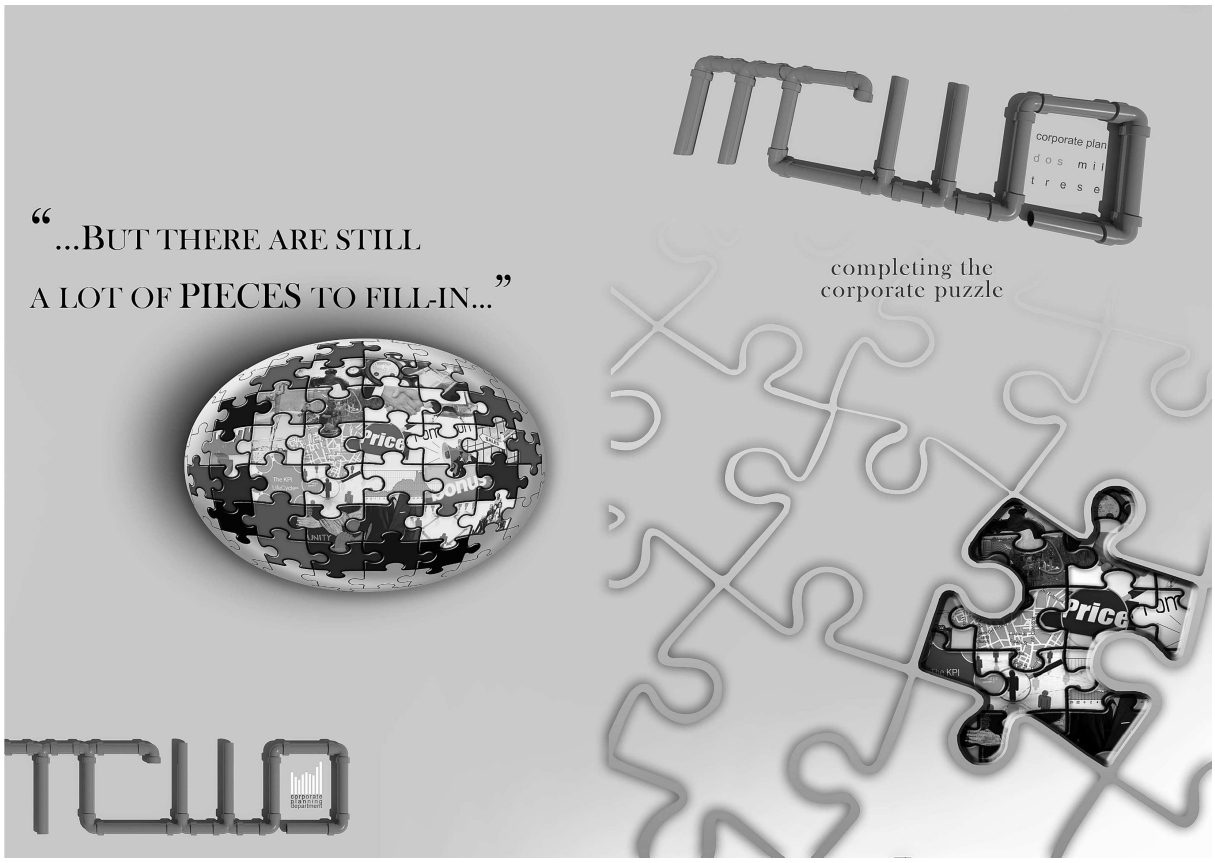
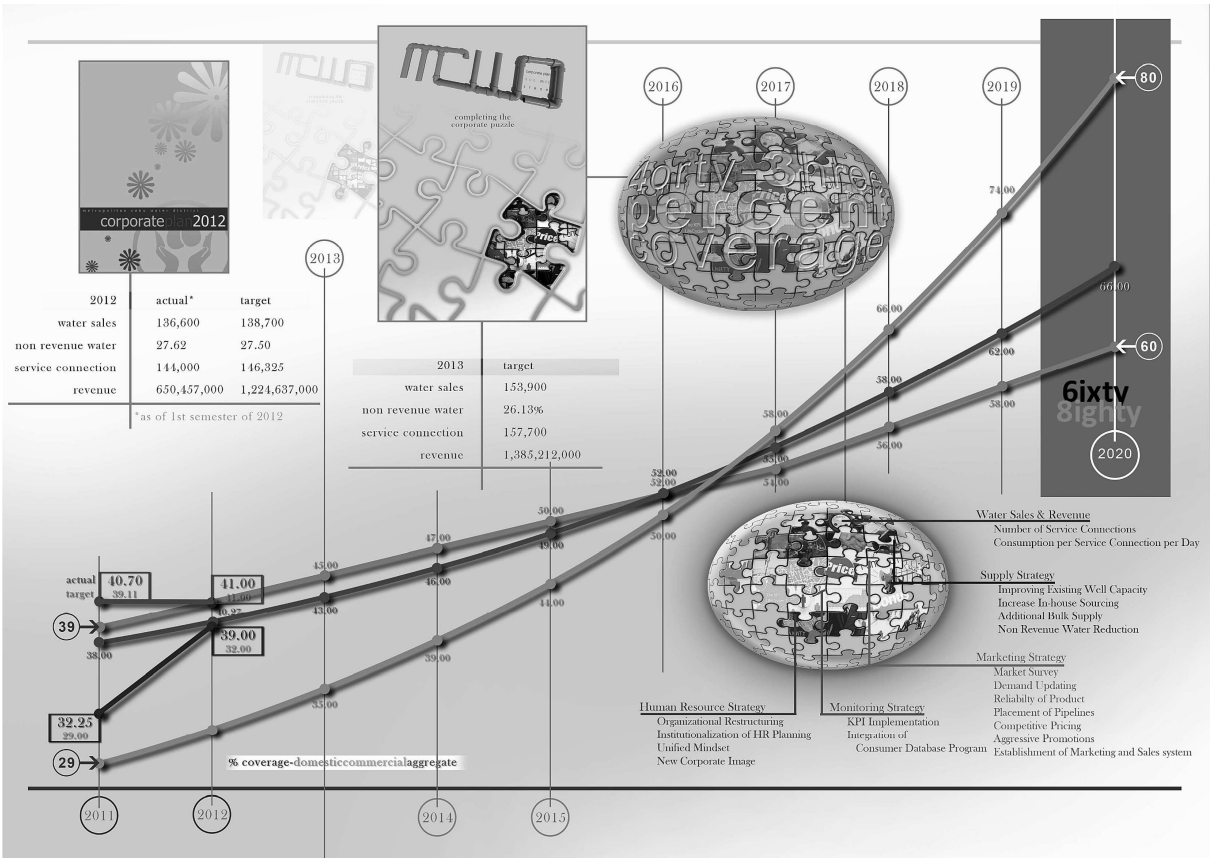
Appendix 6-8 2013 Corporate Plan





2012	actual*	target
water sales	136,600	138,700
non revenue water	27.62	27.50
service connection	144,000	146,325
revenue	650,457,000	1,224,637,000

*as of 1st semester of 2012

2013	target
water sales	153,900
non revenue water	26.13%
service connection	157,700
revenue	1,385,212,000

Water Sales Target

MCWD aims for a 43% demand coverage by 2013. This coverage translates to a water sales of 53,398,000 cubic meters or 153,900 cubic meters per day by year end.

The projected daily water sales volume is higher by 7% compared to the actual for the first half of 2012. This projection is also higher than the value pegged in the vision 60/80 for the same year by 1% or an increase of 1,800 cubic meters per day. It is the outstanding performance in 2012 that

WATER SALES

Jan	4,342,800
Feb	3,949,800
Mar	4,347,400
Apr	4,266,800
May	4,433,500
Jun	4,382,800
Jul	4,570,200
Aug	4,630,200
Sep	4,513,300
Oct	4,682,600
Nov	4,509,400
Dec	4,769,600

Service Connections

In 2013, the additional service connections is pegged at 9,659 which will result in a total SC of 157,744 by year end. This figure is based on the assumption that by the end of 2012, MCWD's total service connection will reach 148,100.

As of June 2012, Customer Services Group (CSG) has been adding an average of 675 net service connections per month for small meters. In 2013, the group aims to further surpass its previous year's accomplishment by targeting 800 per month or 9,600 for the entire year.

The remaining 59 service connections are the target commercial consumers. This target is more than double than the accomplishment in 2012. Though translated into number of service connection, the marketing and sales team of MCWD aspires to capture 2,500 cubic meters per day of the commercial demand.

Consumption per Service Connection per Day

The average aggregate CSD for 2013 is 0.95378. This projection is lower than the actual CSD of the 1st half of 2012. This is brought by the change in the percentage distribution of residential and commercial consumers.

Previous year's target setting in CSD was based on meter size in which ½ inch service connections were considered residential consumers while larger meter sizes are commercial service connections. In 2013, CSD projection is based on consumption classification namely residential, commercial, subdivision, condominium and government.

For residential classification, CSD is pegged at 0.8134. This projection is based on the actual CSD for the 1st half of 2012 while its monthly trend is based on the average monthly CSD for the past 18 months. Unlike the actual decreasing CSD trend from 2008 till 2010, this year's projection is higher than that of last year. However, monitoring will be continually enhanced to capture the real CSD for this type of consumers.

Though consumption is still residential, subdivision is classified separately due to its connection type which is bulk in nature. Subdivision's CSD is projected to be 53.773 which is also based on the actual CSD for the 1st half of 2012. Its monthly trend is the same with that of the residential classification. However, subdivision's consumption will not only be monitored per connection but on a per household basis as well.

Condominium and government are expected to attain a CSD of 21.966 and 11.730 respectively which are both based on the actual CSD for the 1st half of 2012. However, the monthly trend is based on the average monthly CSD for the past 18 months for government while for condominium, trend is the same with that of the residential classification.

The commercial classification has a complex manner of CSD projection. The existing and additional service connections have different projected CSD per industry type. For existing commercial consumers, projected aggregate CSD is 4.853 which is based on the actual CSD for the 1st half of 2012. Additional commercial connections are expected to reach a CSD of 42.27 based on the average CSD of the different target market. The marketing unit of MCWD aims to capture bulk consumers like condominium, hotels, manufacturing, malls or supermarkets and industrial estate with a total accumulated volume of 2,500 cubic meters per day. With these commercial CSD combined, the aggregate CSD would be 5.73.

SERVICE CONNECTIONS

Jan	148,889
Feb	149,694
Mar	150,499
Apr	151,304
May	152,109
Jun	152,914
Jul	153,719
Aug	154,524
Sep	155,329
Oct	156,134
Nov	156,939
Dec	157,744

Revenue

The 53,397,500 cu.m. of water sales is equivalent to a year-end net revenue of PhP 1,385,212,000 or an equivalent daily revenue of PhP 3,800,000. This is an increase of 6% from the projected year end revenue in 2012.

This revenue assumes an effective rate of PhP 25.93, on-time collection of 68% and a year to date collection of 96%. The increase of 1% of the year to date collection efficiency added about 13M to the net revenue.

The implementation of the water levy and the automatic adjustment for labor cost and inflation can be a source of additional revenue above the target.

REVENUE

Jan	109,460,200
Feb	101,736,600
Mar	114,727,100
Apr	108,062,000
May	113,283,300
Jun	112,039,100
Jul	118,468,200
Aug	119,880,100
Sep	117,644,700
Oct	124,740,300
Nov	117,709,700
Dec	127,460,600

"AGAS NA WORLD CLASS"

Supply Strategy

In 2013, average capacity will be approximately 208,400 CMD. This is an increase of about 6% or 12,400 CMD from 2012. The increase in the capacity to supply will come from the improvement in the yield of the existing sources, in-house source, bulk supply and from the reduction of NRW to 26.13%

Improving Existing Production Capacity

MCWD existing groundwater sources' capacity, which includes the Jaclupan wellfield, is pegged at an average capacity volume of 164,200 CMD which is 81% of the total existing capacity. This capacity is higher by 3,300 CMD from the previous year. This improvement is brought about by the well rehabilitation and upgrading of pumping stations to be carried out by Environment and Water Resource - Knowledge Center (EWR-KC) and Maintenance Support Services Department (MSSD). EWR-KC plans to rehabilitate 12 wells by 2013. MCWD utilizes 116 groundwater wells in which 51 wells are directly feed into the water district's distribution system and the rest are directed to the seven different reservoir locations.

Further, MCWD does not only have the drive to improve its capacity but also to operate its wells at optimum efficiency. The MSSD has been evaluating and making the necessary modifications of the machanical set up of existing wells for energy efficiency improvement.

The Buhisan Dam which is the only surface water source of the district shall only yield an average volume of 7,092 CMD which is approximately 3.4% of the existing MCWD water source. This surface water source is assumed to yield this capacity under a normal weather condition.

Jan	5,560,600	PRODUCTION
Feb	5,702,300	
Mar	5,502,300	
Apr	5,826,600	
May	5,984,800	
Jun	6,067,800	
Jul	6,112,500	
Aug	6,407,200	
Sep	6,023,400	
Oct	6,441,600	
Nov	5,981,400	
Dec	6,703,400	

At the start of 2013, MCWD will have a capacity of around 32,000 CMD from 8 private suppliers where 4 are coming from bulk supply contracts namely Mactan Rock, Foremost, Abejo North and South and 4 are from newly commissioned joint venture project located in Talamban, BC homes, Apas and Banawa. Such volume accounts for 15.70% of the total existing sources capacity of MCWD.

Additional In-House Sourcing

By the end of 2013, 4 additional wells are expected to be commissioned through in-house sourcing. Its total capacity is 2,600 CMD. Below are the details of the volume and date of commissioning of the different in-house sourcing projects.

- W34R (1200 cmd) - January 2013
- NAZ1 (360 cmd) - January
- W34B (480 cmd) - January
- W35 (600 cmd) - March

PIT-OS SUPPLY

To increase our service coverage, certain expansion projects have been initiated and under construction. One very strategic location is the expansion in Pit-os Talamban which transits from Barangay Bacayan. Specific in-house sources have been identified to supply this expansion namely: CUB 1, CAN 8, W34R, W34B, W35 and the excess from CAN 2 accumulating an additional 8,200 CMD. Permit problems of CUB 1 and CAN 8 should be addressed in time with the expected completion of the pipelaying this 1st quarter of 2013.

Additional Bulk Supply

Only 1 additional Joint Venture Project is expected to be operational in 2013 - the 3,000 CMD in Guadalupe.

Several bulk supply offers are being entertained from Rio Verde, JICO for the supply from Carmen and Udenna and Abejo. The supply from Abejo in Mactan will commence by the end of 2013. Other bulk supply proposals will likely be operational beyond 2013 considering negotiation, bidding leadtimes and the time to implement the infrastructure requirements.

Other supply strategies considered are acquisition of private wells and construction of artificial lakes.

Considering the water sales target, planned production as enumerated monthly is about 96% of the capacity.

Non-Revenue Water Reduction

Though it is not the sole gauge, the Non Revenue Water (%) is an important indicator of the water district's operational efficiency. Over the years, MCWD's non revenue water has been improving with 2012 having an outstanding leap in the water district's performance.

The aspired efficiency for 2013 is 26.13%. This is in accordance to the 2013 – 2020 strategic goals, wherein by 2020, the water district is expected to have 15% efficiency in its distribution system. This level of efficiency is expected to provide an additional supply capability of about 3,900 cmd.

Supporting MCWD's NRW strategic goals is the NRW reduction programs which is more focused on reducing the physical losses which comprise approximately 90% of the entire NRW of the water district. While focus is given to physical losses, other NRW programs related to the reduction of commercial losses shall be sustained like the meter maintenance program and metering of LGU withdrawals.

NRW REDUCTION PROGRAM

METER MAINTENANCE

The meter maintenance program is the most established among the NRW reduction programs. The meter maintenance unit has already established the standards and life span of the meters MCWD is using. Meter accuracy for both production and consumer meters have been maintained within the acceptable level of accuracy which is 98% based on the usual random field meter testing. This success is attributable to corrective and preventive meter maintenance program employed by the water district.

The district is generally using ARAD meters. Lately though, there are other meter brands which passed the rapid meter testing, which the district is about to purchase for installation or use. This shall be at regulated quantity until such time the first batch of each meter brand shall pass the standard efficiency on the field.

Also, part of the action plan in the NRW reduction roadmap is the random field meter testing which will be conducted on 5% of the total service connections. Though this meter testing has already been an on-going activity by MSSD, however, the population of the sample size is only less than 2%. This activity is required to attain higher confidence of the company's meter accuracy.

METERED LGU WITHRAWAL

Negotiations for the purpose of metering LGU withrawal from hydrants are ongoing, with PDD at the helm. The district intends to forge an MOU with the eight (8) LGU's that will allow them only to withdraw at specific metered hydrants by 2013.

PIPELINE DECOMMISSIONING

There are 20 identified locations with pipelines to be decommissioned. This activity started in 2012 spearheaded by PMG.

PRESSURE MANAGEMENT

Pressure management is one scheme of an effective water distribution. The Production and Distribution Department (PDD) has been quarterly monitoring the average pressure of the different areas in the distribution network. Much of these activities are only spot reading using pressure gauges installed in strategic locations. Though the result is used as a reference in the operation of the distribution system, it is not entirely reflective of the actual condition. To deliver a real time pressure pattern of the entire distribution system, data loggers will be installed at strategic points that will automatically transmit data into a repository station for analysis.

The PDD together with the Hydraulic Team is currently on the process of procuring 8 pressure loggers from different manufacturers. This is to determine which type of logger is deem appropriate and effective for the water district's use. The data derived from these loggers will be used also as reference for hydraulic network model calibration.

Trial monitoring will be conducted and completed before the year ends. By then, the PDD can already determine the total quantity of loggers for procurement. These will be installed at strategic points and thereby allowing the formulation of a holistic pressure management program.

Jan	26.13%	NON REVENUE WATER
Feb	26.13%	
Mar	26.13%	
Apr	26.13%	
May	26.13%	
Jun	26.13%	
Jul	26.13%	
Aug	26.13%	
Sep	26.13%	
Oct	26.13%	
Nov	26.13%	
Dec	26.13%	

ASSET MANAGEMENT

One of the NRW reduction programs that water district banked on is the renewal of its distribution network. However, the critical portion of this program is not on the renewal implementation but on the evaluation and identification of the mainlines for renewal. This activity is the focal point of the asset management system.

Asset management includes, among others, the formulation of a grading system namely the condition grade and structural grade in assessing the condition of MCWD assets. Condition grade refers to the grading system of the no. of failures or leakage occurrence in a certain pipe stretch. This grade score is determined by the unit responsible for condition monitoring. Structural grade refers to the condition or deterioration level of the pipe material itself. This scoring system is established during the conduct of leak repair by implementing unit. In summary, the grading system starts with data banking of the leak repair accomplishment through its leak repair job orders.

With the two grade score combined MCWD can already determine which lines would already necessitate renewal. However, implementation of renewal projects can also be attributed to the need to resize pipes to improve system efficiency.

An Asset Management Manual is expected to be completed by the end of the year.

ASSET INVENTORY

MCWD already has an established Geographic Information System (GIS) map with the geographic and attribute details. However, in several occasions, this was found to be incomplete and not entirely accurate. To bring consistency and accuracy of data between GIS and what is actually in the field, a thorough inventory of asset is required and reflected accordingly into the GIS. This strategy is the main reason for the conceptualization of the Asset Inventory Project.

The asset inventory project was approved in 2011 with a scope of locating all the existing operating assets in Mactan area with an expected duration of 10 months. The team will determine the GPS coordinates of all MCWD assets primarily the pipelines at an average of 50 meter distance per point.

However, with the unavailability of equipment for pipe location, the project was forced to conduct the activity manually. For a duration of 9 months, one survey team accomplished 12,900 linear meters of surveyed pipelines with an average distance per coordinates of 30 meters.

In 2013, a more efficient scheme for implementing asset inventory will.

For the upcoming expansion and future assets, TSG headed by the Engineering department is in the processs of formulating a system that will fully ensure proper recording and mapping of these assets into the GIS map. Currently, all additional assets as well as its performance like leakage shall be outlined with a sketch map. Also, these assets will be included in the survey for its GPS coordinates by the asset inventory team.

MAINLINE RENEWAL

Program on mainline renewal has already been established in MCWD. However, for the past years, the rate of renewal does not correspond to the rate of deterioration of the water district's distribution system.

Currently, the NRW committee has proposed a total of 16.6 kilometers of pipelines for renewal. Out of which around 7 kilometers of mainlines were already approved and expected to be implemented within the year.

There will be three batches of pipeline renewal scheduled to be implemented in 2013. However, after the evaluation of the hydraulic team, changes were made on the pipe length and sizes. Nonetheless, the implementation and completion of the said mainlines will push through as scheduled. The other batches namely batch 4 and 5 are still for hydraulic analysis evaluation and survey.

The following are the details of the mainline renewal projects:

	LOCATION	PIPE SIZE (mm)	LENGTH (LM)	BUDGET COST (PHP)
	BATCH 1			
	I Tabura St. Pardo Cebu City	200	228	4,500,000
	Hi-Way Cansaga Consolacion	150	1,077	13,900,000
	Alaska Mambaling, Cebu City	100	1,728	18,000,000
	Magsaysay St. Pasil, Cebu City	150	366	5,000,000
	P. Sanchez St. Mandaue City	200	266	
	BATCH 2			
	Cumpang Calero Liloan	100	480	4,500,000
	MEPZ, Lapulapu City	150/250	756	9,900,000
	Road to Tambuli, Lapulapu City	200	354	6,800,000
	Pulpogan Consolacion	100	330	3,300,000
	Road to Mactan Rock, Lapulapu	200	210	3,471,000
	BATCH 3			
	Jubay, Liloan	200	432	6,500,000
	Looc Liloan (decommissioning)	100	150	1,700,000
	Poblacion, Compostela	150	480	5,400,000
	Datag, Lapulapu City	200	324	6,100,000
	Pajac, Lapulapu City	200	516	9,300,000

LEAK DETECTION PROGRAM

Currently, Pipeline Maintenance Group utilizes 3 teams to leak detect a total length of more than 900 kilometers of pipelines. Its main target is to complete this activity twice a year. However, with all the factors affecting the condition of the pipelines, it is not strategic to just conduct the same frequency of detection on all areas of the distribution network. This leads to a "mesh system" strategy by first dividing the whole network into equal areas called mesh. Secondly, profile existing performances and assets of the MCWD distribution network like number of leakages, pressure, number of tapping points within each mesh. With this data, MCWD can determine which certain mesh areas may require frequent leak detection activity.

The dimension of mesh boundaries is set at 600 by 800 meters with approximately 700 meshes in the entire MCWD service area. The Mesh System strategy is expected to be completed and implemented on 1st quarter of 2013.

Also, with the aid of the newly procured leak detection equipment particularly the noise loggers, leak detection teams are expected to have higher accuracy of their leak detection activity.

HYDRAULIC MODELING

The hydraulic model has been proven to be an indispensible tool in any water utility. Its effectiveness and efficiency in delivering information of the network's behavior in any given circumstance and moment is used primarily to manage water system and plan for expansion. With the acquisition of the WaterGems software last June 2012, it is expected that the entire MCWD network will be completely modeled by the end of 2012.

The development of the hydraulic network model is only the first stage followed by its calibration. Starting 2013, activities will be focused on calibration and fine tuning of the model to replicate actual field condition.

Though the hydraulic model is in the development stage, it is currently being used in the study of injection points of proposed bulk supplies, and in planning infrastructure projects.

Marketing Strategy

For the water district to concentrate its limited resources on great opportunities to increase sales and achieve a sustainable competitive advantage, the formulation of marketing strategies with short-term and strategic import is crucial. In 2012 majority of the effort to increase sales is through new demand. By 2013 the marketing and sales team will expand it coverage to capture a considerable part of the market, currently served by the competitors. Of the 2500 CMD target sales for commercial, 40% will come from this market or 1000 CMD.

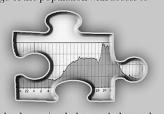
Market Survey

Survey is an effective tool used to gather information on product demand, usage behavior, customer perception, competitor's profile and other relevant informations useful for the development of strategies that help move the business forward.

The factors affecting the market is dynamic, it changes overtime. Thus for the organization to be able to have a timely response to these changes, the conduct of surveys is continual in nature, done on regular basis.

For 2013, the customer satisfaction survey shall be conducted by PAD; EWRKC shall continue with the well inventory in cities of Cebu and Talisay, as part of the competitors mapping project. CPD shall do a survey to determine the percentage of the population with access to MCWD's water supply.

Demand Updating



MCWD has already determined the total demand within its service area starting 2011 up until 2030. It was classified into Domestic and Commercial demand and was based from National Statistics Office population, Comprehensive Land Use Plan (CLUP) of each LGU and MCWD consumption database. The study is a very important input to sourcing, expansion and distribution strategies. In 2013, MCWD will update the demand simply incorporating the updated CLUP per LGU.

Demand projection for both commercial and domestic connections will be improved. This will now include profiling and mapping of potential and existing consumers. This will start on the last quarter of 2012 to the end of 2013. This feat will further enhance our demand study which will eventually result to balanced distribution of water supply which we know is limited.

Reliability of Product

Reducing the gap between supply and demand is the ultimate objective of the District while at the same time providing satisfying water service to existing service connections. To attain product satisfaction required by the consumers, three areas will be the point of focus, namely:

• Supply Reliability wherein 100% of existing consumers will enjoy 24/7 of service availability at a minimum pressure of 10psi.

• Water quality conforming or better than national standards stipulated in PNSDW

• Improve customer service that highlights convenience to customers from application, billing, payment, repairs, complaints resolution, technical assistance and other after sales services. The concept of one-stop shop, customer feedback system and text messaging for info dessimination to customers were among the things considered for implementation in 2013.

Placement of Pipelines

Through the demand study, areas with underutilized distribution lines and unreached potential consumers were identified.

To compliment the output of the promotion efforts for the underutilized pipelines, an estimated 66,000 linear meters of distribution lines were identified for expansion.

The basis of identifying these areas is basically the demand consistent with the profile as specified in the vision 60/80 in 2020.

Prioritization for expansion pose a big challenge to the district. This time, prioritization will be linked to the result of the hydraulic analysis. The hydraulic team is working on a distribution strategy that assumes the specific source locations and divides the distribution system into different supply areas. This activity will be completed in December 2012. The development of the holistic expansion plan until 2020 will then commence which is set to be completed in the 1st quarter of 2013.

However there are expansion projects that will be implemented in 2013 with an estimated cost of 225M pesos as follows:

Ongoing Infrastructure Projects (Contract)

1.Proposed Pipeline expansion for Cabancalan Bulk Water Supply
2.Proposed Mactan Water System Improvement Program (Package 5)
3.Proposed 300mm diameter D.I. Distribution line along Pit-os, Talamban
4.Proposed D.I. Distribution line along Umapad-Opao, Mandaue City

On going by administration projects

1. Lagtang Distribution Line at Lagtang, Talisay
2.Cash Estate Distribution Line

Others

1.Montcrrazas (pipelaying)
2.Mactan Bubbles - MAC 6 & 7 Connecting pipelines
3.Mactan Bubbles - MAC 8 Connecting pipeline
4.MAC 10 and MAC 11 Pipeline network
5.Proposed 300 mm dia. D.I. water distribution mains along Brgy. Canduman, Mandaue City to Sitio Tugbao, Talamban, Cebu

o 75 mm pe X 280 LM D.I. Dist. Line Project at LTHAI, Tipolo, Mandaue City

o 150 mm distribution line for Modena subdivision

o 150 mm and 75 mm distribution line for Eastgate residences

o Distribution system for St. Anthony Village

o Distribution system for Berjame subdivision

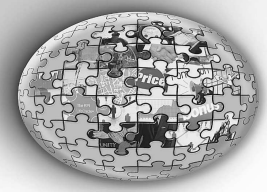
o 250 mm X 600 LM expansion line at Malnao, Agus, Lapu-lapu City

o Distribution main project inside Biasong relocation site, Talisay City

• One key contributor to the realization of our 60/80 vision in 2020 specifically on the achievement of our 60% domestic coverage target is the WASEC expansion projects.

• The following WASEC projects were already approved by CAPEX committee for implementation in 2013:

"Every SITE with a PIPE"



Competitive Pricing

To attract and retain big consumers, the first 30 cubic meters' tariff will be increased while at the same time increasing the discount for 31 cu.m and up consumption applying the same rate structure. This will decrease subsidy for small consumers contrasted proportionately with lower effective rate for commercial consumers thereby maintaining the same effective rate.

Upon approval from the Local Water Utilities Administration and completing required public hearings, the following will be implemented:

• Increase the rate for first 30 cu.m by 14% and reduce on-time payment discount for 3/8-inch, 1/2-inch and 3/4-inch from 5% to 2%.

• Maintaining the rate for the uppermost bracket while increasing the discount for big SC's who pay on-time at maximum of 25% tiered based on consumption level. The increase in discount shall be taken from the fresh revenues that will result from the rates increase.

• The increased discount will be offered to SC's with meter size 1-inch and up, based on the assumption that these SC's consume high volume, and as such are classified as MCWD's commercial consumers.

• Create implementing guidelines for the discount scheme for implementation in 2013.

"Rise with BEST PRICE"

Aggressive Promotions

MULTI-MEDIA ADVERTISEMENT

Being a government entity automatically connotes lousy and inefficient service with a smudge of corruption always associated to the system. To change this perception, a new corporate image will be projected thru promotion programs taking into account the holistic projection of the company's image towards its consumers, stakeholders and the public in general.

All promotions will be focused on market awareness and corporate branding using different media means. Promotional programs will be coordinated with scheduled projects such as distribution line expansion, bulk water supply, and suspension lifting. This will be a localized activity targeting specific and predetermined market to allow optimum impact at minimal cost. The activities detailed in the upcoming release of Marketing Plan by CPD will be jointly implemented by CSG headed by PAD and supported by concerned unit from PDD, ED, PMO, EWRKC, GSD. Major activities would include the following:

• TV Commercial. Designed to promote corporate image as a whole while at the same time differentiating our product from competitors. TV commercial promoting MCWD water service, environment protection and sanitation will be the focal point of the story behind each ad.

• Radio Program. Continuing the usual presence on the air, the program will be coordinated with the ongoing projects, promotions and related activities to target and connect to consumers directly benefiting from the project.

• Internet Access. With the proliferation of mobile devices and social media, people are more connected to the web more than ever. It is a ripe promotional avenue commonly tapped by corporation around the world for brand recognition and means also as a customer feedback mechanism.

• Billboard and Signage. Strategically located facilities are ideal for billboard and signage placement. The locations initially identified for placement will be the following:

o MCWD main office building wall facing the harbor targeting those inbound and outbound seafarers and passengers. Also, the wall facing Magellan's Cross for all tourist and passersby to see.

o Pusok reservoir due to its towering height and proximity to international airport.

o Strategic production wells and facilities located beside roads, urban and commercial areas.

SCHOOL BRIGADE

An activity intended primarily to educate elementary and high school students of the source, production, usage, cost and impact of water. The medium of delivery will be designed such that it will be interactive, audio-visual and science based. A year round schedule will be linked to areas with upcoming or on-going infra or supply projects taking into consideration that all pertinent permits and clearances has been approved and granted by school administrators. CSG-PAD will lead the preparation, coordination and implementation assisted by technical departments during the conduct of the program.

LGU LINKAGE

The Local Government Units is an effective ally of the district in its push to expand its business and services but on the flipside could be a significant hindrance for advancement. To improve relationship and foster cooperation with LGUs, top level coordination must be initiated bypassing the usual circuitous channel for projects to be granted support and permits.

Major achievement has been reach for the year 2012 allowing the District to enter into a tripartite agreement with the City of Mandaue and NWRB that will bring more control on the management of the underground water source to MCWD. There is also advance negotiation with Talisay City on similar agreement that if fully realized by 2013 will bring four working agreement with major LGUs within the service area including cities of Cebu, Lapu-lapu and Mandaue.

Two programs and activities will be designed and implemented to bring about mutually beneficial projects to LGUs.

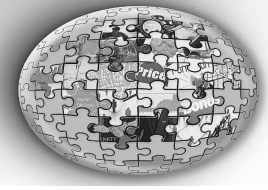
• High level collaborative meeting between MCWD top management and LGU leadership to lay down MCWD's plans and projects within their locality. This activity is aimed to solicit cooperation among LGUs, create multilateral agreements for sustainable water supply and eliminate impediments in upcoming projects. With the positive reception given by Lapu-lapu City Mayor when Execom presented projects, on-going and planned in the locality, this brought a clearer understanding of what the District is doing. The Execom will take the lead in replicating the same activity to other LGU as CPD and PAD takes the responsibility in coordination and preparations.

• Institutionalize and standardize the Corporate Social Responsibility (CSR) intended for special projects to extending water service to isolated or marginalized constituents within the LGU. CSR budget allocation will be provided to LGUs that have signed tripartite agreement with the District. CPD will be responsible in providing decision support information and implementing guidelines for Execom's approval and will be implemented starting 2013 by CSG-PAD.

Establishment of Marketing & Sales System

Considering that marketing and sales are two separate functions but mutually supporting each other, the boundary between the two can cross at times needing a clear delineation of functions and responsibilities. Presently, the marketing function is under Corporate Planning Department (CPD) while partly taking the responsibilities of directly selling to commercial (bulk) consumers. The selling part of CPD covers the prospecting, negotiation, closing the deal and related facilitation between concerned departments. Public Affairs Department (PAD) is taking the responsibilities of maintaining relationship with key accounts and perform minor marketing activities. Service Connection Installation Department (SCID) is responsible for all service connection related function but yield some of it to CPD as mentioned earlier. The delineation of functions and responsibilities will be considered in the organizational restructuring.

The process from prospecting to water service delivery shall be reviewed with the objective of improving its efficiency and effectiveness. "Exit interviews" for those who opt for water sevice disconnection shall form part of the process.



Monitoring Strategy

CPIS

The corporate performance has been monitored through four parameters namely production, water sales, number of service connection and NRW. Starting 2013, revision in the point system and target setting scheme shall be adapted for bonus purposes.

In the table shown below the third tier is the corporate target while the fifth tier is an improvement of the previous year's performance. The rest of the tiers are pegged proportionately.

"You can't control what you can't measure"

CPIS

KPI Implementation

An effective performance measurement system helps to drive an organization towards the achievement of its strategic goals and is the basis for management decision making and Key Performance Indicators measure the achievement of strategy implementation. A strategy should be cascaded down the organization to measure its achievement at both corporate-wide and unit levels and to define a decision-making framework to motivate management and employees. It is foremost to determine and define each KPI of all organizational units taking into account that it aligns to the Vision 60/80 in 2020.

A KPI Manual will be created to serve as a guide to the reader and all personnel who are responsible in aspects of performance management. The manual shall also define the process of performance management from collecting the required data and calculating the KPI measure, reporting actual performance to senior management and the Board of Directors, interpreting the measure results and deciding what action to take, and updating the measurement method as the business changes.

In 2013, CPD shall also formulate the system for the KPI monitoring, establish KPI baseline information and coordinate with MIS for an automated implementation.

Integration of Customer Database Program

The application process is the doorway to a lasting and vibrant customer relationship offering convenient and satisfying customer service. Getting the needed consumer information correct and complete from the moment they apply will result to an efficient and effective delivery of water services right from the start. The same consumer information is vital for accurate monitoring and future operational planning. The objective is to have a more realistic CSD per type of meter use.

Improvements in the application process will be introduced with an objective to bring increase efficiency and accurate database. The following will be the focus for improvement:

- Integrated new service connection installation. This is to centralize to one unit all new sc installation activities regardless of meter size. With the availability of technical standard on design, installation and materials, SCID will be equipped with needed resources to install large meter.

- Application process simplification. The aim is to improve efficiency and decrease further the lead time from receipt of application to installation and commissioning.

- Reclassification of our domestic and commercial connections. Current practice is done by classifying domestic and commercial connections based on meter sizes (1/2 inch diameter – domestic; more than ½ inch diameter – commercial). After years of monitoring, it is determined that accurate classification should be based on consumption. Connections that are consuming 30 cu. m or less per month are considered domestic and those that are consuming more than 30 cu.m per month will be considered commercial.

- Cleansing of the existing data. MISD in coordination with CPD will start the process on November 2012 until October of 2013 focusing first on commercial service connections based on the new classification followed by domestic connections.

There will be a continual evaluation of new data/processes which will set off every January of the year. This will further develop the data monitoring resulting to more factual and accurate forecast.

"Quantify to Qualify"

Human Resource Strategy

It is the combination of effective & efficient system and competent employees that will push the organization forward. To date, system improvements have its share of accomplishment though others are still "work-in-progress". But we are yet to formulate an HR program not only to complement the systems' changes but support the District's strategic goal in general. The following HR strategies must be in place:

Organizational Restructuring

- The current organization structure nor the recat model structure cannot support our goal in 2020. There are functions that are not included in both structures which are very important and have strategic impact.

- There is a need to review the groupings to ensure clustering of the same mindsets to enhance information and communication flow within the organization.

- There is a need to redefine unit functions to become output oriented.

Institutionalization of HR Planning

This concerns the development of human resource in the right quantity, at the right place, with right utilization, with the right skill and with the right approach to the development of its potential. The following initiatives also support manpower planning:

- Improve Training and Development Strategy

While the competency gap is one input in formulating the training program, it is also vital that HR considers trainings that support the following:

o Creating a pool of readily available & adequate replacements for personnel who leave or move up in the organization (specially for key functions).

o Enhancing the company's ability to adapt to advances in technology and process improvements.

o Culture change having output oriented and unified mindset.

- Institutionalize the System for Job and Accountabilities Updating

In light with the changes brought about by process upgrading, technology changes, output requirement changes, etc.

- Review and Update of Position Leveling

To match up with the changes in functions and to correct the current distortion in position against function which has been the subject of complaints of several employees.

- Improve the Performance Appraisal System

To reflect real outputs and not merely a PAR which measures efforts. Adopting the KPIs as a performance measure is a good point to start.

- As to the number of employees, the district aims to hit an SC:to-Employee ration of 200:1 from the current ratio of 168:1. Outsourcing of other non-core processes/activities is considered to provide significant improvement in the productivity ratio.

Unified Mindset

The challenge ahead is set by the corporate directives for a Vision 60/80 in 2020. The success of this vision rest on the shoulders of not only the Leaders of MCWD but also on all employees of MCWD. There needs to be common understanding and coordinated actions to reach a common objective. With this, there must be a program to inculcate in every heart and mind of each employee the following:

- Vision 60/80 in 2020 - each group and all its personnel will undergo a series of seminar to explain the vision, strategies required to achieve such vision and their individual responsibility and contribution to the vision.

- Moral and values enhancement program. A person can only be truly changed if the change happens from the heart. Moral standards must be clearly set and values established in a more spiritual and personal level.

New Corporate Image

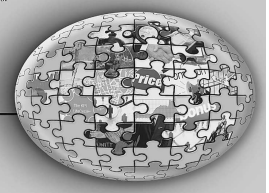
A new corporate image will be instituted taking into account the holistic projection of the company's image towards its consumers, stakeholders and the public in general. As reinforcement to the unified mindset program, the new corporate image will be the embodiment of the corporate changes happening from the inside. Related programs and accountable units will be as follows:

- Continual improvement in the delivery of services.

- Corporate signature in the form of employee uniform.

- MCWD Mascot with the attributes of water, environment and with local cultural touch.

- Corporate presence in industry and business related events.



2013 Fiscal Program

I. COST MANAGEMENT

In 2013 Opex per SC is projected to stand at 599 or 1.9% higher than that of last year. This will give MCWD a net income ratio of 14.5%. To reduce the Opex per SC, cost control measures shall be implemented in 2013 as follows:

a. Reduction of Personnel Costs
  - Reduction of Overtime
  - Reorganization and Review of Staffing Pattern

b. Review of processes that can be outsourced

c. Focused monitoring of major Opex
  - Power Cost
  - Professional Services
  - Fuel
  - Repairs and Manitenance

d. Availment of purchase discounts for early payment

II. INCREASE CAPEX UTILIZATION

MCWD spent an estimated Php67 Million for capital expenditures in 2012 for a utilization rate of 10%. For 2013, management is hopeful it will significantly increase capex disbursements to Php631 Million by addressing the following implementation issues:

a. Setting a maximum period of budget availment
b. Hastening BAC processing
c. Speeding up Lot/ROW acquisition or clearance
d. Improving LGU coordination
e. Stricter project supervision and monitoring

Appendix-7 References

Appendix 7-1 List of Collected Data

Data No.	Title of Data	Detailed Contents	Forms of Data			Source
6-1	MCWD Network Map (Compostela Area)	Water supply facilities map in MCWD supply area (North)	1 set	JPEG	Copy	MCWD
6-2	MCWD Network Map (Mactan Island)	Water supply facilities map in MCWD supply area (East)	1 set	JPEG	Copy	MCWD
6-3	MCWD Network Map (Metro Cebu North)	Water supply facilities map in MCWD supply area (Central)	1 set	JPEG	Copy	MCWD
6-4	SCADA introduction Map	Location map of existing and new water meter in DMA	1 set	PDF	Copy	MCWD
6-5	SCADA Meter in DMA	Number of new install water meter and DMA map in MCWD water supply area	1 set	PDF	Copy	MCWD
6-6	SCADA Meter at Well	Number of new water meter to install to deep well and water transmission destination from well	1 set	PDF	Copy	MCWD
6-7	SCADA Meter at Reservoir	Number of new water meter to install into distribution reservoir and relation of deep well and DMA	1 set	PDF	Copy	MCWD
6-8	2013 Corporate Plan	Water business policy in 2013 toward MCWD 2020 PLAN	1 set	PDF	Copy	MCWD