

NATIONAL DEVELOPMENT COMPANY
2016 Performance Scorecard Evaluation

Performance Measure						NDC Submission		GCG Evaluation		Supporting Documents	GCG Remarks
	Objectives / Measures	Formula	Weight	Rating Scale	Targets	Actual	Rating	Score	Rating		
SOCIAL IMPACT	SO 1	Increase Value of Strategic Investment									
	SM 1	Increase investment funds in priority areas, such as power and logistics per annum	Amount of investments in priority areas such as power and logistics per annum / Total amount of investments for the year	15%	Actual / Target x Weight	75%	100%	15.00%	No investment in priority areas were approved by the NDC Board of Directors	0.00%	<ul style="list-style-type: none"> • Certification from NDC General Manager on the total value of new strategic investments dated 22 May 2017 • Secretary's Certificate on the disapproval of the NDC Board of the 3.0 MW Mini-Hydropower project in Siaton, Negros Oriental dated 9 May 2017 • Secretary's Certificate stating the approval of the Daram Aqua-culture Project as a corporate social responsibility initiative in Daram, Samar dated 9 May 2017

Performance Measure						NDC Submission		GCG Evaluation		Supporting Documents	GCG Remarks
Objectives / Measures	Formula	Weight	Rating Scale	Targets	Actual	Rating	Score	Rating			
SM 2	Cumulative total value of projects preferably in priority areas	Actual cumulative value of projects endorsed to the Board for approval	15%	Actual Increase / Target Increase x Weight	₱4.2 Billion	₱3.37 Billion	12.00%	₱3.37 Billion	6.63%	<ul style="list-style-type: none"> • Certification from NDC General Manager on the total value of new strategic investments dated 22 May 2017 • Secretary's Certificate stating the disapproval of the NDC Board of Directors of the 3.0 MW Mini-Hydropower project in Siaton, Negros Oriental dated 9 May 2017 • Secretary's Certificate stating the approval of the Daram Aqua-culture Project as a corporate social responsibility initiative in Daram, Samar dated 9 May 2017 	<p>In 2016, the two projects endorsed to the Board are the 3.0 MW Mini-Hydropower in Dumaguete City and the Daram Aqua-culture Project, which costs ₱651.47 Million and ₱5.815 Million, respectively. The total value of projects endorsed to the NDC Board for approval in 2016 is ₱657.29 Million. Adding the 2016 figures to the cumulative total value of projects as of 2015 (₱2,712.50 Million) results in a total of ₱3.37 Billion, which is ₱83 Million below the target.</p> <p>While NDC was accurate in its submitted cumulative total value of projects, there is an error in the computation of the rating based on the agreed upon rating scale. The NDC has derived its rating by dividing the actual (₱3.37 Billion) to the target (₱4.2 Billion) and multiplying it to the designated weight. The agreed rating scale,</p>

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											however, looks at the increase in the value of projects annually. As such, the following formula was followed: (2016 Actual Cumulative Value of Projects - 2015 Actual Cumulative Value of Projects) / (2016 Target - 2015 Actual Cumulative Value of Projects) x Weight Given the above correct formula, the rating of 6.63% was derived.
	Sub-total		30.00%					27.00%		6.63%	
FINANCIAL	SO 2 Sustain Profitability										
	SM 3	Net profit margin	---	10%	Actual / Target x Weight	a) If Dividend Income of Semirara is included, it should be 40.40% b) If Semirara is disposed, then 94.25%	50.62%	N/A	50.62%	10.00%	<ul style="list-style-type: none"> • Computation of net profit margin prepared by NDC's Finance and Administration Department • Audited Statement of Profit or Loss for CY 2016

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											<p>It is in this light that NDC requested to renegotiate this measure to reduce the target under the first scenario and delete the second scenario. It was found that the request for renegotiation is not applicable since the target already considers the possibility of dividend income and no dividend income in the event that NDC shares are transferred to NG. Further, the request is moot since NDC already exceeded the agreed target. As such, the Governance Commission evaluated the performance of NDC based on the first scenario, wherein the target is at 40.40%. Upon validation of the submission of NDC, the Governance Commission arrived at the same net profit margin of 50.62%. Since its actual performance exceeds the target, NDC is given a full weight of 10%.</p>

Performance Measure						NDC Submission		GCG Evaluation		Supporting Documents	GCG Remarks
Objectives / Measures	Formula	Weight	Rating Scale	Targets	Actual	Rating	Score	Rating			
SO 3	Generate Funds from Asset Management										
SM 4	Sales proceeds for the year	Actual amount of sales proceeds	5%	Actual / Target x Weight	a) Semirara is not disposed, ₱33.62 Million b) If Semirara is disposed, ₱4.40 Billion	₱104.80 Million	5.00%	₱104.80 Million	5.00%	<ul style="list-style-type: none"> Summary of the proceeds from sale of properties and amount of collected receivables prepared by NDC's Finance and Administration Cash receipt entries of NDC's payors 	<p>Similar with the previous measure, there are also two targets. With the transfer of shares of the Semirara Mining and Power Corporation in 2015, the target to be adopted is ₱33.62 Million.</p> <p>The total of the submitted cash receipt entries is at ₱104.80 Million. Since its actual performance exceeds the target, NDC is given a full weight of 5%.</p>
SM 5	Lease income	Actual amount of lease income	5%	Actual / Target x Weight	₱152 Million	₱148.18 Million	4.87%	₱148.18 Million	4.87%	<ul style="list-style-type: none"> Summary of the proceeds from sale of properties and amount of collected receivables prepared by NDC's Finance and Administration Cash receipt entries of NDC's payors 	<p>The amount reported by NDC pertains to the collection of rental receivables. NDC was unable to attain its target of a total lease income of ₱152 Million given the actual lease income of ₱148 Million in 2016.</p>

Performance Measure						NDC Submission		GCG Evaluation		Supporting Documents	GCG Remarks	
Objectives / Measures	Formula	Weight	Rating Scale	Targets	Actual	Rating	Score	Rating				
SO 4	Optimize the Economic Value of Portfolio Investments											
SM 6	Return on investments	Amount of returns / Total investment infused net of allowance for impairment and excluding companies for dissolution and pre-operating expenses	10%	Actual / Target x Weight	a) If dividend income of Semirara is included, it should be 22.80% b) If Semirara is disposed, then 8.10%		153.65%	10.00%	153.65%	10.00%	<ul style="list-style-type: none"> Breakdown of the return on investments and amount of dividends received for 2016 Three journal vouchers on dividend income NDC received from ASEAN Bintulu Fertilizer Sdn Bhn dated 29 February, 30 April, and 31 August 2016 Cash receipt entries for cash dividends from Batangas Land Company Inc., Kamayan Realty Corporation, Philippine International Trading Corporation, Pinagkaisa Realty Corporation, and Science Park of the Philippines Inc. 	The total dividend income for CY 2016 amounts to ₱1.08 Billion. While no dividend income was received from Semirara Mining and Power Corporation, the extraordinary increase in the return on investments is due to the dividend remittance of the ASEAN Bintulu Fertilizer Sdn Bhd, which amounted to ₱1.04 Billion. Therefore, NDC was able to exceed its target of 8.10% in 2016.
	Sub-total		30.00%					19.87%		29.87%		

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STAKEHOLDERS	SO 5	Enhance Investment Opportunities of Stakeholders										
	SM 7	Percentage of JV partners/ proponents who rated NDC good or better as partner	Number of partners who rated NDC as good or better as a partner / Total number of JV partners surveyed	5%	Actual / Target x Weight	Satisfactory	100%	5.00%	100%	5.00%	<ul style="list-style-type: none"> A copy of the 2016 Stakeholder Satisfaction Evaluation on NDC's Overall Performance as an Investment Partner, Client and Lessor by a third-party provider, Sustainable Development Solutions 	Sustainable Development Solutions, the third-party provider of the stakeholder satisfaction evaluation of NDC, reported that 100% of the primary stakeholders of NDC are satisfied with the overall performance of NDC as a partner. Further, the average ratings in all the selected indicators of NDC are within 8 to 9 which is considered as "very good" based on the rating scale of 0 to 10.
		Sub-total		5.00%				5.00%		5.00%		
INTERNAL PROCESS	SO 6	Strengthen Investment Management Capability										
	SM 8	Increase the utilization rate of budgeted investment funds for Board-approved projects	Amount utilized for the year / Amount budgeted for the year	10%	Actual / Target x Weight	70%	N/A	N/A	No funds were released The 10% weight shall be subtracted from the total weight of the performance scorecard.	0.00%	<ul style="list-style-type: none"> Secretary's Certificate stating the disapproval of the NDC Board of Directors of the implementation of the NDC Industrial (NDCIE) Project through joint venture with Verzontal 	In 2016, NDC was expecting to release funds for the development of one of its properties in Langkaan, Dasmariñas, Cavite. The property shall be developed into an industrial estate to be implemented through a "develop-lease scheme", wherein NDC would undertake the horizontal development of the land.

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Objectives / Measures	Formula	Weight	Rating Scale	Targets	Actual	Rating	Score	Rating			
										Builders, Inc. dated 09 May 2017 • Summary and schedule of the NDCIE milestones as prepared by NDC	<p>NDC would then lease the developed lots to locators on a long-term basis.</p> <p>The management of NDC was able to secure all the documents needed to carry out the project and conduct due diligence from its part before seeking for the approval of its Board of Directors. However, the Board resolved not to award the contract and directed its management to implement the project under a joint venture scheme. As such, no investment funds were released for the year.</p> <p>For the same reasons, the NDC has requested the measure to be renegotiated by changing the formula to "Amount of investment funds endorsed to the Board for approval of its utilization / Amount budgeted for the year" from "Amount utilized for the year / Amount budgeted for the year".</p>

Performance Measure						NDC Submission		GCG Evaluation		Supporting Documents	GCG Remarks
Objectives / Measures	Formula	Weight	Rating Scale	Targets	Actual	Rating	Score	Rating			
											The GCG acknowledges that the decision not to award the project is grounded on the duty of the Board and Management to exercise extra-ordinary diligence in the conduct of the business of NDC. In view of this, the request for renegotiation is accepted. However, instead of the proposed revision in the formula, the 10% weight for this measure shall be removed.
SO 7	Forge Partnerships with Foreign and Local Groups for Identified Investment Areas										
SM 9	Average TAT for JV or partnership agreements for signing after approval of the NDC Board	Average processing time	10%	(1 - (Actual - Target) / Target) x Weight	45 calendar days	N/A	N/A	No JV or partnership agreements approved	0.00%	<ul style="list-style-type: none"> • Chronology of events on the draft MOA with PNOC-RC for the Solar Rooftop Project • A copy of the e-mail communications between PNOC-RC and NDC • Technical and Financial Study on the Proposed Rooftop Solar PV System 	After obtaining the approval of the NDC Board of Directors in December 2015, the 2016 target of NDC is to partner with the Philippine National Oil Company Renewables Corporation (PNOC-RC) for the solar rooftop project in the Philippine Heart Center (PHC). Based on the representations of NDC, the terms and conditions of the agreement were finalized by both parties

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											<p>in August 2016. However, a change in the base selling price rate used in the financial model brought by the decrease in the rate of Manila Electric Company (Meralco) will render the project not viable based on the investment criteria of NDC. On the basis of this, NDC deferred its participation in the project.</p> <p>Following the aforementioned reason, NDC has requested to renegotiate the strategic measure to "Average TAT for JV or partnership agreements for signing after NDC's legal review" from "Average TAT for JV or partnership agreements for signing after approval of the NDC Board".</p> <p>The Governance Commission finds the justification for the request for renegotiation invalid since the rates of Meralco from 2011-2016 has always been lower than the supposed</p>

Performance Measure						NDC Submission		GCG Evaluation		Supporting Documents	GCG Remarks	
Objectives / Measures	Formula	Weight	Rating Scale	Targets	Actual	Rating	Score	Rating				
											charge rate of PNOC-RC. The request for renegotiation is then denied and consequently the measure is given a zero rating.	
Sub-total			20.00%				N/A		0.00%			
LEARNING AND GROWTH	SO 8	Build a High Performing Team Culture										
	SM 10	PGS Certification	Milestone/s achieved	5%	All or nothing	Proficient	Conferred Proficient	5.00%	PGS Proficient	5.00%	<ul style="list-style-type: none"> A copy of the Proficiency Revalida Report of NDC as prepared by The Institute for Solidarity in Asia 	NDC was conferred as PGS Compliant by the Institute for Solidarity in Asia (ISA) in 2014. By 2016, after demonstrating and accomplishing the requirements set, NDC has become eligible for the third stage of the PGS known as the Proficiency Stage. With a performance rating of 8.47 out of 10, ISA conferred the PGS Proficient status to NDC.
	SM 11	Establishment of a competency model	Milestone/s achieved	5%	All or nothing	Board-approved competency model	Board-approved competency model	5.00%	Board-approved competency model	5.00%	<ul style="list-style-type: none"> Secretary's Certificate stating the approval of NDC's competency model framework dated 09 May 2017 	NDC engaged the services of a third-party consultant, Impact Group, Inc. for their competency model framework. The NDC Board of Directors approved the competency model framework on 06 January 2017.

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Objectives / Measures	Formula	Weight	Rating Scale	Targets	Actual	Rating	Score	Rating			
										<ul style="list-style-type: none"> A copy of the NDC competency framework from a third-party consultant, Impact Group, Inc. 	
SO 9	Institutionalize the Quality Management System										
SM 12	ISO Certification for all process	Milestone/s achieved	5%	All or nothing	Re-certification	Re-certified and certified support processes	5.00%	Re-certified and certified support processes	5.00%	<ul style="list-style-type: none"> A copy of the ISO 9001: 2008 Certificate from TUV SUD Asia Pacific TUV SUD Group 	For 2016, NDC was able to attain a certification for having established and applied a quality management system for the provision of equity investment, project financing, asset management, fund and support services.
	Sub-total		15.00%				15.00%		15.00%		
	TOTAL		100%				66.87%		56.50% out of 90%		
	VALIDATED RATNG								62.78%		



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25 March 2019

MS. MA. LOURDES F. REBUENO
 General Manager (GM)
NATIONAL DEVELOPMENT COMPANY (NDC)
 NDC Building, 116 Tordesillas Street
 Salcedo Village, Makati City

**RE: REQUEST FOR RECONSIDERATION ON THE VALIDATION
 RESULT OF 2016 PERFORMANCE SCORECARD**

Dear GM Rebueno,

This refers to your letter dated 30 January 2019¹, requesting for further appeal to the 0% rating score for SM 9: "Average TAT for JV or Partnership Agreements for signing after the Approval of the NDC Board". NDC proposed to revise the measure, as follows:

	From	To
Measure	Average TAT for JV or Partnership Agreements for Signing after the Approval of the NDC Board.	Average TAT for JV or Partnership Agreements for Signing <u>after review of the NDC's Legal Department.</u>
Target	Within 45 days	Within 45 days

The request was anchored on the following facts:

1. The said feasibility study by PNOC RC on solar projects was validated by GCG as reflected in the validation results of the performance agreement of PNOC RC in 2015;
2. The Department of Energy representative in the NDC Board did not make any representation on the assumptions of the feasibility study;
3. One of NDC's investment mandates that is clear to its Board of Directors, is the consideration and appreciation of the investments' social dimension;
4. Taking into consideration GCG's position of a faulty assumption of a ₱9.50 kwh, using the average rate of ₱6.50 /kwh in 2015 provided by Meralco and adjusting the WACC at 4%, the project is still viable with a projected FIRR of 4.06%, almost equivalent to the floor of the hurdle rate set by the National Economic Development Authority;
5. A MOA has been prepared and reviewed. In fact, it was ready for signing by both NDC and PNOC RC; and
6. It was PNOC-RC who had the reservations in implementing the various Solar Rooftop projects given the reduction of the Meralco rates. This claim is validated by an e-mail

¹ Officially received by the Governance Commission on 30 January 2019.

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message and certification from the PNOC RC dated 22nd of May 2018. PNOC RC is the proponent of the said project.

Foremost, the Governance Commission takes this opportunity to clarify that the acceptance of PNOC RC's target should not be used as a basis or justification to grant the request of NDC as these are two different and independent measures and targets. Second, while NDC argues that the project remains to be viable, the NDC was made aware of PNOC RC's policy that "*our [PNOC RC] contract with government agencies provide that the generation rate could not be higher than the MERALCO rate*"². It should be noted that a Memorandum of Understanding (MOU) between NDC and PNOC RC was entered on 01 October 2013 for possible cooperation and contribution of their respective resources. This assumes that NDC has previous engagements with PNOC RC and was made aware of such policy even before the Solar Rooftop Project³. Hence, consideration of the viability of the project should not only be limited to financial returns to NDC but also in determining whether the project will meet the requirements of the project proponents. Lastly, we reiterate that the denial of the request for reconsideration is due to NDC's failure to determine beforehand that the project may not push thru given the circumstances existing at that time (*i.e. cost efficiency and PNOC RC policy on entering contract with government agencies*). These factors should have been considered by NDC before it engaged with PNOC RC.

In relation to the request of NDC to revise the measure, please note that the same was already considered in the validation of the 2016 Performance Scorecard of NDC. As provided in our letter dated 17 January 2018⁴, the request to revise the measure was denied as the justifications presented is invalid and not acceptable. In addition, note that the proposed revision of the measure is not appropriate for an enterprise scorecard as the same pertains to an output of a particular unit of the corporation and not of the organization. It should be noted that Strategic Measures as presented in the Performance Scorecard are success indicators of the organization as a whole and not of a particular unit or employee.

In view of the foregoing, the request for reconsideration is hereby **DENIED WITH FINALITY.**

FOR YOUR INFORMATION AND GUIDANCE.

Very truly yours,

SAMUEL G. DAGPIN, JR.
Chairman


MICHAEL P. CLORIBEL
Commissioner


MARITES C. DORAL
Commissioner

² E-mail communication from Mr. Alvin John Balagbag dated 22 July 2016 re: NDC-PNOC RC Solar Rooftop Project, Annex E of NDC letter

³ Draft Memorandum of Agreement as of 18 February 2016, Annex D of NDC letter.

⁴ Officially received by the NDC on 26 January 2018.



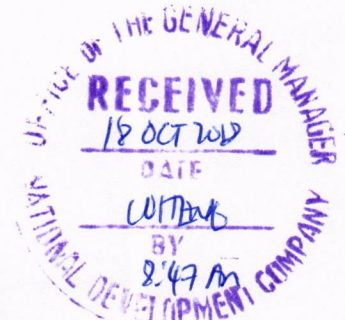
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05 October 2018

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MR. RAMON M. LOPEZ
DTI Secretary and Chairperson
MS. MA. LOURDES F. REBUENO
General Manager (GM)

NATIONAL DEVELOPMENT COMPANY (NDC)
NDC Building, 116 Tordesillas Street, Salcedo Village
Makati City



**RE: APPEAL FOR RECONSIDERATION ON THE
VALIDATION RESULT OF 2016 PERFORMANCE
SCORECARD OF NDC**

Dear DTI Secretary Lopez and GM Rebueno,

This refers to the letter of NDC dated 31 May 2018¹, requesting for reconsideration on three (3) Strategic Measures (SMs) under the GCG-validated 2016 Performance Scorecard². The SMs requested for reconsideration and its corresponding weight are as follows:

1. SM1: Increase Investment in Priority Areas, such as Power and Logistics per Annum (15%);
2. SM2: Cumulative Total Value of Projects Preferably in Priority Areas (15%); and,
3. SM9: Average TAT for JV or Partnership Agreements for Signing after Approval of the NDC Board (10%).

Under the validated 2016 Performance Scorecard, NDC garnered a final score of **62.78%**. To address its appeal on the three (3) identified SMs, the justifications of NDC will be discussed in the paragraphs hereunder.

ON SM1: Increase Investment in Priority Areas, such as Power and Logistics per Annum

By virtue of Presidential Decree No. 1648³, NDC is mandated to pursue commercial, industrial, agricultural or mining ventures in order to give the necessary impetus to national economic development by equity investment, project financing, and fund sourcing. In line with this, NDC identifies priority areas which needs support from the government. For 2016, NDC identified that the priority areas were power/energy and logistics. In line with this, the strategic investments for 2016 include the 3.0 MW Mini-Hydropower in Dumaguete City and the Daram Aqua-culture Project

¹ Officially received by the Governance Commission on 01 June 2018.

² Letter of the Governance Commission to NDC dated 17 January 2018.

³ Reorganizing the National Development Company and Establishing a Revised Charter Therefor, dated 25 October 1979.

with the Philippine Business for Social Progress. However, based on the submission of the supporting documents of NDC, in a Board of Directors meeting on 06 January 2017, the Board decided to approve only the Daram Aqua-culture Project. Validation of the submitted supporting documents showed that the Daram Aqua-culture Project was not considered as an investment project as the Secretary's Certificate approving the said project stated that it is a corporate social responsibility initiative. As such, no merit was given for this measure.

NDC, in its appeal, acknowledges that the Daram Aqua-Culture Project is classified under its Corporate Social Responsibility (CSR) investments. However, NDC also mentioned that its CSR initiatives are not the usual "philanthropic" activity because it adopts the strategy of Sustainable Value Creation (SVC), which is a core business strategy that generates measurable profit and community benefit. The financial due diligence conducted revealed that the said project is financially attractive. Furthermore, NDC argued that any activity which yields measurable profits, no matter how minimal, is a form of investments. Moreover, per mandate of NDC, any undertaking requiring funds for any form of development is a form of investment. The strategy and business model of NDC CSR is part of the directives issued by the NDC Chairperson in 2016.

As provided in the project brief, NDC will finance the construction of warehouse facilities and ice cold storage equipment amounting to ₱2.2 Million. The said facilities will be leased out under a lease-to-own arrangement with its project partners. Based on our evaluation, we find that this project is well within the area of logistics which was identified by NDC as its priority sector in 2016. Further, the Governance Commission acknowledges that the mandate of NDC as an investment arm of the National Government also involves financing development-oriented projects that generate measurable profit which at the same time foster social benefits. We find this consistent with the policy of the National Government on the potential of GOCCs as significant tools for economic development while maintaining fiscal viability. Given that this is the only investment project approved by the Board in 2016, this satisfies the target to invest at least 75% in priority areas. In view of this, the Governance Commission hereby **INCREASES** the rating of this measure from 0% to 15.00%.

ON SM2: *Cumulative Total Value of Projects Preferably in Priority Areas*

This measure presents the actual value of projects endorsed to the Board of Directors of NDC. However, the endorsement to the Board does not necessarily guarantee that the project will be approved. Thus, the cumulative value is a combination of projects approved and disapproved by the Board. Also, there is a need to emphasize that the project cost may not automatically equal to the amount NDC will invest in the project. In most of the cases, NDC does not fully fund a project. The target for 2016 was ₱4.2 Billion cumulative value of investments, of which NDC reported that in 2016 it realized an actual cumulative value of investments amounting to ₱3.37 Billion, which is ₱83 Million below the target.

In its appeal, NDC proposed to revise the corrected rating scale from "Actual Increase / Target Increase x Weight" to "**Actual Cumulative Value / Target Cumulative Value x Weight**". NDC requested that its efforts in the past, given a

change of the new administration's plans and program in the middle of the year, be considered.

To put into proper perspective, the Governance Commission would like to remind that this particular measure is a manifestation of NDC's realization of its Strategic Objective which is to Increase Value of Strategic Investment. Such realization of the objective will continue to ensure that the organization becomes financially sustainable and to monitor the increase in investments with the efforts of NDC. The relative importance of this measure is also shown as it is put on top of the Strategy Map denoting its importance as a strategy of the corporation to realize its vision and perform its mandate.

While the Governance Commission recognizes the efforts extended by NDC, both in the past and during 2016, the Performance Evaluation System as a framework to reward and recognize performance is focused mainly not only on efforts extended, but by which an organization is able to deliver its mandate through verifiable outputs and outcomes. While efforts are to be recognized, rewards are only given to extraordinary performance which resulted to generation and realization of target outputs and outcomes. Moreover, the request of NDC to modify the formula to give recognition to its efforts in the past is unacceptable, past efforts were already given due recognition in previous years' validation which may have allowed NDC to grant performance-based bonus to its officers and employees. In this regard, the request for reconsideration is **DENIED**, the 6.63% score of NDC for SM 2 is **RETAINED**.

ON STRATEGIC MEASURE 9: Average TAT for JV or Partnership Agreements for Signing after Approval of the NDC Board

NDC's primary mandate is to undertake investments that are aligned with the government's economic thrusts. One of its investment priority sector is the development and operation of renewable energy sources. The 2016 target of NDC is to partner with the PNOC-RC for a solar rooftop project in the Philippine Heart Center (PHC). The terms and conditions of the agreement were finalized by both parties in August 2016. However, since the rate of the Manila Electric Company (Meralco) decreased, the base selling price used in the financial model at the rate of ₱9.50 per kWh will also decrease, rendering the project unfeasible based on NDC's investment criteria. With this, NDC deferred its participation in the project.

In its request for reconsideration, NDC provided documentation that the project can no longer be pursued due to "*reasons beyond the control of the parties*". While circumstances presented are understandable, the grant of the 0% score was based on the representations and assumptions made by the NDC.

Based on the representations made, the viability of the project is anchored on the assumption that the selling price of PNOC-RC is ₱9.50 per kWh and that there will be an annual increase in the Meralco rate. In this assumption, the viability of the project is centered on the business model that installing a solar rooftop will be cost efficient (flat rate of ₱9.50 rate per kWh vs. existing Meralco rate and projected annual increase), thereby reducing the electricity expenses of PHC using solar energy.

However, since mid-2015, a steady decrease in the rates per kWh was shown by the reports from Meralco. Thus, even before the finalization of the terms and conditions

Appeal for Reconsideration of the Validation Result of 2016 Performance Scorecard of NDC

of the contract with PNOC-RC on August 2016, the project was already not viable. Moreover, the business viability of the project was apparently anchored on a faulty assumption (i.e. *annual increase in Meralco rate*) considering that the electricity rate of Meralco is governed by the law of demand and supply. The lack of due diligence on the part of NDC, was the primary consideration on the grant of 0% score. In line with this, the 0% score given to the said measure is hereby **RETAINED** and the request for renegotiation is **DENIED** by the Governance Commission.

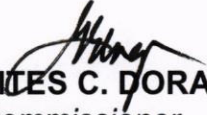
Foregoing considered, the 2016 validated weighted-average score of NDC is hereby **MODIFIED** from 62.78% to **79.44%**. However, NDC remains to have failed to achieve the required weighted-average score of at least 90% in the 2016 Performance Scorecard, therefore, disqualifying NDC to grant 2016 Performance Based Bonus to its officers and employees.

FOR YOUR INFORMATION AND GUIDANCE.

Very truly yours,


SAMUEL G. DAGPIN, JR.
Chairman


MICHAEL P. CLORIBEL
Commissioner


MARITES C. DORAL
Commissioner