

## **PSALM BOARD REVIEW AND APPROVAL OF PSALM'S VISION AND MISSION STATEMENTS, CORPORATE OBJECTIVES AND STRATEGIES**

On 23 July 2019, the PSALM Board through Board Resolution 2019-0723-01 approved PSALM's CY 2020 Charter Statement and Strategy Map (PES Form 1) consisting of PSALM's (i) Mission, (ii) Vision, (iii) Core Values consistent with its mandates, and (iv) the Strategy Map that illustrates the integrated set of strategic choices or objectives concerning (a) Financial, (b) Customers/Stakeholder, (c) Internal Processes, and (d) Learning and Growth Perspectives to attain the twin objectives of Liability Management and Asset Management and Privatization.

The PSALM Board approved and confirmed the following documents and their submission to the Government Commission for GOCCs (GCG) in compliance with the GCG's Performance Evaluation System (PES):

### **1. GCG PES Forms:**

- 1.1 PES Form 1: Charter Statement and Strategy Map
- 1.2 PES Form 2: Performance Scorecard
- 1.3 PES Form 2a: Quarterly Targets
- 1.4 PES Form 3: Strategic Initiatives Profile

### **2. Other Documentary Requirements:**

- 2.1 Indicative Privatization Schedule for PSALM's Remaining Assets
- 2.2 FY 2020 Proposed Corporate Operating Budget (COB) as submitted to the Department of Budget and Management (DBM)
- 2.3 Briefer on Highlights of CY 2020 Proposed COB, Actions Requested by PSALM to be Undertaken by the State in order for the Performance Targets to be realizable, such as: approval of loans/borrowings, tariff adjustments, collection of receivables, and Names and Contact Details of PSALM's Official Representative for its PES submission

### **3. Board Resolution approving the Proposed CY 2020 Performance Scorecard and the foregoing documents for consideration of the GCG.**

Pursuant to the GCG Notice dated 04 September 2020 on the *Recalibration of Targets in the 2020 Performance Scorecards of Government-Owned and Controlled Corporations (GOCCs)* due to the effects of the ongoing pandemic, the PSALM Board through Board Resolution No. 2020-0928-01 approved the proposed recalibration of

three (3) Strategic Measures (SM), namely: SM 3 (Amount of Delinquent/Overdue Accounts Collected), SM 5 (EBITDA Margin of Remaining Power Assets), and SM 9 (No. of Lots Disposed under Strategic Plan).

The PSALM Board likewise oversees the implementation of PSALM's strategies. For this year and in response to the pandemic and the Advisories and Guidelines issued by the Department of Energy (DOE) and the Energy Regulatory Commission (ERC), the PSALM Board approved the implementation of a minimum of thirty (30)-day grace period and staggered payment without interests, penalties and other charges to all payments due during the community quarantine period. This is to help mitigate the economic impact of the health pandemic on the entire electric power value chain that includes the generation companies, transmission utility, and distribution utilities.

Another important matter is the fiscal space of the government which is a major consideration in the approval of the *Murang Kuryente Act* (MKA) yearly fund allocation for calculated amounts of stranded debts (SD) and stranded contracts costs (SCC) and the projected shortfalls. The PSALM Board directed Management to strengthen its collaborative efforts with the Department of Finance (DOF) and the Senate to secure their commitment in championing the objectives of the MKA. Due to limitation of the government's fiscal space, SD and SCC amounts and projected shortfalls that will not be covered by the allocation will eventually be funded through additional borrowings.

To expedite the privatization of PSALM's remaining generation assets, the Board approved the Management's recommendation to subject the 650-megawatt (MW) Malaya Thermal Power Plant (MTPP) to a third-party appraisal in determining the current value of the said assets from previous failed biddings and the changes and recent developments in the business environment. The Board used the results of the third-party valuation conducted by PricewaterhouseCoopers (PwC) and the guidelines of the Commission on Audit (COA) in determining the Minimum Bid Price (MBP) /Minimum Offer Price (MOP) for each round of public bidding. Compelling factors, such as: book value of the plant and its land, impact of the Covid pandemic on the market, the zonal value of the land, and the substantial expenses incurred by PSALM in maintaining MTPP, were all considered. The realistic adjustment of the MBP/MOP is intended to address the series of unsuccessful bidding exercises conducted in 2019 and 2020 due to lack of interested bidders.

For the remaining Independent Power Producer (IPP) contracts in Luzon, the Board instructed PSALM to pursue the conduct of a study in determining the most feasible privatization option for the said energy contracts in collaboration with the Asian Development Bank (ADB). The final report on the Caliraya-Botocan-Kalayaan Hydroelectric Power Plants (CBK HEPPs) and Casecnan HEPP, is expected to be completed in 2021.