



**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%	$\frac{\Sigma \text{Capacity of power plant} / \text{IPP contract successfully bid out}}$	-	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:

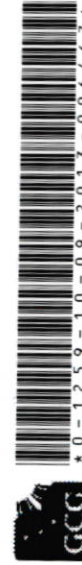


JOSE EMMANUEL P. REVERENTE
DOF Undersecretary



EMMANUEL R. LEDESMA, JR.
PSALM President/CEO

Description	Performance Measures		Baseline Data (if applicable)				Targets	
	Formula	Weight	Data Provider (if applicable)	2010	2011	2012	2013	2014
MFO 1. Financial Management Objective: To reduce financial obligations (FO)	Year-end FO Where: FO refers to debts and IPP lease obligations	17.5%	N/A	Php701.28 billion	Php 696.48 billion	Php662.18 billion	Php638.78 billion	Php614.38 billion
Performance Indicator 1: Reduction of FO								Forex Used 2012 Year-end rate (PHP41.192 = US\$1)
Objective: To minimize forex risk exposure								
Performance Indicator 2: Percent of peso component in financial obligations portfolio	Peso-Denominated FO/(Total FO-IPP lease obligations in USD with counterpart IPPA Payments in USD)	7.5%	N/A	61.8 billion PHP Share 485.1 billion	124.9 billion PHP Share 486.9 billion	146.02 billion PHP Share 475.3 billion	142.3 billion PHP Share 464.3 billion	134.4 billion PHP Share 452.3 billion
Objective: To minimize liquidity risk by maintaining a high collection efficiency for power sales to TSC customers								
Performance Indicator 3: Collection efficiency (CE) for current power sales	Collections from Power Sales in Current Year/ Power Sales in Current Year	4.5%	N/A	-	95.44% PHP43.84 billion PHP44.88 billion	94.95% PHP40.94 billion PHP43.12 billion	95%	95%
Performance Indicator 4: Collection efficiency for non-current power sales	Collections from Non-Current Power Sales/ Receivables from Non-Current Power Sales	3.0%	N/A	-	14.02% PHP 5.42 billion PHP36.67 billion	6.97% PHP 2.18 billion PHP31.32 billion	10%	12%
Objective: To clean accounts retained at NPC's book of accounts	Amount Cleaned/Total Amount for Cleaning	10%	N/A	-	-	-	57%	100%
Performance Indicator 5: Percentage of the amount cleaned	(PS+MOOE) - Bad Debts Total Income				4.02% PHP0.69 billion PHP17.20 billion	4.43% PHP0.74 billion PHP16.73 billion	4%	4%
Performance Indicator 6: Percentage Share of Overhead Expenses on Total Income	Source: Statement of Comprehensive Income	5%	N/A	-	-	-	4%	4%
							Php 6.20 billion Php10.96 billion	Php 4.78 billion Php4.76 billion



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Description	Formula	Weight	Data Provider (if applicable)	Baseline Data (if applicable)				Targets	
				2010	2011	2012	2013	2014	
MFO 1. Financial Management Objective: To reduce financial obligations (FO)	Year-end FO	17.5%	N/A	PhP701.28 billion	PhP 696.48 billion	PhP662.18 billion	PhP638.78 billion	PhP614.38 billion	
Performance Indicator 1: Reduction of FO	Where: FO refers to debts and IPP lease obligations						Forex Used: 2012 Year-end rate (PhP41.192 = US\$1)		
Objective: To minimize forex risk exposure	Peso-Denominated FO/(Total FO-IPP lease obligations in USD with counterpart IPPA Payments in USD)	7.5%	N/A	12.74% 61.8 billion PhP Share 485.1 billion	25.66% 124.9 billion PhP Share 486.9 billion	30.72% 146.02 billion PhP Share 475.3 billion	30.65% 142.3 billion PhP Share 464.3 billion	29.70% 134.4 billion PhP Share 452.5 billion	
Performance Indicator 2: Percent of peso component in financial obligations portfolio									
Objective: To minimize liquidity risk by maintaining a high collection efficiency for power sales to TSC customers	Collections from Power Sales in Current Year/ Power Sales in Current Year	4.5%	N/A	-	95.44% PhP40.84 billion PhP44.88 billion	94.95% PhP40.84 billion PhP43.12 billion	95%	95%	
Performance Indicator 3: Collection efficiency (CE) for current power sales									
Performance Indicator 4: Collection efficiency for non-current power sales	Collections from Non-Current Power Sales/ Receivables from Non-Current Power Sales	3.0%	N/A	-	14.02% PhP 5.42 billion PhP36.67 billion	6.97% PhP 2.18 billion PhP31.32 billion	10%	12%	
Objective: To clean accounts retained at NPC's book of accounts	Amount Cleaned/Total Amount for Cleaning	10%	N/A	-	-	-	57%	100%	
Performance Indicator 5: Percentage of the amount cleaned							PhP 6.20 billion PhP10.96 billion	PhP 4.76 billion PhP4.76 billion	
Objective: To incur overhead expenses at reasonable level (within 5-10% of total income)	(PS+MOOE) - Bad Debts Total Income	5%	N/A	-	4.02% PhP0.69 billion PhP17.20 billion	4.43% PhP0.74 billion PhP16.73 billion	4%	4%	
Performance Indicator 6: Percentage Share of Overhead Expenses on Total Income	Source: Statement of Comprehensive Income								

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Description	Performance Measures				Data Provider (if applicable)	Baseline Data (if applicable)				Targets	
	Formula	Weight	2010	2011		2012	2013	2014			
MFO 2. Asset Management <i>Objective: To reduce operating losses/enhance profitability of remaining power assets</i> Performance Indicator 1: Operating income (loss) margin of remaining power assets <i>where:</i> 1) NOI/L is equal to NJR less Total Costs 2) NJR refers to revenue from sale of electricity net of prompt payment discounts and mandatory rate reduction	$\frac{\text{Net Operating Income (Loss) (NOI/L)/Net Utility Revenue (NUR)}}{\text{Total Costs}}$	7.5%	(20.56%) Loss Margin (Php16.6 billion) Php77.7 billion	(2.77%) Loss Margin (Php1.4 billion) Php50.6 billion	4.43% Profit Margin Php22.4 billion Php53.1 billion	4.7% Profit Margin	4.7% Profit Margin				
Objective: To provide reliable contracted power supply to all customers Performance Indicator 2: Percentage of TSC customers provided with 100% of contracted energy	$\frac{\text{Number of TSC customers provided with 100% of contracted energy/Total Number of TSC Customers}}{\text{Total Number of TSC Customers}}$ <p><i>Note: Customers that are under maintenance/ under consumption and cases of under supply due to force majeure and other cases that is no fault on the part of PSALM shall be excluded in the computation.</i></p>	15.0%	N/A	-	88%	92%	92%				
Objective: To bid out/ dispose of assets Performance Indicator 3: Successfully bid out/negotiated/disposed of capacity (in MW) with Notice of Award	$\frac{\sum \text{Capacity of power plants/IPP contract successfully bid out}}{\text{Total Capacity of power plants/IPP contract}}$	15%	1,568 MW 218 MW: Angat 150 MW: BacMan 1,200 MW: Ilijan	-	-	528 MW 128 MW/PBs 101 to 104 400 MW: Unified Leyte	385.62 MW 153.1 MW: Naga PPC 140 MW: Casacnan 44.52 MW: Mt. Apo 1 48 MW: Mt. Apo 2				
Performance Indicator 4: Gain/(Loss) on Sale from privatization of owned plants and appointment of IPP Administrators	$\frac{\text{Gain on Sale} - (\text{Sale Price} - \text{Book Value} + \text{IPP Costs})}{\text{Sale Price} - \text{Book Value} + \text{IPP Costs}} \times 100$	10%	(8.11%) Loss Php191.7 billion Php208.6 billion	-	-	Break-even (Turnover of Unified Leyte)	11% Gain (Turnover of Angat, PBs 101 to 104, Naga, Casacnan, Mt. Apo 1&2)				






Performance Measures			Baseline Data (if applicable)				Targets	
Description	Formula	Weight	Data Provider (if applicable)	2010	2011	2012	2013	2014
Performance Indicator 5: Area of real estate assets disposed	Σ Land area disposed	2.5%	N/A	228,616 sq. m.	1,506,025 sq. m.	15,536 sq. m.	115,547 sq. m.	2,149,469 sq. m.
Performance Indicator 6: Gain on Sale from disposal of real estate assets	Gain on Sale = ((Sale Price/ Σ Book Value)-1)*100	2.5%	N/A	-25.48% Gain PhP0.097 billion PhP0.131 billion	1,122.41% Gain PhP0.919 billion PhP0.075 billion	24.19% Gain PhP0.019 billion PhP0.016 billion	18% Gain	187% Gain
Total		100%						
General Administrative Services (GAS)								
Quantity 1: Percentage disbursement of statutory obligations under the EPIRA, in accordance with guidelines			N/A		100%	100%	100%	100%
					<ul style="list-style-type: none"> PhP 2.89 billion UC PhP 2.16 billion condensed EC loan PhP 426 million for ER 1-94 PhP 187.3 million for Share in National Wealth 	<ul style="list-style-type: none"> PhP 6.99 billion UC PhP 2.01 billion condensed EC loan PhP 933.8 million for ER 1-94 PhP 193.8 million for Share in National Wealth 	<ul style="list-style-type: none"> Universal Charge Loan Condonation Benefits under ER 1-94 Share in National Wealth of Host Communities 	<ul style="list-style-type: none"> Universal Charge Loan Condonation Benefits under ER 1-94 Share in National Wealth of Host Communities
Quantity 2: No. of business process enhancement program/project implemented			N/A	1 Migration to ISO 9001:2008 Certification	1 ISO 9001:2008 3rd Surveillance Audit	1 Establishment of Budget Control and Monitoring System	1 ISO 9001:2008 Re-Certification	1 ISO 27001 Certification
Organizational Outcome: Liquidated PSALM's financial obligations				8.16%	0.68%	4.93%	3.53%	3.82%
Organizational Outcome Indicator 1: Percent reduction in financial obligations	(Previous Year - Current Year FO) / Previous Year FO		COA Audited FS					
Sector Outcome 1: Reduced PSALM's share in the Consolidated Public Sector Debt (CPSD)	Yearend FO + CPSD		DOF	10.49% PhP701.3 billion PhP6,882.8 billion	9.17% PhP696.5 billion PhP7,593.4 billion	8.80% PhP662.2 billion PhP7,525.2 billion	8.49% PhP638.8 billion PhP7,525.2 billion	8.16% PhP614.4 billion PhP7,525.2 billion
Sector Outcome Indicator 1: PSALM's FO Share in the Consolidated Public Sector Debt							Note: Using 2012 CPDSD Level. No available projected CPDSD.	
Sector Outcome 2: Reduced PSALM's market share in the power generation industry	PSALM's Remaining Capacity + National Grid Capacity		ERC	27.56% Capacity Share 4,022.06 MW 14,593.54 MW	27.01% Capacity Share 4,045.57 MW 14,976.01 MW	26.62% Capacity Share 4,051.15 MW 15,219.63 MW	22.38% Capacity Share 3,517.57 MW 15,717.37 MW	17.93% Capacity Share 2,817.39 MW 15,717.37 MW
Sector Outcome Indicator 2: Reduction in market share of PSALM				Using capacities provided under ERC Resolution No. 20 series of 2010	Using capacities provided under ERC Resolution No. 04 series of 2011	Using capacities provided under ERC Resolution No. 04 series of 2012	Using capacities provided under ERC Resolution No. 03 series of 2013	Using capacities provided under ERC Resolution No. 03 series of 2013


RAIMIER B. BUTALID
 Commissioner, GCG
 10 September 2013


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