



**SUMMARY OF AGREEMENTS
POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION
REVISED 2014 AGREEMENT**

| | Agreed weight | Formula | Baseline | | Targets | | | Remarks | |
|---|--|---------|--|--------------------|--------------------|--|---|---|--|
| | | | 2012 | 2013 | Approved | Proposed | Agreed | | |
| MFO 1: Financial Management | | | | | | | | | |
| Objective: To reduce financial obligations (FO) | | | | | | | | | |
| PI1 | Reduction of FO | 20.0% | Year-end FO Where: FO refers to debts and IPP lease obligations | PhP 662.18 billion | PhP 618.14 billion | PhP 614.36 billion Forex Used: 2012 Year-end rate (PhP41.192 = US\$1) | PhP580.20 billion Forex Used: 2013 Year-end rate (PhP44.414 = US\$1) | PhP580.20 billion Forex Used: 2013 Year-end rate (PhP44.414 = US\$1) | Improvement |
| Objective: To minimize forex risk exposure | | | | | | | | | |
| PI2 | Percent of peso component in FO portfolio | 7.5% | Peso-denominated FO + (Total FO-IPP lease obligations in USD with counterpart IPPA Payments in USD) | 30.72% | 32.11% | 29.70% | 32.00% | 32.00% | Improvement |
| Objective: To minimize liquidity risk by maintaining a high collection efficiency for power sales to TSC customers | | | | | | | | | |
| PI3 | Collection Efficiency (CE) for current power sales | 4.5% | Collections from Current Power Sales + Current Power Sales | 94.95% | 94.87% | 95% | 95% | | |
| PI4 | CE for non-current power sales | 3.0% | Collections from Non-Current Power Sales in Current Year + Receivables from Non-Current Power Sales r | 6.97% | 7.94% | 12% | 10% | 10% | Target CE decreased due to moratorium on the collection of receivables from customers affected by Typhoon Yolanda PSALM to submit to GCG timebound action plan for Lasureco delinquent accounts |
| Objective: To clean accounts retained at NPC's book of accounts | | | | | | | | | |
| PI5 | Percentage of the amount cleaned | 10.0% | $\frac{\text{Amount Cleaned}}{\text{Total Amount for Cleaning}}$ | - | 59.16% | 100% (Php 4.76 billion) | 100% (Php 4.48 billion) | 100% (Php 4.48 billion) | Change in remaining amount to be cleaned considers the 2013 actual accomplishments |
| Objective: To incur overhead expenses at reasonable level | | | | | | | | | |

| | | | | | | | | | |
|--|--|-------|---|------------|-------------|--------------------|--|-----------------|---|
| PI6 | Percentage Share of Overhead Expenses on Total Income | 5% | $\frac{(PS+MOOE) - \text{Bad Debts}}{\text{Total Income}}$ | 4.43% | 1.12% | 4% | 3% | 3% | Improvement |
| MFO2: Asset Management | | | | | | | | | |
| Objective: To reduce operating losses/enhance profitability of remaining power assets | | | | | | | | | |
| PI1 | Operating income (loss) margin of remaining power assets | 7.5% | Net Operating Income (Loss) (NOI/L) Net Utility Revenue (NUR) | 4.43% | 9.13% | 4.7% Profit Margin | 11% Loss Margin | 11% Loss Margin | Revised target is due to the designation of Malaya TPP as a must-run unit (MRU) in the WESM under DOE Department Circular No. DC2014-01-0003 |
| Objective: To provide reliable contracted power supply to all customers | | | | | | | | | |
| PI2 | Percentage of TSC customers provided with 100% of contracted energy | | Number of TSC customers provided with 100% of contracted energy + Total number of TSC Customers | 88% | 94.07% | 92% | Proposed new performance indicator | | For replacement |
| | Proposal: Percentage of Energy Supplied | 15% | % of Energy Supplied = (Volume of Energy Supplied to Customers / Volume of Contracted Energy) | 111% | 119.00% | - | 100% | 100% | |
| Objective: To bid out/dispose assets | | | | | | | | | |
| PI3 | Successfully bid out/negotiated/ disposed of capacity (in MW) with Notice of Award | 15.0% | $\frac{\Sigma \text{ Capacity of power plant / IPP contract successfully bid out}}{\text{out}}$ | - | 296 MW | 385.62 MW | 373.62 MW | 373.62 MW | Target capacity decreased with the change in target from 140 MW Casecanan to 128 MW PBs 101-104 2014 target include PBs 101-104 since it underwent another bidding process |
| Objective: To optimize sale/disposal of assets | | | | | | | | | |
| PI4 | Gain/ (Loss) on Sale from privatization of owned plants and appointments of IPP Administrators | 10.0% | Gain on Sale = $((\Sigma \text{sale Price} / \Sigma \text{book Value} + \text{IPP Costs}) - 1) * 100$ | - | - | 11% Gain | 59% Gain | 59% Gain | Improvement |
| PI5 | Area of real estate assets for disposal | 2.5% | Σ land area disposed | 15,536 sqm | 121,797 sqm | 2,149,469 sqm | No target in 2014; weight for reassignment to "Successfully bid out/negotiated/ disposed of capacity (in MW) with Notice of Award" | 2,149,469 sqm | |

| | | | | | | | | | |
|---|---|-------------|---|------|--------|--|--|--|--|
| PI6 | Gain/ (Loss) on Sale from disposal of real estate assets | | Gain on Sale = ((Σsale Price/Σbook Value)-1)*100 | | | 187% Gain | No target in 2014; weight for reassignment to "Gain/ (Loss) on Sale from privatization of owned plants and appointments of IPP Administrators" | | For deletion; redistribute weight to reduction of financial obligation |
| Total Weight | | 100% | | | | | | | |
| General Administrative Services (GAS) | | | | | | | | | |
| To comply with the statutory obligations under the EPIRA | | | | | | | | | |
| | Percentage disbursement of statutory obligations under the EPIRA, in accordance with guidelines | | $\frac{\Sigma \text{ Actual Disbursements}}{\text{Total Amount to be Disbursed}}$ | 100% | 100% | 100% • UC • Loan Condonation • Benefits under ER 1-94 • SNW of Host Communities | 100% • UC • Loan Condonation • Benefits under ER 1-94 • SNW of Host Communities • Tax Remittances | | |
| To implement projects/enhance business processes | | | | | | | | | |
| | No. of business process enhancement program/project implemented | | $\Sigma \text{ Actual No. of Business Process Implemented}$ | 1 | 1 | 1 Establishment of Budget Control and Monitoring System ISO 9001:2008 Re-Certification (ISO Certification awarded on 17 December 2013) | 3 ISO 27001 Certification ERM Manual Revised Manual of Approvals | | |
| To determine the required and available competencies and ensure continuous employee learning and development | | | | | | | | | |
| | Percentage of employees provided with at least two (2) training programs per annum | | $\frac{\text{Total No. of Employees Provided with 2 Training Programs}}{\text{Total No. of Employees}}$ | - | 89.73% | - | 90% | | |

For GCG:



RAINIER B. BUTALID
Commissioner

For PSALM:



JOSE EMMANUEL P. REVERENTE
DOF Undersecretary



EMMANUEL R. LEDESMA, JR.
PSALM President/CEO