

**POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION (PSALM)  
Validated Performance Scorecard 2016**

Component			Target	Accomplishment		GCG Validation		Supporting Documents	Remarks													
Objective/Measure	Formula	Weight	2016	Actual	Rating	Score	Rating															
<b>SO 1</b>	<b>Reduced Financial Obligation (FO)</b>																					
FINANCIAL SM 1	Amount of net reduction in FO	Previous Year's FO - Current Year's FO	30%	₱ 60.45 Billion (from ₱ 550.81 B to ₱ 490.37 B) Forex Used: 2015 Year-end rate (Ph₱ 47.166 = US\$1)	₱ 65.22 Billion (Reduction from ₱ 550.81 B to ₱ 485.59 B) Forex Used: 2015 Year-end rate (Ph₱ 47.166 = US\$1)	30%	₱ 65.22 Billion (Reduction from ₱ 550.81 B to ₱ 485.59 B) Forex Used: 2015 Year-end rate (Ph₱ 47.166 = US\$1)	30%	<ul style="list-style-type: none"> <li>PSALM's report on SM 1</li> <li>2016 Statement of Financial Position</li> </ul>	PSALM's Total FO is composed of its Debts (A) and IPP Lease Obligations (B).												
										<table border="1"> <tr> <td>FO denominated in various currencies</td> <td>₱ Equivalent as of 2016 (In Billions) (using 2015 year-end FOREX)</td> </tr> <tr> <td align="center" colspan="2"><b>(A) Debts</b></td> </tr> <tr> <td>NPC Contracted Debt (Pre-EPIRA), net</td> <td align="right">14.24</td> </tr> <tr> <td>NPC Contracted Debt (EPIRA), inclusive of Quarterly Assigned Petroleum Adjustment (QAPA) due to DOE – Prior to Asset-Debt Transfer</td> <td align="right">2.37</td> </tr> <tr> <td>PSALM Contracted Debt, net</td> <td align="right">250.25</td> </tr> <tr> <td><b>Subtotal Debt</b></td> <td align="right"><b>266.86</b></td> </tr> <tr> <td align="center" colspan="2"><b>(B) Lease Obligation</b></td> </tr> <tr> <td>NPC Contracted Obligation (Pre-EPIRA)</td> <td align="right">162.28</td> </tr> <tr> <td>NPC Contracted Obligation (EPIRA) – Prior to Asset-Debt Transfer</td> <td align="right">56.45</td> </tr> <tr> <td><b>Subtotal Lease Obligation</b></td> <td align="right"><b>218.73</b></td> </tr> <tr> <td><b>TOTAL FO</b></td> <td align="right"><b>485.59</b></td> </tr> </table>	FO denominated in various currencies	₱ Equivalent as of 2016 (In Billions) (using 2015 year-end FOREX)	<b>(A) Debts</b>		NPC Contracted Debt (Pre-EPIRA), net	14.24	NPC Contracted Debt (EPIRA), inclusive of Quarterly Assigned Petroleum Adjustment (QAPA) due to DOE – Prior to Asset-Debt Transfer	2.37	PSALM Contracted Debt, net	250.25	<b>Subtotal Debt</b>	<b>266.86</b>
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By using the 2015 FOREX rate, PSALM targeted to reduce its FO from ₱550.81 Billion in 2015 to ₱490.37 Billion in 2016 or by ₱60.45 Billion. Based on GCG's evaluation, PSALM reduced its FO in 2016 by ₱65.22 Billion or 108% of ₱60.45 Billion. Thus, PSALM achieved 30% for this indicator.																						
The following are the applicable forex as of 31 December 2015:																						
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Objective/Measure	Formula	Weight	2016	Actual	Rating	Score	Rating																						
<b>SO 2</b>	<b>Ensured Strong Financial Performance</b>																												
SM 2	Collection efficiency (CE) for current power sales	$\frac{\text{Collections from Current Power Sales}}{\text{Current Power Sales}}$	10%	95.00%	96.34% ₱ 16.304 B ₱ 16.923 B	10%	96.34% ₱ 16.304 B ₱ 16.923 B	10%	<ul style="list-style-type: none"> <li>2016 Power Receivables – Collection Efficiency (Current)</li> </ul> <p>CE decreased by 0.96% from 97.30% in 2015 to 96.34% in 2016.</p> <p>The formula used for CE-current power sales is:</p> <p align="center">Collection from current customers + credit memo for power purchase discount (PPD) + <u>Technical credit memos</u> Total power sales + Debit Memo</p> <p>Computation is as follows (In ₱ Million):</p> <table border="1"> <thead> <tr> <th>Region</th> <th>Collection</th> <th>Billing</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Luzon</td> <td>4,838.54</td> <td>4,838.54</td> <td>100</td> </tr> <tr> <td>Visayas</td> <td>84.63</td> <td>84.89</td> <td>99.68</td> </tr> <tr> <td>Mindanao</td> <td>11,380.76</td> <td>11,999.70</td> <td>94.84</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>16,303.93</b></td> <td><b>16,923.13</b></td> <td><b>96.34</b></td> </tr> </tbody> </table>	Region	Collection	Billing	%	Luzon	4,838.54	4,838.54	100	Visayas	84.63	84.89	99.68	Mindanao	11,380.76	11,999.70	94.84	<b>TOTAL</b>	<b>16,303.93</b>	<b>16,923.13</b>	<b>96.34</b>
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SM 3	Percentage share of overhead expenses on total income	$\frac{[(PS+MOOE) - \text{Bad Debts}]}{\text{Total Income}}$	7.50%	3.00%	1.76% ₱ 0.409 B ₱ 23.204 B	7.50%	1.76% ₱ 0.409 B ₱ 23.204 B	7.50%	<ul style="list-style-type: none"> <li>Percentage Share of Overhead Expenses to Total Income Report</li> <li>2016 Statement of Financial Performance</li> </ul> <p>Computation is as follows (In ₱ Billion):</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>PS</td> <td>0.135</td> </tr> <tr> <td>MOOE</td> <td>1.257</td> </tr> <tr> <td>Less: Bad Debts</td> <td>(0.984)</td> </tr> <tr> <td></td> <td>0.409</td> </tr> <tr> <td>Income</td> <td>23.204</td> </tr> <tr> <td>%</td> <td>1.76%</td> </tr> </tbody> </table>	Particulars	Amount	PS	0.135	MOOE	1.257	Less: Bad Debts	(0.984)		0.409	Income	23.204	%	1.76%						
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SM 4	EBITDA margin of remaining power assets	$\frac{\text{EBITDA of Remaining Power Assets}}{\text{Net Utility Revenue}}$	7.50%	26.44% ₱ 6.55 Billion ₱ 24.77 Billion	12.05% ₱ 3.038 B ₱ 25.218 B	3.42%	(Excluded) (Excluded)	(Excluded)	<ul style="list-style-type: none"> <li>EBITDA Margin of Remaining Power Plants</li> <li>Operating Results by Region</li> </ul> <p>In a letter dated 7 October 2016, PSALM requested for the revision of target to 3.59%, ₱ 0.90 Billion EBITDA over ₱25.15 Billion NUR.</p> <p>PSALM offered the following justifications:</p> <ul style="list-style-type: none"> <li>The target was recomputed to capture the changes in power plants lined up for privatization in 2016 (Mindanao Coal and Unified Leyte), and the actual 1st Quarter 2016 Results of Operations (ROO);</li> <li>the El Niño phenomenon; and</li> <li>the isolation of Agus 1 and 2 due to the bombing of transmission Tower No. 25 on 24 December 2015. Connection was restored only on 14 March 2016.</li> </ul>																				

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Objective/Measure		Formula	Weight	2016	Actual	Rating	Score	Rating																										
											As per evaluation, the foregoing justifications are beyond the control of PSALM. Accordingly, the measure and target on EBITDA Margin shall be excluded.																							
		<b>Sub-total</b>				<b>50.92%</b>		<b>47.50%</b>																										
<b>CUSTOMERS/STAKEHOLDERS</b>	<b>SO 3</b>	<b>Implemented Fair and Transparent Privatization Program</b>																																
	<b>SM 5</b>	Successfully privatized capacity (in MW)*	$\Sigma$ Capacity of power plant IPP contract successfully bid out	20%	1,122 MW (200 MW: Mindanao Coal, 32 MW: PB 104, 40 MW: UL Security, 850 MW: Sucat Decommissioned Plant)	882 MW (32 MW: PB 104, 850 MW: Sucat Decommissioned Plant)	16.15%	882 MW (32 MW: PB 104, 850 MW: Sucat Decommissioned Plant)	16.15%	<ul style="list-style-type: none"> <li>• PBAC Resolution No. 2016-018</li> <li>• Joint Certificate of Turn-Over dated 30 June 2016</li> <li>• PSALM's Sales Invoice No. 2</li> </ul>	<p>The power barge (PB 104) was successfully turned over to SPC Power Corporation, on 30 June 2016.</p> <p>As regards to sale of 850 MW Sucat Decommissioned Plant, there was a declaration of failure of 2nd round of bidding due to the fact that none of the three bidders meet the Reserve Price.</p> <p>Below is the distribution of weights on each privatized plant based on its capacity: [(MW/882) x Grade x 20%]</p> <table border="1"> <thead> <tr> <th>Asset</th> <th>MW</th> <th>Grade</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td>PB104</td> <td>32</td> <td>100%</td> <td>0.73%</td> </tr> <tr> <td>Sucat</td> <td>850</td> <td>80%</td> <td>15.42%</td> </tr> <tr> <td>Mindanao Coal</td> <td>200</td> <td>-%</td> <td>-%</td> </tr> <tr> <td>UL Security</td> <td>40</td> <td>-%</td> <td>-%</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>882</b></td> <td></td> <td><b>16.15%</b></td> </tr> </tbody> </table> <p>As per GCG evaluation, the 200 MW Mindanao Coal is excluded from the target due to the continuing opposition from stakeholders/local government units. Subsequently, the 40 MW UL Security Strip is excluded from the target because it is still subject to DOE's policy direction on its inclusion in the privatization of the UL Bulk Energy. Accordingly, it is appropriate to exclude them in the target since both situations are not under the control of the Company.</p>	Asset	MW	Grade	Weight	PB104	32	100%	0.73%	Sucat	850	80%	15.42%	Mindanao Coal	200	-%	-%	UL Security	40	-%	-%	<b>TOTAL</b>	<b>882</b>	
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SM 6	No. of lots disposed under strategic plan**	$\frac{\sum \text{Lots disposed}}{\text{Total lots titled to PSALM}} \times 100$	3%	6 Bataan CCPP(3) Bohol(3)	12 Bataan CCPP(3) Bohol(2) Tiwi-Makban(7)	2.60%	6 Bataan CCPP(3) Bohol(2) Tiwi-Makban(1)	2.60%	<ul style="list-style-type: none"> <li>Letter fr PSALM to Panasia Energy Inc. dated 8 Sept 2016 and 14 Nov 2016 re Option Existence Notice for Optioned Assets under the Land Lease Agreement for Limay (Bataan) Combined Cycle Power Plant</li> <li>Letter fr PSALM to AP Renewables, Inc. dated 13 Sept 2016 re Option Existence Notice for Optioned Assets under the Land Lease Agreement for Makban Geothermal Power Plant</li> <li>Letter fr PSALM to SIPC re Purchase Price for Optioned Assets under the Land Lease Agreement for the Panay and Bohol Diesel Power Plants</li> <li>PSALM OR No. 8986</li> </ul>	<p>By the end of 2016, only two (2) lots in Bohol completed the disposal process. The rest were only up to the issuance of Option Existence Notice (OEN).</p> <p>Below is the distribution of weights on each lot disposed: [(Lots/6) x Grade x 3%]</p> <table border="1"> <thead> <tr> <th>Asset</th> <th>Lots</th> <th>Grade</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td>CCPP</td> <td>3</td> <td>80%</td> <td>1.20%</td> </tr> <tr> <td>Bohol</td> <td>2</td> <td>100%</td> <td>1.00%</td> </tr> <tr> <td>Makban</td> <td>1*</td> <td>80%</td> <td>0.40%</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>6</b></td> <td></td> <td><b>2.60%</b></td> </tr> </tbody> </table> <p>*Only one (1) lot is considered as an accomplishment to complete the total of six (6) targeted lots.</p>	Asset	Lots	Grade	Weight	CCPP	3	80%	1.20%	Bohol	2	100%	1.00%	Makban	1*	80%	0.40%	<b>TOTAL</b>	<b>6</b>		<b>2.60%</b>
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SM 7	Percent of Excluded Assets Disposed*	$\frac{\Sigma \text{ Excluded assets disposed}}{\text{Target excluded assets for disposal}}$	3%	100% (Palinpinon, Bohol, BacMan, Ormat, Aplaya, Masinloc, Maibarara, Navotas and Angat)	100% (Palinpinon, Bohol, BacMan, Cebu, Aplaya, Masinloc, Maibarara, Navotas, and Angat)	2.33%	77.78% (Palinpinon, Bohol, Cebu, Aplaya, Masinloc, Maibarara, Navotas, and Angat)	2.33%	<ul style="list-style-type: none"> <li>• Notice of Award to Izbanda Enterprises dated 7 Oct 2016</li> <li>• Notice to Proceed to Izbanda Enterprises dated 19 Oct 2016</li> </ul> <p>Upon evaluation, Notice of Award and Notice to Proceed were issued to Izbanda Enterprises for Cebu, Bohol, Palinpinon and Aplaya. PSALM has not yet conducted bidding for excluded assets in Ormat and BacMan. On the other hand, assets in Masinloc, Maibarara, Navotas and Angat were not yet disposed due to failure of biddings.</p> <p>Below is the distribution of weights on each excluded asset: <math>[(Qty/9) \times Grade \times 3\%]</math></p> <table border="1"> <thead> <tr> <th>Asset</th> <th>Qty</th> <th>Grade</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td>Palinpinon</td> <td>1</td> <td>95%</td> <td>0.32%</td> </tr> <tr> <td>Bohol</td> <td>1</td> <td>95%</td> <td>0.32%</td> </tr> <tr> <td>BacMan</td> <td>1</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>Ormat</td> <td>-</td> <td>-%</td> <td>-%</td> </tr> <tr> <td>Cebu</td> <td>1</td> <td>95%</td> <td>0.31%</td> </tr> <tr> <td>Aplaya</td> <td>1</td> <td>95%</td> <td>0.31%</td> </tr> <tr> <td>Masinloc</td> <td>1</td> <td>80%</td> <td>0.27%</td> </tr> <tr> <td>Maibarara</td> <td>1</td> <td>80%</td> <td>0.27%</td> </tr> <tr> <td>Navotas</td> <td>1</td> <td>80%</td> <td>0.27%</td> </tr> <tr> <td>Angat</td> <td>1</td> <td>80%</td> <td>0.26%</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>9</b></td> <td></td> <td><b>2.33%</b></td> </tr> </tbody> </table>	Asset	Qty	Grade	Weight	Palinpinon	1	95%	0.32%	Bohol	1	95%	0.32%	BacMan	1	0%	0%	Ormat	-	-%	-%	Cebu	1	95%	0.31%	Aplaya	1	95%	0.31%	Masinloc	1	80%	0.27%	Maibarara	1	80%	0.27%	Navotas	1	80%	0.27%	Angat	1	80%	0.26%	<b>TOTAL</b>	<b>9</b>		<b>2.33%</b>
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<b>SO 4</b>	<b>Provided Reliable Power Supply</b>																																													
SM 8	Forced Outage Hours (FOH) of plants under OMA with NPC	FOH per unit per year (FOH as defined under OMA Performance Standards for Operating Plants)	4%	24 hours per unit per year	Less than 24 FOH: 16 Units More than 24 FOH: 2 Units Shutdown: 2 Units For privatization: 4 Units	3.56%	Less than 24 FOH: 16 Units More than 24 FOH: 2 Units Shutdown: 2 Units For privatization: 4 Units	3.56%	<ul style="list-style-type: none"> <li>Annual Monitoring Report</li> <li>Performance Standards and Measurement System for Operating Plants CY 2016</li> </ul>	<p>This is based on the following graduated scale: (Number of hours)</p> <table border="1"> <thead> <tr> <th>From</th> <th>To</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>-</td> <td>24</td> <td>100%</td> </tr> <tr> <td>24.01</td> <td>35.00</td> <td>96%</td> </tr> <tr> <td>35.01</td> <td>47.99</td> <td>92%</td> </tr> <tr> <td>48.00</td> <td>59.99</td> <td>88%</td> </tr> <tr> <td>60.00</td> <td>71.99</td> <td>84%</td> </tr> <tr> <td>72.00</td> <td>83.99</td> <td>80%</td> </tr> <tr> <td>84.00</td> <td>And up</td> <td>0%</td> </tr> </tbody> </table> <p>Below is the distribution of weights of the functional units on each score: [(No. of Units/18) x Score x 4%]</p> <table border="1"> <thead> <tr> <th>No. of Units</th> <th>Score</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td>16</td> <td>100%</td> <td>3.56%</td> </tr> <tr> <td>2</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>18</td> <td></td> <td>3.56%</td> </tr> </tbody> </table>	From	To	Score	-	24	100%	24.01	35.00	96%	35.01	47.99	92%	48.00	59.99	88%	60.00	71.99	84%	72.00	83.99	80%	84.00	And up	0%	No. of Units	Score	Weight	16	100%	3.56%	2	0%	0%	18		3.56%
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<b>SO 5</b>	<b>Improved Customer's Relation and Service Delivery</b>																																													
SM 9	Average satisfaction rating on frontline services	$\frac{\sum \text{Survey Rating}}{\text{Total no. of customers surveyed}}$	2%	≥Satisfactory Rating	Satisfactory	2%	Satisfactory	2%	<ul style="list-style-type: none"> <li>PSALM's Final Report on Customer Satisfaction Survey by CASI Research</li> </ul>	<p>PSALM tapped the services of CASI Research to administer its Customer Satisfaction Survey. The survey had a 94% response rate, consisting of customers under <i>Contracting</i> (46/50) and <i>Billing and Collection</i> (48/50). A margin of error is computed at 3% for the 2016 Customer Satisfaction Study. Based on the survey report prepared by CASI Research, customers deemed the services of PSALM as satisfactory with a 3.12 and 2.82 overall weighted average scores for <i>Contracting</i> and <i>Billing/Collection</i> experience, respectively.</p>																																				
	<b>Sub-total</b>		<b>32%</b>			<b>26.64%</b>		<b>26.64%</b>																																						

CUSTOMERS/STAKEHOLDERS

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<b>SO 6</b>	<b>Adopted Effective and Efficient Financial Management System and Operational Standards</b>									
SM10	Universal Charge (UC) Remittance Efficiency of Collecting Entities	$\frac{\Sigma \text{ UC Actual Remittance}}{\text{Total UC Collection}}$	3%	97%	98.48% ₱ 25.434 B ₱ 25.827 B	3%	98.48% ₱ 25.434 B ₱ 25.827 B	3%	<ul style="list-style-type: none"> <li>Percentage of Remittance to PSALM over UC Collected by Collecting Entities</li> <li>2016 Remittance Efficiency</li> </ul>	Validated with internal documents.
SM11	No. of business process enhancement program/project implemented	$\Sigma$ Actual no. of Business Process Implemented	3%	3 (QMS Re-certification, ISMS Re-certification, Integrated NCAS)	2 (QMS Re-certification, Integrated NCAS)	2.85%	1 QMS Certification (ISO 9001:2015)	1.5%	<ul style="list-style-type: none"> <li>ISO 9001:2015 Certificate</li> <li>New Computerized Accounting System (Modules deployed)</li> </ul>	<p>PSALM requested renegotiation of target to "QMS (ISO 9001:2015) Certification Upgrade; Integrated NCAS" excluding the originally committed ISMS re-certification. PSALM maintains that the QMS certification upgrade (ISO 9001:2015) already includes management of risks on information security management system making the ISMS re-certification redundant and impractical.</p> <p>PSALM secured its ISO 9001:2015 in 2016 but was only able to deploy modules for the NCAS.</p> <p>Target on ISMS Re-certification excluded.</p> <p>Request for renegotiation of the target and proposed graduated rating system for NCAS denied.</p>
<b>Sub-total</b>		<b>6%</b>			<b>5.85%</b>		<b>4.5%</b>			

INTERNAL PROCESS

**POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION (PSALM)  
Validated Performance Scorecard 2016**

	Component			Target	Accomplishment		GCG Validation		Supporting Documents	Remarks	
	Objective/Measure	Formula	Weight	2016	Actual	Rating	Score	Rating			
<b>LEARNING AND GROWTH</b>	<b>SO 7</b>	<b>Enhanced Competency and Skills of Employees</b>									
	SM12	Average percentage of required competencies met	$\frac{\sum_{b=1}^B \left[ \frac{\sum_{a=1}^A (\text{Actual Competency Level})}{(\text{Required Competency Level})} \right]_a}{B}$ Where: a = Competency required A = Total number of competencies required of position b = Personnel profiled B = Total number of personnel profiled	2%	Establish Baseline	86.67%	2%	86.67%	2%	• Competency-Based Human Resource Framework – Baseline of Competencies Met	Validated with internal documents.
	SM13	Restructuring	N/A	5%	Submission of Board-approved Restructuring Plan	Presented to the Board the DAP's Initial Findings and Recommendations on PSALM's Reorganization Plan	0%	Presented to the Board the DAP's Initial Findings and Recommendations on PSALM's Reorganization Plan	0%	• Memorandum for PSALM Board	The proposed Reorganization Plan was approved by the Management on 28 November 2016. The Initial Findings and Recommendations of consultant was presented to the PSALM Board on 15 December 2016.
		<b>Sub-total</b>		<b>7%</b>			<b>2%</b>		<b>2%</b>		
		<b>Total</b>	<b>92.50%</b>			<b>85.41%</b>		<b>80.64%</b>			

**PSALM Validated Score: 80.64% = 87.18%  
92.50%**

\*Based on the following graduated scale:

Project Stages	%
Turnover	100%
Issuance of Notice of Award	95%
Declaration of Highest Bidder	90%
Submission of Bids	80%

\*\*Based on the following graduated scale:  
If Public Bidding:

Project Stages	%
Turnover	100%
Issuance of Notice of Award	95%
Declaration of Highest Bidder	90%
Submission of Bids	80%

If through Option Existence Notice (OEN):

Project Stages	%
Payment	100%
Completion of Sale Documents	95%
Acceptance by SGC	90%
Issuance of OEN	80%