall have the capability to do quantitative analysis that may include but not limited to Value at Risk (VAR), or an efficient frontier of hedging cost versus risk, etc.
2. To advise on appropriate method for managing the liabilities of NPC and formulate a Program that will be implemented by PSALM in the short, medium, and long term to effectively manage NPC's financial obligations (i.e. NPC debts and IPP obligations) and PSALM's privatization proceeds. The Advisory shall specifically address NPC's liquidity risk in 2009-2011 and include recommendation on the appropriate risk strategies, other financial structures/instruments, etc.
3. To assess NPC/PSALM's 2007 Liabilities Management Program (LMP) Phase I - USD 2.46 billion Prepayment & Refinancing Program vis-à-vis current and projected market conditions.

#### Scope of Work

The project will include the following activities:

- (a) Develop the PSRM using MS Excel spreadsheet that PSALM can use to simulate impact of its liability management strategies on NPC's financial position that will include the following activities;

- Establish a database system for PSRM
  - Conduct simulations on the impact of various hedging structures to determine the appropriate risk mitigation strategies to address PSALM/NPC interest rate and foreign exchange risks
  - Conduct simulations on the impact of recommended debt and risk management strategies to specifically address the bunching up of maturities on 2009-2011 and NPC/PSALM's commitment to achieve a DSCR of at least 1 by 2009
  - Conduct simulations on Stranded Contract Costs (SCC) and Debts (SD)
  - Recommend Strategies to minimize SCC and SD
  - Present and explain the simulations, methodology and the Financial Models to PSALM and other institutions as requested by PSALM
- (b) Formulate a Program covering the short, medium, and long-term Liability Management activities of PSALM to effectively manage NPC's financial obligations and PSALM's privatization proceeds with the end view of liquidating all financial obligations of NPC/PSALM;
- (c) Identify appropriate and applicable liability management strategies/structures and present to/discuss with PSALM management the same;
- (d) Evaluate liability management programs proposed to PSALM including NPC/PSALM's 2007 LMP Phase I; and
- (e) Familiarize and train concerned PSALM Finance staff/s in the use of the PSRM.

#### **Expected Output**

- (a) PSRM and database system as enumerated in the scope of work;
- (b) Comprehensive report on model building, detailing the diagnostic test results; and results of simulations;
- (c) NPC/PSALM Liability Management Program detailing recommended debt and risk management policies/strategies in the short (emphasis on the period of 2009-2011), medium and long-term;
- (d) Comprehensive report on the evaluation of the proposals with recommendation.

### **Implementation Schedule**

The following activities are to be undertaken and completed within the period of eight man-months (8) months:

- (a) Model development/Simulations - 2 months
- (b) Presentations/Discussions - 2 months

### **Consultant's Qualifications**

The consultant must have experience in econometrics or financial modeling and in public/international finance. The consultant must have experience in financial modeling of derivative products, pricing of currency swap, interest rate swap, options, swaptions or other derivatives structures in an international investment bank, top tiered international financial institutions or government.

### **Local Counterpart**

PSALM shall provide and make available to the Consultant/s the relevant data, information and documents subject to a Confidentially Agreement.

### **Cost Estimate**

Consultant's fixed fee for the duration of the project, inclusive of applicable taxes, training and incidental expenses is \_\_\_\_\_.



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報告書

資料 5-1

配電事業者（DU）別 UC 送金状況





付属資料 5-1 DU 別 UC 送金状況

Dec. 31 2007

Collecting Entities	CE - ID	AR - UC Outstanding Balances		Current		More than 2 months but not exceeding 1 year Overdue		More than 1 year Overdue	
		ME	EC	ME	EC	ME	EC	ME	EC
1 Abotizland bk.	Abotizland								
2 Abra Electric Coop., Inc.	abreco	271,769.74	10,268.88	157,049.82	10,268.88	114,719.92			
3 Agusan del Norte Electric Cooperative, Inc.	anreco	1,068,731.37	43,475.93	670,860.34	43,475.93	397,871.03			
4 Agusan del Sur Electric Cooperative, Inc.	asreco	719,584.08	46,065.51	434,300.00	29,109.00	285,284.08	16,956.51		
5 Atlan Electric Cooperative, Inc.	atleco	707,631.81	25,689.78	707,631.81	25,689.78				
6 Albany Electric Cooperative Inc	alreco	1,641,847.98	72,712.34	601,246.97	40,288.15	1,040,601.01	32,414.19		
7 Angeles Electric Cooperative, Inc.	anreco	297,491.93	71,702.40	297,491.93	71,702.40				
8 Aurora Electric Cooperative, Inc.	aurreco	444,557.27	24,277.73	313,028.00	21,109.00	131,529.27	3,668.73		
9 Aurora Electric Cooperative, Inc.	aurreco	198,465.71	12,483.72	185,982.00	12,483.72				
10 Bancayan Electric Cooperative, Inc.	banreco	24,911.07	1,619.14	24,911.07	1,619.14				
11 Basilan Electric Cooperative, Inc.	basreco	1,266,961.35	71,478.23	63,432.65	4,251.52	559,159.86	29,501.88		
12 Batanes Electric Cooperative, Inc.	batreco	51,950.23	2,374.09	29,453.30	2,030.07	22,496.93	344.02		
13 Batangas I Electric Cooperative, Inc.	batreco1	563,797.70	37,805.46	563,797.70	37,805.46				
14 Batangas II Electric Cooperative, Inc.	batreco2	9,884,380.04	836,715.74	3,092,525.03	201,911.86	6,871,855.01	634,803.88		
15 Benguet Electric Cooperative, Inc.	benreco	9,538,901.63	483,183.33	840,083.77	56,451.47	8,677,368.04	426,732.06		641,469.32
16 Bitran Electric Cooperative, Inc.	bitreco	215,749.67	10,705.96	100,940.18	6,785.43	114,809.49	3,940.53		
17 Bohol I Electric Cooperative, Inc.	bohreco1	276,639.76	30,754.15	276,639.76	30,754.15				
18 Bohol II Electric Cooperative, Inc.	bohreco2	230,534.11	8,799.72	148,371.65	8,799.72	72,162.46			
19 Bohol Light Co., Inc.	blreco	771,314.93	41,542.07	456,853.45	30,620.21	264,461.48	10,921.86		
20 Bulodnon II Electric Cooperative, Inc.	bulreco	1,041,781.20	67,460.12	518,068.61	34,773.09	523,712.59	32,737.03		
21 Busuanga Island Electric Cooperative, Inc.	busreco	45,975.42	4,408.34			45,975.42	4,408.34		
22 Cabanatuan Electric Corporation	celreco	765,352.18	25,874.51	393,818.00	52,854.90	371,534.18	23,070.51		
23 Cagayan de Sulu Electric Cooperative, Inc.	casreco								
24 Cagayan Electric Power and Light Co., Inc.	cepreco	8,630,997.90	488,998.24	3,974,322.21	266,375.54	4,646,675.69	222,622.70		
25 Cagayan I Electric Cooperative, Inc.	cagireco1	1,092,593.28	81,521.20	30,051.13	21,453.15	777,542.16	60,070.05		
26 Cagayan II Electric Cooperative, Inc.	cagireco2	671,302.76	35,620.75	344,210.30	21,163.01	327,092.46	12,457.74		
27 Camarines Norte Electric Cooperative, Inc.	camreco	1,590,588.47	93,139.96	216,918.15	14,536.75	1,373,670.32	78,581.21		
28 Camarines Sur I Electric Cooperative, Inc.	casreco1	777,195.35	28,640.70	188,123.56	12,638.18	589,071.79	15,942.52		
29 Camarines Sur II Electric Cooperative, Inc.	casreco2	4,624,844.27	18.32	895,472.20	18.32	3,729,372.07			
30 Camarines Sur III Electric Cooperative, Inc.	casreco3	1,067,307.43				1,067,307.43			
31 Camarines Sur IV Electric Cooperative, Inc.	casreco4	514,762.46	29,680.43	132,745.27	8,898.47	381,997.19	70,781.96		
32 Camiguin Electric Cooperative, Inc.	camreco	282,801.19	18,217.11	71,989.94	4,825.06	210,811.25	13,392.05		
33 Capiz Electric Cooperative, Inc.	capreco	11,672.74	482.16	11,672.74	482.16				
34 Capiz Electric Cooperative, Inc.	capreco	3,023,993.16	420,153.63	375,588.08	25,173.51	2,648,004.28	245,035.85		149,344.26
35 Cebu I Electric Cooperative, Inc.	cebreco1	2,085,728.21	89,099.39	596,344.00	39,969.44	1,489,384.21	49,129.95		
36 Cebu II Electric Cooperative, Inc.	cebreco2	1,048,426.99	41,193.74	935,395.79	43,193.74				
37 Cebu III Electric Cooperative, Inc.	cebreco3	935,276.56	37,829.32	718,670.50	37,829.32	196,606.06			
38 Central Negros Electric Cooperative, Inc.	cnreco	7,460,972.95	756,542.51	3,003,420.74	201,609.08	4,457,502.21	554,933.43		

39	Central Pangasinan Electric Cooperative, Inc.	compeco	21,035,371.41	1,233,500.29	606,163.16	40,627.56	4,868,282.33	339,715.51	3,560,925.92	583,276.20
40	CP II Power Corp.	cp II	741,898.99	80,038.16	354,702.21	27,178.62	187,196.78	17,829.24		
41	Clark Electric Distribution Co.	cecof	724,448.78	48,609.63	724,448.78	48,609.63				
42	Cocobo Light and Power Co., Inc.	collight	901,480.92	39,070.91			907,480.92	19,070.97		
43	Dagupan Electric Corporation	decorp	1,876,093.66	108,542.50	1,317,883.38	88,517.04	538,210.28	20,025.26		
44	Davao del Norte Electric Cooperative, Inc.	dancoco	1,994,920.53	540,797.07	1,705,267.10	115,638.90	6,889,659.43	425,158.17		
45	Davao del Sur Electric Cooperative, Inc.	dasureco	2,002,734.81	107,127.43	945,819.80	63,392.75	1,056,914.94	43,734.68		
46	Davao Light & Power Co., Inc.	dalight	9,010,582.89	378,399.71	8,478,367.04	378,399.71	532,315.83	3,732.04		
47	Davao Oriental Electric Cooperative, Inc.	doecoco	406,997.51	26,223.89	135,608.35	22,493.85	71,389.35	2,348.72	15,875.30	
48	Diagat Island Electric Cooperative, Inc.	diesco	193,321.21	4,343.77	29,786.66	1,995.05	149,659.55	1,229,692.47	1,586,334.40	81,949.37
49	Don Ordoñez Electric Cooperative, Inc.	doecoco	3,080,815.25	182,307.93	764,788.18	17,760.84	1,229,692.47	87,397.77		
50	Eastern Samar Electric Cooperative, Inc.	esumelco	6,219,821.27	119,896.81	235,600.01	5,790.89	984,221.26	76,005.65		
51	First Bay Power Corp. (Basilan Elec. Light Sys.)	BELS/FPBC	591,948.82	34,795.38	276,869.10	18,573.04	315,079.72	16,262.14		
52	First Building Electric Cooperative, Inc.	fbecoco	1,122,428.24	32,498.27	401,793.30	17,468.72	520,634.74	1,053.18		
53	First Calabunan Electric Cooperative, Inc.	fbecoco	309,100.11	5,767.87	70,140.23	4,714.49	238,750.88	71,581.84		
54	First Laguna Electric Cooperative, Inc.	flfecoco	1,352,811.57	93,064.12	319,236.60	21,482.28	1,233,576.97	9,202.61		
55	Gulpharas Electric Cooperative, Inc.	gulmelco	167,541.36	15,387.83	88,135.42	2,693.02	79,405.94	4,318.66		
56	Ibaan Electric and Engineering Corporation	IEEC	148,819.20	10,128.72	76,658.03	3,810.06	62,153.17	2,116.46		
57	Iligan Electric Cooperative, Inc.	ifecoco	1,193,730.47	10,583.02	51,084.31	3,466.58	144,046.16	42,657.80		
58	Iligan Light and Power Co., Inc.	ILIP	82,984.08	60,716.18	40,316.28	40,316.28	993,469.44	92,796.99		
59	Ilocos Norte Electric Cooperative, Inc.	insec	1,877,900.94	91,756.99			1,977,900.94	133,265.86		
60	Ilocos Sur Electric Cooperative, Inc.	isecoco	3,327,517.69	192,585.15	874,128.19	58,819.49	2,453,359.30	53,492.82		
61	Iloilo Electric Cooperative, Inc.	ilecoco	2,321,027.91	103,731.09	747,568.90	50,238.47	1,773,959.01	206.60		
62	Iloilo II Electric Cooperative, Inc.	ilecoco2	311,715.50	34,447.88	510,879.78	34,241.29	835.72	18,192.50		
63	Iloilo III Electric Cooperative, Inc.	ilecoco3	728,970.14	36,717.42	714,925.14	18,519.99	454,045.00	65,051.71	1,960,736.34	56,437.66
64	Ibabela I Electric Cooperative, Inc.	iecof01	524,637.98	12,582.27	497,441.19	12,582.27	27,196.79	95.29		
65	Ibabela II Electric Cooperative, Inc.	iecof02	2,931,307.67	121,689.37			970,571.33	45,447.93		
66	Kalinga-Abagay Electric Cooperative, Inc.	kaecoco	503,515.30	4,640.00	67,637.83	4,544.71	436,877.69	17,071.37		
67	LA Union Electric Cooperative, Inc.	luecoco	2,946,167.79	88,717.93	648,180.72	43,269.88	2,297,981.07	37,007.17		
68	LA Union Electric Company, Inc.	luecoco	1,988,663.60	76,303.13	660,654.02	44,279.76	737,909.58	57,214.26	1,358,848.00	
69	Lanao del Norte Electric Cooperative, Inc.	lanecoco	3,068,406.21	76,021.33	280,763.37	18,807.07	1,448,754.84			
70	Lanao del Sur Electric Cooperative, Inc.	lasureco								
71	Leyte II Electric Cooperative, Inc.	leyecoco2	1,197,453.37	77,212.68	913,303.99	6,218.97	284,151.33	15,993.71		
72	Leyte III Electric Cooperative, Inc.	leyecoco3	712,810.53	2,997.10	59,106.21	2,997.10	153,704.32	19,799.85		
73	Leyte IV Electric Cooperative, Inc.	leyecoco4	276,107.82	26,897.37	167,216.30	7,187.42	168,865.32			
74	Leyte V Electric Cooperative, Inc.	leyecoco5	2,883,898.19	161,304.09	653,611.53	41,801.04	2,230,286.66	117,507.95		
75	Luna Utilities Corp.	luna	183,231.54	12,280.99	183,232.94	12,280.99				
76	Luzang Electric Cooperative, Inc.	lubecoco	5,664.31	2,393.36	1,991.24	2,393.36	7,075.07			
77	Mactan Electric Company	mecoco								
78	Maguindao Electric Cooperative, Inc.	magecoco	1,780,040.28	90,384.27	367,318.10	24,707.25	912,724.28	65,677.02		
79	Marikina Electric Company	maricoco	161,596,105.53	10,845,449.88	160,766,222.96	10,787,228.43	889,881.57	58,117.45		
80	Marikina Electric Cooperative, Inc.	maricoco	69,362.97	16,013.48	69,362.97	9,741.36		272.18		
81	Marikina Multi Purpose Cooperative	mmcc								
82	Marikina Oriental Electric Cooperative, Inc.	moecoco	648,677.08	11,116.16	203,632.90	11,116.16	293,038.86	419,961.63		
83	Marikina Oriental II Electric Cooperative, Inc.	moecoco2	496,651.76		591,053.41		1,014,356.46			
84	Marikina Oriental III Electric Cooperative, Inc.	moecoco3	1,605,349.87		543,770.69	36,445.76	1,003,723.07	16,074.58		
85	Marikina Oriental IV Electric Cooperative, Inc.	moecoco4	2,344,491.78	74,480.34			616,375.39	25,490.89		
86	Marikina Oriental V Electric Cooperative, Inc.	moecoco5	516,175.59	25,490.89						



Collecting Entities	CE - ID	AR - UC Outstanding Balances		Current		More than 2 months but not exceeding 1 year Overdue		More than 1 year Overdue	
		ME	EC	ME	EC	ME	EC	ME	EC
135 Tarlac II Electric Cooperative, Inc.	tarlco2	894,000.53	47,062.63	774,671.15	47,062.63	169,329.38			
136 Tarlac Electric Inc	tel	2,706,959.31	135,366.05	1,614,288.51	81,867.89	1,092,670.80	53,498.16		
137 Tawi-tawi Electric Cooperative, Inc.	tawelco	99,961.72	5,080.19			25,668.87	1,716.41	74,352.85	3,363.78
138 Ticao Island Electric Cooperative, Inc.	tselco	108,823.70	7,235.00					108,823.70	7,235.00
139 TIPCO Estates Corp	tipco								
140 Transco - Baguio City Economic Zone	Transco-BEZ		2.64				2.64		
141 Transco - Batayan Economic Zone	Transco-Bataan		4,267.00				4,267.00		
142 Transco - Cavite Economic Zone	Transco-CEZ	1,198,676.09	80,372.93	1,198,476.09	80,372.93				
143 Transco - Mactan Economic Zone	Transco-MEZ	1,240,455.81	114,924.99	1,240,455.81	101,868.51		13,056.48		
144 Visayan Electric Cooperative, Inc.	veco	5,394,614.83	251,134.21	5,394,614.83	351,134.21				
145 WNC Rural Electric Service cooperative, Inc.	wmc	1,040,075.76	63,900.12	341,613.34	23,092.93	348,300.46	698,412.42	40,807.19	
146 Zambales I Electric Cooperative, Inc.	zameco I	1,072,078.98	79,648.15	348,300.46	73,445.25	234,319.68	673,778.52	56,202.90	
147 Zambales II Electric Cooperative, Inc.	zameco II	383,953.16	12,419.31	234,319.68	12,419.31	149,631.48			
148 Zamboanga City Electric Cooperative, Inc.	Zamecco	1,823,176.09	163,454.38	1,156,809.59	77,534.16	668,366.50	85,920.27		
149 Zamboanga del Norte Electric Cooperative, Inc.	Zameco	691,654.86	21,374.09	680,003.91	21,374.09	11,650.95			
150 Zamboanga del Sur I Electric Cooperative, Inc.	Zamsureco I	955,203.99	36,452.19	354,774.19	23,865.06	600,429.80	12,587.33		
151 Zamboanga del Sur II Electric Cooperative, Inc.	Zamsureco II	960,183.19	59,268.11	215,861.35	14,561.45	744,321.84	44,706.66		
<b>Total</b>		<b>463,052,134.70</b>	<b>28,543,281.82</b>	<b>260,083,285.60</b>	<b>17,035,050.26</b>	<b>166,640,448.32</b>	<b>9,452,174.70</b>	<b>36,328,400.78</b>	<b>2,056,054.86</b>
<b>Grand Total</b>			<b>Php 491,595,416.52</b>						

出所：COA, "State Auditor's Report (PSALM), March 2008

フィリピン共和国

「国家電力部門資産・負債管理公社 ALM マスタープラン調査」事前調査（S/W 協議）

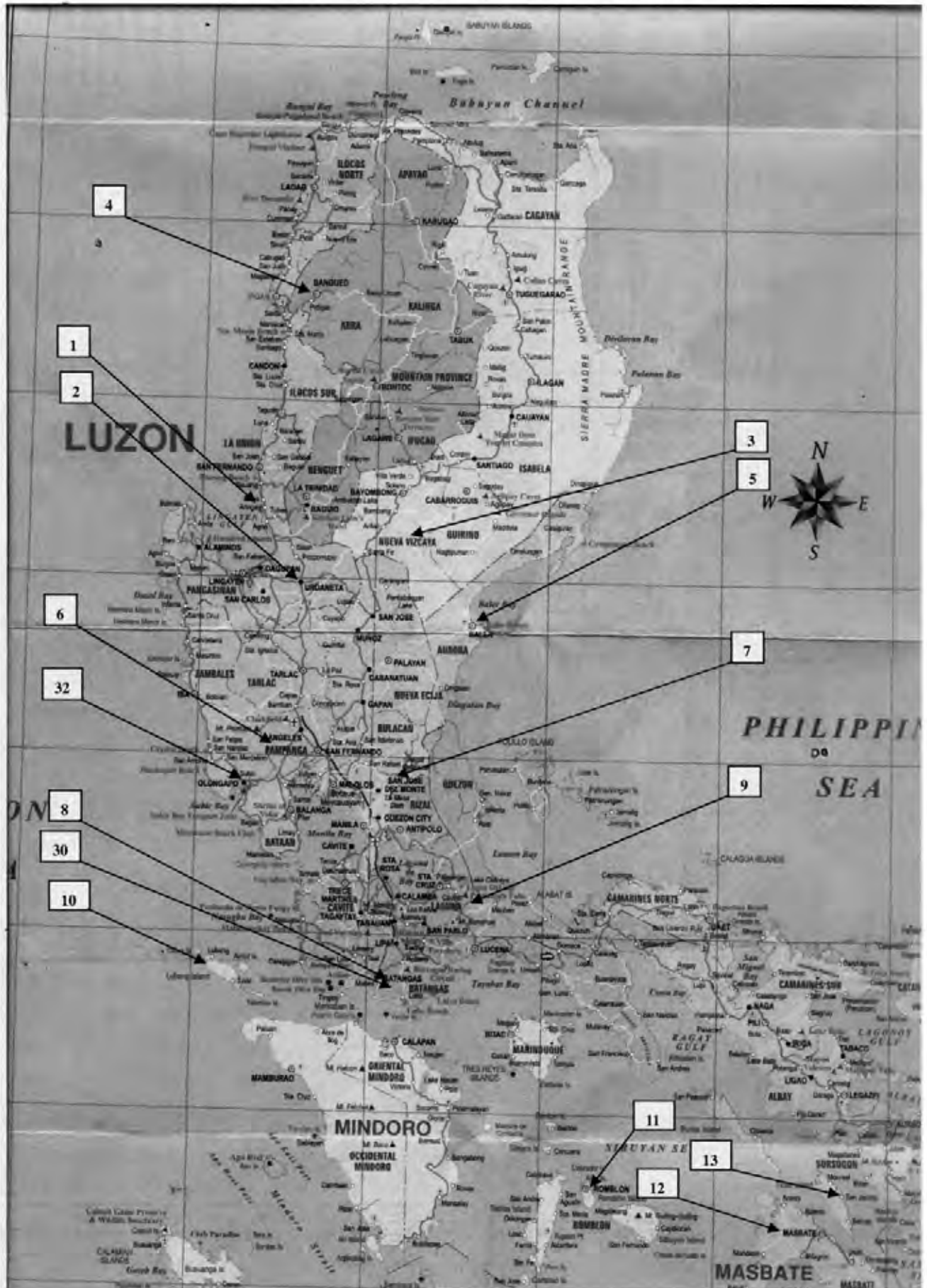
報告書

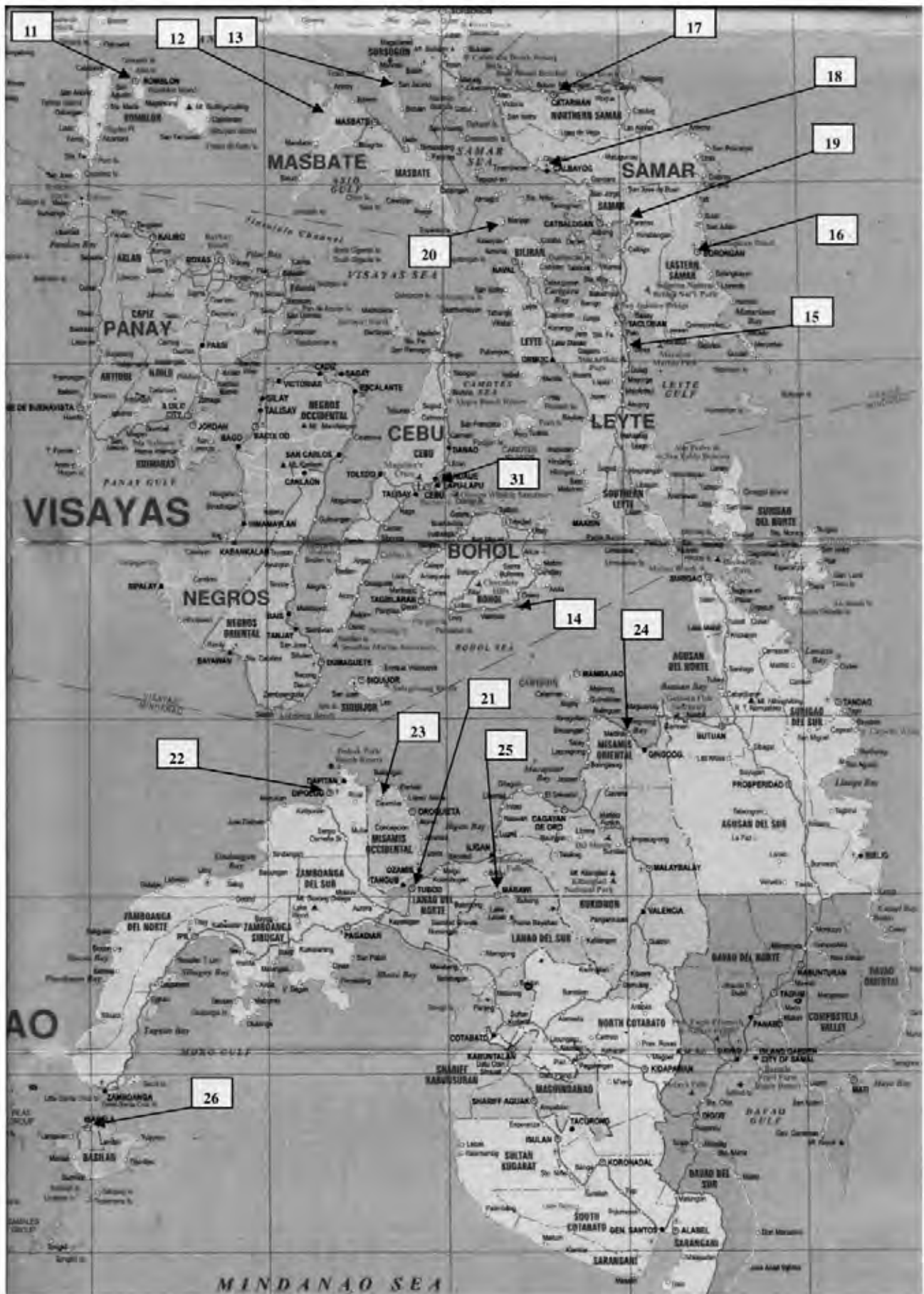
資料 5-2

UC 送金に問題のある配電事業者（DU）の位置図



付属資料 5-2 UC 送金に問題のある DU の位置図







フィリピン共和国

「国家電力部門資産・負債管理公社 ALM マスタープラン調査」事前調査（S/W 協議）

報告書

資料 6-1

個別協議の議事録



## 議事録

案件名: フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先: Power Sector Assets and Liabilities Management Corporation (PSALM)

日時・場所: 2008年7月1日(水) 10:30- 12:20、Bankmer Bldg. 7階会議室

出席者: Mr. Raur Ganaden, Manager, Corporate Planning Dept.

Mr. Ferdinand Florendo, Manager, Capital Markets and Risk Management Dept.

Ms. M. Rica Amador, Finance Specialist, Capital Markets and Risk Management Dept.

Mr. Exequiel Cempore

Ms. Reyes

他

JICA フィリピン事務所: 井上、Mr. Alfred Bernarte Jr.

調査団: 押切、森原、秋月、青山

議事:

### (1) 調査の目的・背景等の説明

押切団長より、今回の調査の概要について説明し、短期間ではあるが、JICA開発調査における内容を協議し、その結果を7月4日(金)に Implementation Arrangement (I/A)に関する Minutes of Meeting に調印したいことを説明した。

森原団員より、団長説明に補足して、JICA開発調査の概要等について説明をした。

### (2) PSALM よりのプレゼンテーション

PSALM より、プロジェクターを使用し、PSALM の発電資産売却状況等 (UPDATES ON PSALM PRIVATIZATION PROGRAM - 資料別添) の説明があった。

プレゼンテーション中における発電資産売却に関する特記事項は、以下の通り。

- 2008年6月末現在で、売却予定発電資産(撤去発電所を含め 30 発電所、計 5,356.6MW)のうち 10 発電所、計 1,850MW が売却を完了。
- 2007年に売却入札を実施した Masinloc (600MW 石炭火力) は 4月16日に 930 百万ドルの売却代金全額を受領し完了した。Calaca (600MW 石炭火力) は 2008年8月に引き渡し予定。Ambukla 水力と Binga 水力 (175MW) は手続き進行中。

### (3) その他質疑応答

- 発電資産売却に関して、PSALM としての困難な事項は何か。(押切)
- 資産の PSALM への移管は進んでおらず、まだ NPC が管理している。一方、PSALM と TRANSCO は、EPIRA により設立された特殊法人であり、NPC は Public Act (Charter) により設立された特殊法人であり、TRANSCO と NPC の Board Member に PSALM は入っておらず、3法人は独立した特殊法人である。そのため、PSALM としての資産売却等の活動が十分に出来ないことがある。(Ferdinand)  
PSALM が資金運用計画を立案して Finance に持っていても、全体的な計画を求められ、PSALM が把握困難な事項もあるため苦労することがある。

- Masinloc 売却資金は、どのように使用されたか。(押切)
- ほとんどは、債務返済に充当された。(Ferdinand)
- 本案件についてフィリピン側からのリクエストが 2007 年に出されたが、その Scope of Study が7項目あるので、その1つ1つを確かめたい。(押切)
- 3 組織それぞれの財務諸表と連結の財務諸表はあるのだろうか。(秋月)
- それらは公表されているのか。(森原)
- 法律は 6 ヶ月以内に NPC 等の資産を PSALM に移すよう規定しているが、現実にはそうなっていない。財務諸表については確認する事項もある。問題のある事項もあり、それらを我々は明確にしていかなければならない。Engineer のいない PSALM は発電所を運転できない。非常に困難である。実際の売却等タイムラグもあり、DOF の同意は同時に得られないし、Commission の承認も必要。2009、2010 年あたりに債務返済のピークが来るがローンは制限されていて、BSP の承認が必要。(Ferdinand)
- 問題は PSALM は NPC を代表しているわけでもなく、管理する権限もないことである。(Cempore)
- Item 1 と 2 についてどうか。(森原)
- 負債管理で、PSALM の財務分析のプログラム構築に支援してもらえると考える。全体の絵の中でスワップがどうなるか。資産の移転と債務管理と UC は相互に結びついている。(Ferdinand)

(午前の部以上)

## 議事録

案件名: フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先: Power Sector Assets and Liabilities Management Corporation (PSALM)

日時・場所: 2008年7月1日(水) 14:00- 15:30、Bankmer Bldg. 7階会議室

出席者:

Ms. M. Rica Amador, Finance Specialist, Capital Markets and Risk Management Dept.

Mr. Exequiel Cempron, Manager, Capital Markets Division, Capital Markets and Risk Management Dept.

調査団: 押切、森原、秋月、青山

議事:

質疑応答

- PSALM、NPC、TRANSCO の3社合計で負債はいくらぐらいか？(秋月)
- 約 US\$7billion で、そのうち発電関係が US\$4.2billion で、送電関係が US\$2.8billion である。これ以外に、SPUG (Small Power Utilities Group: 送電系統から外れた地方電化であり、EPIRA による民営化完了後も引き続き NPC が電力供給を実施する。)があるが、債務中 2%程度である。(Exequiel)
- 2010 年頃が債務返済額が大きい理由の背景は何か。(秋月)
- アジア通貨危機によりペソ為替レートが P26/US\$より P56/US\$へ急激にペソ安に変動した。このため、債務返済が増大し、増加する債務返済をまかなうために借り入れた資金返済が集中しているからである(Exequiel)

(午後の部以上)

(秋月所感)

Exequiel の言うことを、その発言通りに受け取って良いのか、PSALM、NPC、TRANSCO の3社連結財務諸表をチェックする必要性を感じた。

## 議事録

案件名:フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先:三菱東京 UFJ 銀行マニラ支店

日時・場所:2008年7月1日(水)16:00-17:00、Bankmer Bldg. 7階会議室

出席者:

水谷 雅和支店長

門永 晴雄 次長

Mr. Martin M. Jayme

調査団:押切、森原、秋月、青山

議事:

BTM-UFJ からの話

- PSALMとは、最近外貨交換(円と米ドル)のディールが出来た。単純に円とUS\$の外貨交換のみであるが、外銀では我々だけで、後は地場である。6割取れた。JICAのデリバティブ研修を実施したことも関係すると思うので感謝する。(水谷)
- 当社の強みをみせておかないかと思っただ、それが55%以上と考えられた。6割とれたので、見せられたと思う。政府の収支は息の長い問題で、電力が大きい。ペソ高で、よいタイミングであるが、金を返す方に行ってしまうと、インフラ整備ができない。両輪を動かすようにお手伝いしたいが、PSALM はがんじがらめで、ALM と言っても、通常の金融のツールが使えない。どうやって動いてもらえばよいか内部で話している。PSALM からデリバティブに関して問い合わせがあることもあるが、その際ヘッジ対象物を初め全体像を分析した上で、デリバティブの方針を打ち出しているのか、不明であり心配になる面がある。(門永)
- 電力セクターについては、EPIRA により期限前返済を進めているが、新規プロジェクトの計画実施の際の、資金調達等についても問題が生じないか、計画性についての不安を感じる面がある。電力改革の進み具合は遅いと思う。まだ、軌道に乗っていない。東電が進出したが、そのままは進まない。次にやるかという気は弱まる。(門永)
- UC は真剣なのかどうか、真剣とは思いますが、見えないところがある。どうも全体のロードマップが作れないようだ。(水谷)
- 我々内部で議論はするが、立場として難しい面もある。アドバイザーとして働くのと、実際にスワップ業務等を行うとなると、conflict of interest があり得る。まあ、PSALM とはいい関係にあるが。(Jayme)

## 議事録

案件名: フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先: Power Sector Assets and Liabilities Management Corporation (PSALM)

日時・場所: 2008年7月2日(水) 10:10- 12:20、Bankmer Bldg. 7階会議室

出席者: Ms. Lourdes Alzona, Acting Vice President, Finance

Mr. Raur Ganaden, Manager, Corporate Planning Dept.

Mr. Ferdinand Florendo, Manager, Capital Markets and Risk Management Dept.

Ms. M. Rica Amador, Finance Specialist, Capital Markets and Risk Management Dept.

Mr. Exequiel Cempore

Ms. Reyes

他

調査団: 押切、森原、秋月、青山

議事:

- PSALM、NPC、Transco の 3 組織統合の連結財務諸表はあるのか。(押切)
- EPIRA により Transco、PSALM が創られ、各組織は財務諸表を持ち、それぞれはコンピュータで結合されているわけではないが、IMF Covenant に従って、連結財務諸表は作成されている。(Alzona)
- それは公開されているのか。(押切)
- 連結表は政府に提出されている。各組織の財務表はウェブサイトに乗っている。(Alzona)
- 連結諸表をいただけないだろうか。(押切)
- IMF のフォームのものであるが、提供できる。(Alzona)
- 債務管理は非常に重要であるが、リスクヘッジ等を考えると債務だけではなく資産も考えなければならぬ。それが基盤になると思う。質問に移ってよいか。(押切)
- その前に、言っておきたいが、今年末までに NPC の資産が PSALM に移管され、Transco が PSALM の子会社になる。(Alzona)
- 管理のためには毎月の財務諸表がある方がよい。信頼性のためであるが。外貨交換率が変化するので。50%以上の資産が売却されている。JICA も連結財務諸表があれば支援しやすい。(秋月)
- 日本企業、たとえばトヨタは 3 種の財務レポートを持っている。1つは公表用、2番目は税務用、3番目は内部管理用で、非公開である。(押切)
- 我々も押切さんが言ったものが必要である。しかし、我々は NPC をコントロールできない。途中段階にある。現在は NPC の財務状況を推定するしかない。数字はファジーである。(Florendo)
- 各組織の資産と債務が明らかになったとしても、さらには毎月のデータが必要になる。(秋月)
- NPC の情報を得るのは難しいということか。(森原)
- そのとおりである。NPC には開発が多く、キャッシュフローの推定には多くの仮定がある。トレーニングは PSALM だけでなく、他の機関も受けるべきで、同時実施で総合トレーニングが必要である。(Alzona)
- 四半期ベースの連結諸表をもらえるということか。(押切)
- 会計の方法であるが、たとえば Magat の売却で 25Bill.ペソが入ったようであるが、売却費用はどうなっているのか。それをどのように把握しているのか。(秋月)

- PSALM には売却費用はない。資産から削除して、同時に債務も減少する。(Alzona)
- 発電の 50%が売却されたというが。(秋月)
- NPC には SPUG が残る。(Alzona)
- 2%程度である。(Reyes)
- マシンロックとカラカで US\$1Bill.以上になるが。(秋月)
- 債務は US\$7Bill.で、そのうち 1Bill.が減るが、他にも NPC は債務がある。IPP の債務は 10Bill.である。ユニバーサルチャージ(UC)にはいくつかの中味があるが、来年には Stranded Debt (SD)と Stranded Contract Costs (SCC) が加わる。これらの 2 つは推定を用いて決定される。しかし、その前に全体像を捉えると、運営が問題で、請求額と徴収額の差がある。ERC への報告が 6 月末までに間に合わず、UC の新たな設定は来年になった。UCSCC は 20centavo/kwh と算定している。UCSD は現在の外貨交換率を使うとマイナスになるので、設定できない。(Alzona)
- UC の設定には政治的な実施困難性を反映したりするのか。(青山)
- PSALM の設定が ERC により審査され、承認されると、公聴会が開かれ、そこで正当と認められれば実施される。SCC、SD を 25 年間で解消する。2010 年に大統領選挙があるので、難しい局面もあるが。徴収については Meralco や大企業は問題がない。119 ある EC の中には問題があるものがある。(Alzona)
- そもそも NPC の財務諸表が正確に分からないというのは、NPC もよくわかっていなくて、PSALM ほどではないにしろ、推定でやっているためか、それとも出たくなくて、隠しているのか。(青山)
- そうではない。単に時期的に遅れるからである。(Florendo)
- 資産の 50%を売却したが、受取った金を有効に利用したい。そのプログラムがほしい。(Alzona)
- コンサルタントを雇ったということだが、JICA 調査との重複は避けたい。(押切)
- 重複はない。コンサル契約はプログラムの作成で、その実施は JICA の調査である。(Alzona)
- デリバティブ等運用は BSP の厳しい規制があるようだが。規制の変更はどのように期待しているか。(押切)
- 適切なツールで政府の貯金が増加できるなら、我々はこのツールを実施できるであろう。(Alzona)
- 私の意見としては DOF や BSP は非経済的である。DOF、BSP の管理は変えるべきである。フィリピンの銀行やみずほ銀行、ドイツ銀行などオフショア、オンショアで組み合わせて、やっている。DOF や BSP は非常に保守的である。
- 我々が提言したとして、いつその変化を予想しているのか。(森原)
- それが、まさに JICA に支援を求めている理由である。フィードバックして、権限を持つ機関、特に BSP に変化を及ぼすことを期待する。(Florendo)
- 1つはコンサルの提言、2 番目は JICA の提言ということか。ところで、JICA は 2 つの設立を要求する。1つはステアリング・コミティでもう 1つはカウンターパート・チームである。(森原)
- ステアリング・コミティの長は PSALM で、関係機関が参加する。(Alzona)
- UC 関連、債務関係、BSP など、我々も議論が必要。(Florendo)
- 調査のストラクチャーがまだ決まっていないが、明日やりたい。(森原)
- 例として 2007 年の Magat 売却の帳簿について知りたいので、いつか議論をしてほしい。(秋月)

(午前の部以上)



## 議事録

案件名: フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先: Power Sector Assets and Liabilities Management Corporation (PSALM)

日時・場所: 2008年7月2日(水) 14:00- 16:00、Bankmer Bldg. 7階会議室

出席者: Ms. Lourdes Alzona, Acting Vice President, Finance

Mr. Raul Ganaden, Manager, Corporate Planning Dept. (途中退席)

Mr. Ferdinand Florendo, Manager, Capital Markets and Risk Management Dept.

Ms. M. Rica Amador, Finance Specialist, Capital Markets and Risk Management Dept.

Mr. Exequiel Cempron, OIC, Risk Management Division, Capital Markets and Risk Management Dept.

Ms. Virgie Reyes, OIC-Capital Market Division, Capital Markets and Risk Management Dept.

Ms. Joselyn Carabuena, Finance Specialist, Universal/Levy Tariff & Financial Valuation Dept.

他

調査団: 押切、森原、秋月、青山

議事:

- 現在、UC 徴収、監視を支援するシステムがない。(Alzona)
- UC には種類があって、地方電化 (ME)、流域環境、royalty、SD、SCC 等があるが、現在あるのは地方電化と環境だけである。royalty は DOF に行ってしまう。徴収している団体は合計 150 あるがそのうち 119 が Electrification Cooperative (EC) である。残りのほぼ 30 は民間の大きな企業で、問題は無い。PSALM は金の徴収を監視しなければならない。徴収された UC はすぐ支払われる (disburse)。問題は 2 つあって、1 つは料金徴収の効率性で、PSALM に期日どおりに入金しないことである。2 つ目は徴収団体が規則に従わないで、送金してこないことである。罰金を課すことはできるが、罰金をかけても、従わない。小さい EC は財務的な障害を抱えているところもある。かれらが規則に従うようにするにはどうすればよいか。監督ができれば、制裁も可能になるが。ME の UC は厳格に SPUG に支払うように限定されている。Rural Electrification Program Loan は DU に向けられたものである。一方、EC は NEA からローンが借りれる上に、他 (Land Bank 等) からローンが可能である (財務的に成長している EC)。2001 年に EC のローンは全て PSALM が引き受けて、彼らの負債はなくなった。これは EPIRA の Section 60 で定められている。(Carabuena)
- 問題のある EC はどの程度の割合なのか。(青山)
- 119 の EC のうち、32 くらいであるので、団体数の割合でいけば、27%程度である。(Carabuena)
- 団体数の割合はそうかもしれないが、金額的にはもっと低いのではないか。問題のある EC には 2 つ理由が考えられて、1 つは EC 自体が効率的でないとか、怠惰とか、システムができていないとか、EC 側に問題がある場合、2 つ目は end-user に問題があって、たとえば貧乏で支払えないとか。後者の場合、問題は貧困層への福祉の問題であり、UC を支払わせるというより、福祉としてどうすべきかの問題になる。したがって、何が問題なのか実態を把握する必要がある。制裁として問題のある EC の地方電化の UC は支払いを止めることはできないか。(青山)
- UC は SPUG に支払われる。SPUG は 1 つの EC だけでなく、複数の EC を抱えているので、対象が異なる。(Carabuena)

- UC の SD、SCC については法律のどこで規定されているか。
- SCC と SD の UC についての規則がある。(JICA 債務管理プロジェクト形成調査報告書 P.251 の) Article III と IV で SCC の説明と計算方法が示されている。(Florendo)
- SD は清算されていない負債で、Article V に示されている。(Carabuena)
- SCC として 0.2 ペソ/kwh と聞いたが、現状の UC の 10 倍くらいで、かなり大きいので影響があるのでは。(森原)
- SD は計算したところ、現在の外貨交換率ではマイナスになるので、決定できない。(Carabuena)
- NEA の監督と PSALM の監督は重複しないのか。(押切)
- 2 つの機関は異なっている。NEA は EC を監督し、また EC はローンを NEA から借りることができる。一方、PSALM は EC の負債を吸収した。罰金は科せられるが、制裁はできない。(Carabuena)
- SCC の UC の計算方法の支援は必要ないのか。(青山)
- UC の SCC 算出モデルはあるので、別に JICA の支援は必要ない。(Carabuena)
- EC の規模はどれくらいか。(押切)
- 最小で 5000 人くらいである。(Carabuena)
- 地方電化の状況はどうか。(押切)
- Municipality(市)は 100%である。バランガイの 100%は 2009 年になる。ただし、その地域に電線が通っていれば算入される。消費者数の割合ではない。(Florendo)
- 自家発電の場合も UC を支払うと規定されているが、ウェブサイトにて EPIRA の改正が出ており、自家発電でもグリッドにつなげていない場合は払わなくてもよいというようになったようだが。(青山)
- そういう提案はある。(Florendo)
- 議会は通過したのか。(青山)
- 通過はしていない。しかし、それは適切だと思う。グリッドにつなげていない場合は把握ができない。メーターを付けていない場合もあるから。(Carabuena)
- 輸出加工区や経済特区のような場合に、区域内は外国のような扱いであるが、電力は異なり、UC が課せられるということか。(青山)
- フィリピンの電力を使っているということなので、課せられる。(Carabuena)

(以上)

## 議事録

案件名: フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先: Department of Finance (DOF)

日時・場所: 2008年7月7日(月)9:30- 10:00、DOF

出席者: Mr. Jeremias N. Paul, JR., Undersecretary、他2名

JBIC: 若林

調査団: 秋月、青山、井上、Mr. Alfred Bernarte Jr.

議事:

- PSALM より報告があると思うが、7月5日に I/A の案について調査団と PSALM は合意に達し、Minutes に調印した。順調に進めば、10月頃からJICA開発調査が開始されるものと思う。(秋月)
- 開発調査の骨子は、ALM 支援と UC に関する支援である。ALM 支援については、PSALM/NPC/TRANSCO の3社連結財務諸表をレビューすることを、その支援の最初の仕事としている。これは、資産売却等を行うにしろ、デリバティブを活用してリスクヘッジを行うにしろ、Financial Position を連結ベースで正しく把握して計画、決断、実行することが不可欠と考えるからである。現状の各社の状態は、PSALM と NPC は兄弟会社であり、TRANSCO は NPC に含まれている。連結ベースの財務諸表をレビューにあたっては、開発調査において NPC と TRANSCO の財務情報にアクセスできることが重要であり、協力をお願いしたい。(秋月)
- COA の会計監査では不十分と考えるか?(Paul)
- 開発調査の目的は、会計監査ではなく、内部管理資料としての管理会計を連結ベースにおいて整備をし、例えば月次で管理用連結財務諸表が入手可能となれば、その効果は大きい。(秋月)
- 管理会計としての3社連結財務諸表を整備することの重要性は、その通り、その整備は必要である。私は、PSALM/NPC/TRANSCO の3社全ての Board Member として Board に参加しており、協力を行うので、問題あれば、何時でも申し出て下さい。10月頃からの開発調査開始を早めて欲しいと思うが、その可能性は?(Paul)
- JICA内部の手続き、その他あるが、7月中には終了すると思う。コンサルタントを入札により選定する手続きもあり10月は最短のスケジュールである。(井上)
- PSALM がデリバティブ取引をすることについて、反対はあるか?(青山)
- 私は、反対はしない。BSP は、反対かもしれない。(Paul)
- UC for Stranded Contract Cost は、PSALM としては、その数字を固めつつあると聞かすが、実行時期等は?(青山)
- Very Political Question である。UC for Stranded Contract Cost を決定するためには、公聴会を開く必要もあり、電気料金の値上げになることから議員も必ずしも賛成をしないことがある。(Paul)
- PSALM と NPC の財務諸表には Philippines Accounting Standards (PAS)及び New Government Accounting System (NGAS)によると記載があるが、この点については?(秋月)
- PAS は、国際基準に近い。フィリピンの上場会社の会計基準である。GOCC は、国際基準で財務諸表を作成できるようになって欲しいと思っているが、未だその水準に達していない。また、ガバナンス強化も必要である。FIESTA という政策(プログラム?)を掲げている。Financial International

Efficiency Standard ではなかったかと思う。GOCC はさまざまな Charter で作られたり、矛盾する目的をもっていたりする。効率性当のベンチマークや独立評価等が必要。このような点についての支援もお願いしたい。トレーニングと設備についても必要としている。(Paul)

—以上—

## 議事録

案件名: フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先: Power Sector Assets and Liabilities Management Corporation (PSALM)

日時・場所: 2008年7月7日(月) 11:00- 13:00、Bankmer Bldg. 4階会議室

出席者:

Mr. Raur Ganaden, Manager, Corporate Planning Dept.

Ms. M. Rica Amador, Finance Specialist, Capital Markets and Risk Management Dept.

他2名

調査団: 秋月、青山

議事:

- TRANSCO の Concession Agreement の締結見通し等を教えて欲しい。(秋月)
- 既に交渉は完了し、Concession 供与に関する議会の承認を待っている状態にある。議会承認後調印し、契約停止条件の解除を待つこととなる。(Corporate Planning Dept.)
- 契約内容は?(秋月)
- 3種類の契約が交わされる。Concessionaire の義務は、improvement, rehabilitation, expansion, operation of transmission line である。25年間の Concession Period 終了後は、Concessionaire は Transmission Line を PSALM に返却する義務を有し、その際 Concession 開始時以後に追加投資を行った資産価値については PSALM が Concessionaire に金銭支払いの義務を負う。(Corporate Planning Dept.)
- Concessionaire は PSALM に Concession 対価を支払うと理解するが、25年分割払いでよいか?(秋月)
- 一括払いのオプションも存在する。但し、分割払いの場合に、利息は付されるが、P42.75/US\$で為替レートは固定となる。(Rica)
- 一括払いが選択されれば、債務リストラクチャリングが大変と思うが。(秋月)
- その通り(Rica)
- Concessionaire が Concession 対価を支払った見返りとして受領する金銭は送電託送料金(Wheeling Charge)と理解するが、それでよいか?(秋月)
- その通り。なお、送電託送料金は ERC が決定する。(Ganaden)
- Transmission Line Concession に関して、Web 等であまり公開されていないと思うが。(秋月)
- 議会承認待ちであり、情報公開があまり出来ない。但し、提出できる情報はあると思うので、可能な限り提供する。(Ganaden)
- 今後の売却予定資産は、地熱発電所、石油火力が多く売却は、従来よりも困難と思う。水力発電所も同じようにも思うが。(秋月)
- その通りである。Angat 水力発電所(246MW)が今後の売却対象であるが、Angat ダムの水の90%はマニラ首都圏への水供給に使用されており、Metropolitan Waterworks and Sewerage System (MWSS) との調整も必要である。地熱発電所については蒸気供給契約の権利義務の譲渡も同時に行うが、それに先立ち、PSALM が蒸気供給者(Chevron や PNOC-EDC)と契約を見直して、調整することが必要

であった。提出可能な資料は、提出する。(Ganaden)

- 破棄発電所の売却はあまり進んでいないと思うが。(秋月)
- その通りである。売却完了は Manila Thermal 200MW のみである。但し、これも当初は、設備も土地も込みで売却に掛けたが成功せず。撤去を含む設備のみを入札して、2.5Mill. Peso で売却成功した。土地については、これからである。現在は、上下分離で全て入札する方針である。(Paul)
- 資産売却は全て US\$建てで、60%を7年分割払いとする場合は金利年12%が適用されるか。(秋月)
- 発電所については、その理解で正しい。発電所資産に付随している長期借入に US\$ポジションが多いためである。US\$以外の借入部分は、時期を見て、Currency Hedge をする方針である。一方、金利年12%は、買い手に対して早期繰り上げ一括払いのインセンティブを生じさせる。Masinloc は、全額一括払いとなったし、Magat 水力発電所も分割払い1回以後に全額繰り上げ一括払いがなされた。(Rica)
- IPP Administrator を起用するのは、NPC ではなく、PSALM と理解するが、IPP Administrator の役割は何であるか？(秋月)
- IPP Administrator の Bid Announcement は、これからであり、現状を話しがたい部分や未決定部分もある。基本的には、IPP との買電契約に従い電力を購入し、WESM や DU (Distribution Utilities)への Bilateral Agreement により電力販売を行うこととなる。一方、PSALM からは Stranded Contract Cost が支払われることとなる。(Ganaden)

—以上—

## 議事録

案件名: フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先: National Power Corporation (NPC)

日時・場所: 2008年7月7日(月) 15:00- 16:00、NPC Bldg. 3階

出席者:

Mr. Alexander P. Japon, Senior Department Manager, Finance

調査団: 秋月、青山

議事:

- PSALM より報告があると思うが、7月5日に I/A の案について調査団と PSALM は合意に達し、Minutes に調印した。順調に進めば、10月頃から JICA 開発調査が開始されるものと思う。(秋月)
- 開発調査の骨子は、ALM 支援と UC に関する支援である。ALM 支援については、PSALM/NPC/TRANSCO の3社連結財務諸表をレビューすることを、その支援の最初の仕事としている。これは、EPIRA に従った NPC の PSALM/TRANSCO への資産・負債移転が、電気事業継続するなかで困難な面があると思うが、少なくとも会計的には NPC/PSALM/TRANSCO を一体と捉えて連結ベースで見ることが資産売却や債務管理を実施する上で不可欠と考えてからである。NPC もこの主旨には賛同願えると思うし、NPC にもメリットがあると思う。開発調査においては、不足データがあれば、NPC から提供を受ける等協力をお願いすることになると思うが、協力をお願いしたい。(秋月)
- ご主旨は理解した。私として、最大限協力する。(Japon)
- COA の Web Site から NPC の 2006 年財務諸表はダウンロードした。それ以後の財務諸表や連結財務諸表があれば、コピーが欲しい。(秋月)
- 了解した。(Japon)・・・2007 年 NPC の Unaudited 貸借対照表と損益計算書を受領。2008 年第 1 四半期も受領。  
(秋月注: Transco を含んだ連結であるが、Transco が実体として NPC から独立していないため、NPC 単体に近いと理解する。結果として、NPC は、PSALM を含んだ連結での財務状態は把握できていないと考える。)
- 最終的に SPUG は、NPC に残る形であるが、SPUG の場合は、ディーゼル発電機による電力供給で、採算性も悪いと思うが。(秋月)
- その通りで、UC に含まれている Missionary Service Fee で SPUG の赤字が埋まるようなレベルではない。NPC が実態的には補助している。NPC は UC が負担する Missionary Service の増額を ERC に申請しているが、認められても半分と思う。(Japon)
- PSALM から UC について、支払いが悪い配電組合 (EC) があると聞かすが、このような場合その原因は EC か電力消費者かどちらにあるのか。(青山)
- 双方に原因がある場合があると言える。NPC は、電気料金を支払わない EC に対して、供給停止措置を実施する。しかし、そうすると政治家がマラカニアンに電話をする。NPC は、供給復活をせざるを得なくなり、EC に関係する債権回収は困難な問題がある。(Japon)

## 議事録

案件名: フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先: Department of Energy (DOE)

日時・場所: 2008年7月8日(火)9:00- 11:30、DOE Bldg. 4階会議室

出席者: Mr. Eduardo Fernandez, OIC, Power Market Development Division, Electric Power Industry Management Bureau

調査団: 秋月、青山

議事:

Fernandez氏による2つのPower Point(EPIRAの進捗とWESM紹介)による説明と質疑応答  
(Power Pointのコピーも受領)

- DOEはEPIRAの進捗をモニターし、電力セクターの許認可・承認を行う。電力集団はPSALM、NPC、TRANSCO、NEAである。(Fernandez)
- 2001～2008年までにどれだけ発電所が売れたかを示している。(Fernandez)
- Supplierは9社申請をしたが、ライセンスはまだ全社には発行されておらず、待っている状態である。オープンアクセスができないと、機能しないから。最小1MWを取引しなければならない。Aggregatorというのもある。(Fernandez)
- PEMCは15人のdirectorがいる。DOE長官が議長である。(Fernandez)
- HVDCでルソンとビサヤスを結んでいる。200Mwである。(Fernandez)
- TRANSCOはモンテ・オロ・グループがコンセッションを得た。コンセッションの支払総額はUS\$3.95Bill.である。(Fernandez)

入手資料

・Power Pointの2ファイル

(以上)



## 議事録

案件名: フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先: Power Sector Assets and Liabilities Management Corporation (PSALM)

日時・場所: 2008年7月8日(月) 14:00- 16:00、Bankmer Bldg. 4階会議室

出席者:

Ms. M. Rica Amador, Finance Specialist, Capital Markets and Risk Management Dept.

Ms. Rose Marie V. Cornejo, Manager, Financial Management & Analysis Division, Controllership Department 他

調査団: 秋月、青山

議事:

- NPCより2008年第1四半期の財務諸表を入手したので、PSALMの同期間の財務諸表が欲しい。(秋月)……入手
  
- PSALM/NPC/TRANSCOの2007年連結財務諸表を試算すべく、連結内部消去取引に関する情報につき主としてMs. Rose Marie V. Cornejoより聴取した。この結果については、報告書において、整理して記述することとする。
  
- 2009年、2010年におけるPSALM/NPC/TRANSCO長期借入元利返済集中問題  
NPCの長期借入明細を元に議論を行い、2004年発行のING Zero Coupon 合計(198億ペソ)、Goldman Sachs Bond (US\$700Mil)が2009年、2010年に満期となることは聴取した。しかし、これだけであると、2年間で合計US\$740Millにとどまり、長期借入債務US\$7,600-US\$8,000Milの10%以下である。本年初めにPSALMが説明した2年間に1/3の債務返済が集中する根拠は、今回の訪問では認められなかった。開発調査において、債務プロフィールを正確に把握し、ALM支援を実施することにより長期借入元利返済集中問題が存在するのかが判明すると判断する。本問題については、借入債務の詳細情報を入手するという、正攻法のアプローチが良いと判断する。
  
- Stranded Dead 問題  
2006年末の長期借入残高がUS\$8,000Milであった。一方、売却収入原資を考えると2006年末以後は、MagatUS\$530、MasinlocUS\$930Mil、CalacaUS\$787Mil、その他US\$100MilにTRANSCO Concession US\$3,950Milを加えたとしてもUS\$6,297Milであり、差がUS\$1,703Millとなる。EPIRAに定められた政府負担2000億ペソの範囲には入る見込みなるも、UCによる徴収も含め政治問題となる可能性はある。(このMeeting出席者では、プラスになるなんて本音では誰も思っていなかった感じがある。)
  
- NPC資産売却におけるPSALM/NPCの会計処理  
NPCは、当該資産に直接関連した長期借入金と資産の簿価を相殺し差額を仮勘定とし、一切の損益を認識していない。仮勘定は、NPCに残る。PSALMは、NPCが消去した負債を引き受けたとして

負債に計上し、負債額と売却額の差額を損益として認識する。(すごい処理と感心した。但し、資産売却により負債全額を返済可能かが不明であることから、暫定措置としてやむを得ないとも言える。)

- PSALM による NPC 借入金(社債を含む)管理

PSALM によれば、NPC の借入金は、PSALM が管理している。PSALM には返済原資がないはずと反論をすると、通常の返済は NPC が行っているとの回答であり、実体は不明。PSALM は NPC の営業活動によるキャッシュフローを掴めておらず、期限前返済のみ PSALM が取り仕切っており、そのためにデータは PSALM も保管しているとの意味かも知れず。

- PSALM/NPC/TRANSCO の IMF フォーマット連結財務諸表

かかる財務諸表の存在は確認できなかった。存在が確認できたのは、年1回の IMF 報告用に GOCC は財務諸表を IMF 報告書フォーマットに書き写していることであった。(連結会計処理は確認できなかった。)PSALM は、NPC が他の GOCC であることから、Audited Financial Statement 以上の情報は、借入金関係以外は入手できていない模様である。連結財務諸表の必要性の認識も薄いかもしれないとも感じられた。

- PSALM の通貨別勘定管理

- メインの会計システムはペソ建てのみであり、外貨勘定を管理可能なシステムではない。従い、Excel 等の補助簿により外貨勘定は管理しており、

—以上—

## 議事録

案件名: フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先: Bangko Sentral ng Pilipinas (Bangko Sentral - BSP)

日時・場所: 2008年7月9日(水) 10:00- 11:30、BSP 3階会議室

出席者:

BSP:

Ms. Cythia Rita C. Cabbab, Deputy Director, Internation Department

他2名

PSALM:

Ms. Lourdes Alzona, Acting Vice President, Finance

Ms. M. Rica Amador, Finance Specialist, Capital Markets and Risk Management Dept

調査団: 秋月、青山

議事:

BSP からの説明及び討議した内容を以下に記載する。

### (1) BSP と GOCC (Government Owned or Controlled Company) の関係

1993年新中央銀行法 (BSP Charter と呼ばれている Act No. 7653 the New Central Bank Act) の第5章(第110条-124条)に”CHAPTER V – FUNCTIONS AS BANKER AND FINANCIAL ADVISOR OF THE GOVERNMENT”が存在する。GOCC が外貨借入を行うに際しては、政府保証が伴うことが多く、BSP が外貨借入の実施の承認を行うことがある。借入条件変更(期限前返済を含め)についても、BSP 承認が伴う。

### (2) 電力セクターGOCC

主要 GOCC の数は 200 以上になるが、NPC が外貨借入金金融債務(IPP 未払債務は除く)では 50%をこえる。IMF との協議等でも、何時も話題になるのが、NPC 債務である。

### (3) 資産売却時の為替リスクヘッジ

PSALM の資産売却は US\$建てである。一方、売却資金により期限前返済を実施するにあたり、その交渉期間も必要であり、売却から返済までの間の資金運用と為替リスクを質問した。回答は、以下の通り。

- GOCC は、BSP Charter 113 条により minimum working balances を除き BSP に預金することが義務づけられている。
- 現在、PSALM は BSP にペソ口座以外に US\$と円の外貨預金口座を保有している。ユーロ口座は持っていないが、US\$と円があれば、他の通貨は少額故、他のヘッジ手段でヘッジ可能と思われる。

### (4) PSALM がデリバティブ取引をする事に対する BSP 見解

特に反対はない。外貨借入金に関連する場合は、BSP の許可は必要である。

(5) 近々予想される資産売却関連の PSALM 資金の入金見込み

次の入金が予想される。(全て US\$ 決済)

- 7 月 10 日 US\$130Mill Ambuklao-Binga 水力発電所(最大 US\$325Mill)
- 8 月 US\$787Mill Calaca 石炭火力発電所(US\$315Mill の可能性もあり。)
- 12 月 US\$988Mill TRANSCO Concession 代金(Concession 供与の議会承認が遅れた場合は 2009 年になることもあり得る。)

本年末までに 20 億米ドルの売却資金が PSALM に入金となる可能性がある。

—以上—

## 議事録

案件名: フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先: エス・シー・エス国際会計事務所

日時・場所: 2008年7月10日(木)10:00-11:00、Oledan Square Bldg. 14階会議室

出席者: Mr. 小出 達也 (米国公認会計士、公認金融監査士)

JICA フィリピン事務所: 井上、朝戸

調査団: 秋月、青山

議事:

井上、秋月のプロジェクト概要説明

- フィリピンは国際会計基準に則っている。ただ、国際会計基準は米国基準(USGAAP)と異なり、フレキシブルな点もあるので、選択的に決められる部分はある。大企業では国際会計基準と変わらない。これは投資家のためである。(小出)
- 国際会計の Workshop をやってくれと言うだけなら、たいした額にはならない。フィリピン人会計士を呼んで、やればよい。ただし、会計基準の話ではなく、全体の話となると、内部統制がうまく取れているか、売買がうまくいっているか、会計が管理しやすくなっているか。こういうことを切り出すだけか、それとも中に入ってやっていくのかどうか。それによって、金額は変わる。監査もコンサルもやっている。デリバティブ等も中で組み立てて、どういうリスクがあるか、偽証とか起きていないか、等のコンサルも行える。ISO の成果物や製造物のコンサルも行う。フィリピンであれば、PNCC とか日系企業の ISO 取得のサポートも行う。(小出)
- どういうスコープになるかによって、費用は決まってくる。デリバティブ等をやるなら、どういうリスク管理を誰がするのか、リポーティング体制はどうなっているかとか、スコープでその部分を切り出してもらえば出来る。民営化していくのに、会計のあり方をデザインするかとか。(小出)
- フィリピン人で担当させるとすれば、話を聞いたところでは KPMG を辞めて、金融関係をやっている女性もいる彼女なんかは適任だと思う。私自身は東京三菱銀行出身で、キャッシュフローからマネジメントをみる。財務諸表を作って終りではなく、キャッシュをどう得るかとか考える必要もあるのではないかと。時間単価は人にもよるが、日本ならパートナークラスで時間 4~5 万円とすれば、こちらでは 2~3 万円というところである。(小出)
- デリバティブ等の研修では東京三菱銀行にお願いしたので、こちらの東京三菱銀行でも関心は持っている。(井上)
- 東京三菱とは出身もあって、仲良くさせてもらっている。入札に必要な資料等あれば提供できる。どこまで、何をやるかが問題であろう。PFRS とか表面上問題はないだろうが、とにかく、本案件には興味があり、他社も参加するかもしれないが。(小出)

(以上)

## 議事録

案件名: フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先: Power Sector Assets and Liabilities Management Corporation (PSALM)

日時・場所: 2008年7月10日(木) 14:00- 15:30、Bankmer Bldg. 4階会議室

出席者: Ms. Joselyn Carabuena, Finance Specialist, Universal/Levy Tariff & Financial Valuation Dept.

調査団: 青山

議事:

- UCの説明とUC徴収がうまくいっていないECの一覧表を用意した。(Carabuena)
- 一覧表では32の団体が挙げられている。その内、RegionがCARとなっているのは、Cordillera Autonomous Regionと言ってルソンの北部である。ARMMはAutonomous Region of Muslim Mindanaoなので、行くには危険であろう。(Carabuena)
- 一覧表のNo.1とNo.2はルソン北部。No.4はバタンガスなので、マニラからは近く、日帰り可能。No.9はLagunaでこれもバタンガスの途中。No.10はLa Unionでルソン北部西側海岸である。No.13のLubangはBatangasの西にある島、No.14はMasbate島で、ルソン地域とはいえ、かなり南東になる。No.27のTicao IslandはMasbate島の北東の島でルソン島との間にある。No.18 Nueva Vizcayaはルソン島中央部東側、No.19のPampangaはマニラの北、No.20 PangasinanのUrdaneta Cityはさらに北、No.21 Romblon島はMindoro島の東方向に2つ目の島、No.24 San Jose Cityはルソン島中央部でマニラの真北、No.30 Ibaan, Batangasは民間企業でバタンガス、さらにNo.32のOlongapo Cityはルソン島のスービックのすぐ近くの民間企業。(Carabuena)
- Visayasに関してはNo.5がBoholで、Cebu島の東の島、No.7のTolosaはLeyte島北部東海岸、No.8のEastern SamarはLeyte島の東隣のSamar島東海岸Borongan、No.17 Northern Samarは北部海岸Katarman、No.22 Samar Iは西海岸中部Calbayog City、No.23 Samar IIは西海岸をさらに南へParanas、さらにNo.31のMactanはCebu島Lapu-Lapu Cityの民間企業である。No.29のMaripipiはLeyte島北部のBiliran。(Carabuena)
- Mindanaoに関しては、No.11のLanao del NorteはMindanao島西部とのつなぎ目の北側Tubod、No.15のMisamis Occidental Iはミンダナオ島西部とのつなぎ目の北でNo.11のすぐ北、No.16のMisamis Orientalはミンダナオ島北西部でNo.11やNo.15より東で北部海岸沿いのMedina、No.28のZamboanga del Norteはミンダナオ西部の北部海岸Diplog CityでNo.15のすぐ西。なお、これらのミンダナオのECはARMM内ではないが、訪問に危険がないか詳しくは不明で、本格調査の際に調べる必要がある。(Carabuena)
- 以上から、マニラ近くのBatangasやマニラ北部等は日帰りや2日で調査が可能、ルソン北部8箇所程度は10日とか2週間、Visayas 4箇所程度を1週間程度で回れるであろう。ミンダナオも4箇所くらいを1週間か、あるいは飛行機で2回とか、可能。他にCebuとBoholを3日で、またルソンの南の島々の3箇所も別途可能とすると、全部でほぼ25程度にはなる。このうち、ミンダナオでいけない所があるかもしれないので、減るかもしれないし、ルソンでも減る場合でも20は確保できる。なお民間企業の3つも含めるべきである。(Carabuena)
- サブコンのSWSはSocial Weather Stationと言うSurveyのコンサルタントである。他にはPulse Asiaとか、TNS (Tailor Nelson S.)やA.C. Nielsenもある。コストは分からないので、ウェブサイトから

e-mail で聞けば教えてくれるであろう。(Rica)

- NRI マニラ支店によれば、現地スタッフの単価は 50 万円／月とのこと。

(なお、上記の EC の場所については、議論後、報告書に書く準備のため、地図で参照しつつ、独自に解明した部分もかなりある。)

#### 入手資料

- UC 説明書
- UC 徴収に問題のある EC 一覧表

(以上)

## 議事録

案件名: フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先: Sycip Gorres Velayo & Co. (SGV&Co).....(Ernst & Young の Member)

日時・場所: 2008 年 7 月 10 日(木) 16:00- 17:00、SGV&Co 会議室

出席者: 瀧 龍太郎 (新日本監査法人 マニラ駐在員)

柘植陽子 (Associated Director)

JICA フィリピン事務所: 井上

調査団: 秋月、青山

議事:

井上、秋月からプロジェクト概要説明した後、種々質問結果の SGV&Co の説明概要は以下の通りであった。

- SGV&Co について

Ernst & Young の Member。フィリピンで一番大きな会計事務所であり、1800 人の陣容を持ち、各界から厚い信用を得ている。(瀧)

- フィリピン会計基準

国際会計基準(IFRS と IAS)を全面的に Follow している。但し、一部未適用の基準もある。適用先は上場企業と資本金又は負債が一定額以上の大企業である。(瀧)

- 国際会計基準の Workshop

世銀や ADB から同様な要請を受けたりしており、フィリピンで同様な講習を最も多く実施している事務所であると思う。但し、金額が極端に安い場合に、辞退していることもある。(瀧、柘植)

- フィリピン人会計士の報酬

フィリピン人会計士の報酬は、日本人とほとんど変わらないと言える。例えば、10,000 円-20,000 円/時間ぐらいになるのではと思う。但し、補助員になるとずっと安い。フィリピン人会計士は、フィリピンで働くことに余りこだわりを持っておらず、収入が低ければ海外(主として米国)に行く。この辺りが、会計士の報酬相場に余り差がない理由と言える。

(以上)



## 議事録

案件名: フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先: Asian Development Bank (ADB)

日時・場所: 2008年7月11日(金) 10:00- 11:00、ADB 会議室

出席者: Mr. Yongping Zhai, Principal Energy Specialist, Infrastructure Division

JICA フィリピン事務所: 朝戸

JBIC マニラ駐在員事務所: 若林

調査団: 秋月、青山

議事:

秋月のプロジェクト概要説明

- 我々ADBはずっとフィリピン電力セクターのために働いてきた。ただ、この2年ほどはあまり融資等が無く密接に関わっていない。これからは、不確実性が多く、予測が難しい。UCも大変で、SCCとか新たに徴収するわけだが、challengingである。それなのに、JICA調査で徴収だけを問題にしているのは、問題の重要性をPSALMも分かっていないのではないか。SCCのUC導入は大いなる問題で、2、3年は待つことは可能だ。財務、即ち資産・債務の問題とUCの問題は相互に関連している。彼らは数字を出すことにあまり積極的ではない。民営化がからむので、情報を出したがる。投資家達はフィリピン政府や制度を信用していない。(Zhai)
- PSALMはADBから\$550Mill.、JBICから\$300Mill.借りている。2009年の段階でPSALMのDSCRが1になることを融資条件としている。DSCR1.0とは新たな借り入れをせずに、返済が可能なことである。UC課金も遅れている。少なくとも6カ月は遅れている。(Zhai)
- ERCはNPCの電力料金をカットした。確かに、ERCは5年前に比べれば、よくなった。かなりよく働いていると思う。彼らの仕事量は非常に多い。しかし、彼らの能力をまだまだ改善する必要性はあると言わざるを得ない。Boardのメンバーの一部は政治家で、政治的な任命もあるし、政治的圧力もある。(Zhai)
- 今ADBではローカルのコンサルを雇って、発電関係の調査をさせている。目的は2つあり、1つは財務的な問題で、2番目は電力の継続的供給である。新しい投資があるかどうか。DOEの数字は古い。主観的評価とかがある。私はDOEとは働かない。調査結果は9月には上がる。JICAの本格調査には提供できる。調査をやっているのはAIMというところで、エマニュエル・ロハスという学者である。(Zhai)
- ADBは、新規貸し付けを持っていないので、PSALMから情報入手が困難である。新規貸し付け時に貸し付け条件として要求すべき事項を要求せざるを得ない。
- PSALMの資産売却が進み、PSALM、NPC、TRANSCOの財務状態が健全となるのか現状は不明である。必要な際には、ADBも貸付を行わざるを得ないが、その際は電力セクターが健全な財政状態に向かうことが、融資条件であり、そのための計画や体制が重要と考える。

(以上)

## 議事録

案件名: フィリピン国国家電力公社財務管理マスタープラン調査事前調査

面談先: The World Bank (世銀)

日時・場所: 2008年7月11日(金) 14:00- 15:00、世銀会議室

出席者: Mr. Victor Dato, Infrastructure Specialist

JICA フィリピン事務所: 井上、朝戸

調査団: 秋月、青山

議事:

- JICA 調査概要の説明(井上、秋月)
- チーム・リーダーのサルバドールはワシントン常駐で、他にトモコ・マツカワもワシントンである。ここに常駐は私である。(Dato)
- EPIRA は 70%で Open Access となっているが、必ずしも 70%を待つ必要はなく、資産売却が遅れたことにより Open Access を、それにつれて遅らせる必要もなく、自由化に向けて現状の 50%資産売却でフィリピン電力市場を展開してもよいと思うが、どうか。(秋月)
- フィリピンの政治は政治家が大衆の人気取りに走ることが多い。従い、原案と、成立した法律で、その主旨が異なってしまう場合もある。単純でないのが、フィリピンの政治である。即ち、法改正をしようとするとう当初予定と異なった結果も入ってくる。(Dato)
- IPP Administrator の役割は、PSALM から IPP から電力購入を行い WESM 及び Bilateral Market で電力販売すると聞いた。これでは、Unknown Factor が大きすぎて IPP Administrator のなり手がおらず、うまく行かないのではないか。(秋月)
- IPP Administrator については Agent 方式にする案と Ownership 方式にする案とがある。Ownership 方式にした場合は、その問題があり、一方、Agent 方式にした場合は、IPP Administrator の役割や目的が不明確になる面がある。(Dato)
- 世銀が Power Sector で行っている支援は何か。(秋月)
- ERC の Capacity Building を中心に TA を実施している。基礎的なトレーニングである。地方電化プロジェクトもやっている。Solar energy とか。地方電化というか、EC のカリスマ代表として Father Silva という人物がセブの Cooperative にいる。インタビューしてみたらどうか。(Dato)

(以上)



