

POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION (PSALM)
Validated 2018 Performance Scorecard

Component					Target	Submission		GCG Validation		Supporting Documents	Remarks																															
Objective/Measure	Formula	Wt.	Rating System	2018	Actual	Rating	Actual	Rating																																		
SO 1	Reduced Financial Obligation (FO)																																									
FINANCE	SM1	Amount of Net reduction in FO	Previous Year's FO - Current Year's FO	30.00%	Actual over Target	₱ 45.37 Billion [†]	₱ 36.17 Billion	30.00%	₱ 36.17 Billion	23.92%	<ul style="list-style-type: none"> • 2018 COA Audit Report • Reduction in Financial Obligation Reports as of 31 Dec. 2017 and 31 Dec. 2018. • Debt Report at 2018 Forex Rate (with original currency) • IPP Lease Obligations Report at 2018 Forex Rate (with original currency) • Promissory Notes and Loan Transactions 																															
											<p>PSALM's Total FO is composed of its Debts (A) and IPP Lease Obligations (B).</p> <table border="1"> <thead> <tr> <th rowspan="2">Currency</th> <th colspan="2">₱ Equivalent</th> </tr> <tr> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td colspan="3">DEBTS (A)</td> </tr> <tr> <td>JPY</td> <td>27.28</td> <td>27.29</td> </tr> <tr> <td>PHP</td> <td>102.99</td> <td>97.40</td> </tr> <tr> <td>USD</td> <td>133.03</td> <td>130.51</td> </tr> <tr> <td colspan="3">IPP LEASE OBLIGATIONS</td> </tr> <tr> <td>PHP</td> <td>0.51</td> <td>0.47</td> </tr> <tr> <td>USD</td> <td>202.42</td> <td>174.39</td> </tr> <tr> <td>TOTAL FO</td> <td>466.23</td> <td>430.06</td> </tr> <tr> <td></td> <td>DECREASE</td> <td>36.17</td> </tr> </tbody> </table> <p>Using the 2017 FOREX rate, PSALM targeted to reduce its FO from ₱466.23 Billion in 2017 to ₱420.86 Billion in 2018 or by ₱45.37 Billion. Based on GCG's evaluation, PSALM reduced its FO in 2018 by ₱36.17 Billion or 79.72% of the target ₱45.37 Billion.</p> <p>The request for consideration to give this measure a full 30% weight cannot be granted for failing to submit supporting documents to substantiate justifications.</p> <p>The following are the forex rate as of 31 December 2017: 1US\$ = ₱49.923 1JPY = ₱0.44</p>	Currency	₱ Equivalent		2017	2018	DEBTS (A)			JPY	27.28	27.29	PHP	102.99	97.40	USD	133.03	130.51	IPP LEASE OBLIGATIONS			PHP	0.51	0.47	USD	202.42	174.39	TOTAL FO	466.23	430.06		DECREASE
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SO 2 Ensured Strong Financial Performance																										
SM2	Collection Efficiency for Current Power Sales	$\frac{\text{Collections from Current Power Sales}}{\text{Current Power Sales}}$	10.00%	Actual over Target	93.00%	93.00%	10.00%	92.70%	9.97%	<ul style="list-style-type: none"> Collection Efficiency Report – Current (as of 31 December 2018) Sample Monthly Power Bill, Official Receipt, EWT 	<p>The more detailed formula used for CE-current power sales is:</p> <p>Collection from current customers + credit memo for power purchase discount (PPD) + <u>Technical credit memos</u> Total power sales + Debit Memo</p> <p>Breakdown of collection per region is as follows: (In ₱ Billions):</p> <table border="1"> <thead> <tr> <th>Region</th> <th>Coll.</th> <th>Billing</th> </tr> </thead> <tbody> <tr> <td>Luzon</td> <td>0.032</td> <td>0.034</td> </tr> <tr> <td>Vis.</td> <td>0.025</td> <td>0.025</td> </tr> <tr> <td>Mind.</td> <td>10.415</td> <td>11.237</td> </tr> <tr> <td>TOTAL</td> <td>10.472</td> <td>11.296</td> </tr> </tbody> </table> <p>Total unpaid billings for the year amounted to ₱0.84 Billion, 99.69% of which comes from Mindanao.</p>	Region	Coll.	Billing	Luzon	0.032	0.034	Vis.	0.025	0.025	Mind.	10.415	11.237	TOTAL	10.472	11.296
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SM3	Collection Efficiency for Delinquent/Overdue Accounts	$\frac{\sum \text{collection from overdue accounts}}{\sum \text{overdue receivables}}$	5.00%	Actual over Target	15.40% (₱15B/₱97.41B)	133% (₱ 8.24 B/ ₱6.18B)	5.00%	140%	5.00%	<ul style="list-style-type: none"> Collection Efficiency Report for 2018 on Non-current/Overdue Accounts Updates on Problematic Accounts 	<p>As adopted in the 2017 validation, the following formula is used:</p> $\frac{\sum \text{Collections from Non-Current Accounts}}{\sum \text{Projected Collections from Non-Current Accounts}}$ <p>As noted in the 2017 validation, the foregoing formula is adopted with the condition that the corresponding target should not be less than 100% considering that all the identified problematic accounts such as those with legal cases, delinquent customers not expected to pay in the performance year, closed/dormant receivables, among others, have already been excluded.</p>															

FINANCE

Component					Target	Submission		GCG Validation		Supporting Documents	Remarks																
Objective/Measure	Formula	Wt.	Rating System	2018	Actual	Rating	Actual	Rating																			
FINANCE	SM4	Percentage Share of Overhead Expenses to Total Income	$\frac{(PS+MOOE) - \text{Bad Debts}}{\text{Total Income}}$	0.00%	Actual over Target	2.00%	2.78%	5.00%	2.78%	Excluded	<ul style="list-style-type: none"> Statement of Comprehensive Income 2018 COA Audit Report: Notes to Financial Statements <table border="1"> <thead> <tr> <th></th> <th>COB</th> <th>GCG</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>Income</td> <td>21.52</td> <td>23.44</td> <td>26.81</td> </tr> <tr> <td>Overhead Expenses (net of Bad Debts)</td> <td>710.2</td> <td>449.5</td> <td>744.65</td> </tr> <tr> <td>% share of overhead expenses to total income</td> <td>3.3%</td> <td>2%</td> <td>2.78%</td> </tr> </tbody> </table>		COB	GCG	Actual	Income	21.52	23.44	26.81	Overhead Expenses (net of Bad Debts)	710.2	449.5	744.65	% share of overhead expenses to total income	3.3%	2%	2.78%
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SM5	EBITDA Margin of Remaining Power Assets	$\frac{\text{EBITDA of Remaining Power Assets}}{\text{Net Utility Revenue}}$	5.00%	Actual over Target	4.04%	16.61%	5.00%	17.31%	5.00%	<ul style="list-style-type: none"> Statement of Comprehensive Income – Power Generation 2017 COA Audit Report <table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Power Generation Income</td> <td>₱2.435</td> </tr> <tr> <td>Add back: Depreciation</td> <td>1.709</td> </tr> <tr> <td>Amort. Of EP under Capital Lease</td> <td>1.959</td> </tr> <tr> <td>EBITDA</td> <td>6.103</td> </tr> <tr> <td>Net Utility Revenue</td> <td>35.254</td> </tr> <tr> <td>EBITDA Margin</td> <td>19.00%</td> </tr> </tbody> </table> <p>In the submitted accomplishment, PSALM excluded other income and expenses from the computation of EBITDA. Such other income and expenses should form part of EBITDA on Remaining Power Assets because it is included in computing for Income from Power Generation and contain items related to PSALM's remaining power assets (i.e. interest on power receivables, expenses on decommissioned plants).</p>	Particulars	Amount	Power Generation Income	₱2.435	Add back: Depreciation	1.709	Amort. Of EP under Capital Lease	1.959	EBITDA	6.103	Net Utility Revenue	35.254	EBITDA Margin	19.00%			
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STAKEHOLDER	Component				Target	Submission		GCG Validation		Supporting Documents	Remarks																																																
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	SO 3 Implemented Fair and Transparent Privatization Program																																																										
SM6	No. of Power Assets Successfully Privatized	-	10%	Graduated Scale [±]	650 MW Malaya TPP	0	0.00%	0	0.00	<ul style="list-style-type: none"> Board Resolutions on MTPP Privatization and Engagement of third-party advisor Privatization Bids and Awards Committee Resolutions PSALM and DOE communications regarding MTPP Privatization 	<p>Request to exclude measure is denied.</p> <p>The commencement of the 2nd round of bidding as approved by the Board on 4 April 2018, through Board Resolution No. 2018-0404-03, included a timeline for the new bidding process. Based on the chronology of events submitted, there was delay on the part of PSALM to commence the activities pertaining to MTPP privatization, particularly on the engagement of a third-party advisor.</p> <p>Further, the decision of PSALM's Board to require a financial advisor cannot be considered a substantial change that will push the MTPP privatization to 2019.</p> <p>In addition, considering the current state of MTPP, there is urgency to privatize the asset to avoid further losses on the part of the government. From 2014 to 2017, MTPP is operating at an average net loss of P893.5 Million due to high fuel and fixed costs.</p>																																																
SM7	No. of Lots Disposed under Strategic Plan	(∑ lots disposed + total lots titled to PSALM) x 100%	5.00%	Graduated Scale ^δ	95 Manila TPP (8) Puerto Azul (2) Naga Property (1) Cebu DPP (21) Aplaya DPP (49) Laoag (1), Malaya TPP (LLA) (5) Pantabangan LLA (OEN) (1) Limay CCTP LLA (OEN) (4), GenSan DPP (Reconveyance) (3)	5	0.25%	5 Pantabangan LLA (1) Limay CCTP LLA (4)	0.26%	<ul style="list-style-type: none"> 2018 Chronology of Events for the Disposal of Real Estate Assets Deeds of Absolute Sale and Official receipts of payments for Pantabangan and Limay 	<p>Below is the computation of PSALM's accomplishment:</p> <table border="1"> <thead> <tr> <th>Lots</th> <th>Qty</th> <th>Score</th> <th>Wt</th> </tr> </thead> <tbody> <tr> <td>Pantabangan</td> <td>1</td> <td>100%</td> <td>.05%</td> </tr> <tr> <td>Limay (Bataan) CCTP Land</td> <td>4</td> <td>100%</td> <td>.21%</td> </tr> <tr> <td>Manila TPP</td> <td>8</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>Puerto Azul</td> <td>2</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>Naga Property</td> <td>1</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>Laoag</td> <td>1</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>Cebu DPP</td> <td>21</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>Aplaya DPP</td> <td>49</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>Malaya TPP</td> <td>5</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>Gen. Santos DPP</td> <td>3</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>TOTAL</td> <td>95</td> <td></td> <td>.26%</td> </tr> </tbody> </table>	Lots	Qty	Score	Wt	Pantabangan	1	100%	.05%	Limay (Bataan) CCTP Land	4	100%	.21%	Manila TPP	8	0%	0%	Puerto Azul	2	0%	0%	Naga Property	1	0%	0%	Laoag	1	0%	0%	Cebu DPP	21	0%	0%	Aplaya DPP	49	0%	0%	Malaya TPP	5	0%	0%	Gen. Santos DPP	3	0%	0%	TOTAL	95		.26%
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STAKEHOLDER	SO 4	Improved Customers' Relation and Service Delivery																	
	SM8	Percentage of Satisfied Customers	$\frac{\Sigma \text{ Survey Rating}}{\text{Total no. of customers surveyed}}$	5.00%	All or Nothing	90% Satisfied Customers	96% Satisfied Customers	5.00%	-	0.00%	<ul style="list-style-type: none"> 2018 PSALM Customer Satisfaction Survey (CSS) Final Report 5 accomplished questionnaires Certificate of Quality Control Procedure by Market Relevance Corp. (MRC) 	<p>MRC administered the survey from 12 December 2018 to 18 January 2019. Of the 148 respondents, 96% were satisfied with the services of PSALM.</p> <p>PSALM is, however, credited with zero rating for failing to comply with all the requirements provided in the standard methodology, particularly on sampling procedure and quality control. There was no indication in the reports submitted of the sampling procedure used in identifying the respondents. Further, in its certification of quality procedure, MRC categorically stated that it did not conduct back-checking on all the interviews. Part IV, Item 9(h) of the Standard Methodology requires that 30% of the total responses undergo back-checking and spot-checking.</p>							
	Sub-total			20.00%				5.25%		0.26%									
INTERNAL PROCESS	SO 5	Adopted Effective and Efficient Financial Management Systems and Operational Standards																	
	SM9	Universal Charge (UC) Remittance Efficiency of CEs	$\frac{\Sigma \text{ UC Actual Remittance}}{\Sigma \text{ Total UC Collection} + \text{Maintaining balance}}$	8.00%	Actual over Target	98%	98.09%	8.00%	98.09%	8.00%	<ul style="list-style-type: none"> Percentage of Remittance to PSALM Over UC Collected by Collecting Entities as of 31 December 2018. Remittance Efficiency of UC 	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount (In P-Millions)</th> </tr> </thead> <tbody> <tr> <td>Total Remittance</td> <td>₱ 30,587.72</td> </tr> <tr> <td>Total Collections</td> <td>31,182.81</td> </tr> <tr> <td>Remittance Efficiency</td> <td>98.09%</td> </tr> </tbody> </table>	Particulars	Amount (In P-Millions)	Total Remittance	₱ 30,587.72	Total Collections	31,182.81	Remittance Efficiency
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INTERNAL PROCESS	SM 10	Percentage of UC-ME Disbursed to NPC and RE Developers	$\frac{\sum \text{UC Actual Disbursement}}{\sum \text{Total UC Remittance} + \text{Maintaining balance}}$	7.00%	Actual over Target	100%	100.00%	7.00%	100%	7.00%	<ul style="list-style-type: none"> 2018 Disbursement Report to NPC 2018 Disbursement Report to RE Developers <p>PSALM posted a 100% UC-ME disbursement rate to NPC and RE developers. (A = Total Disbursements, B = Funds available for disbursement/Total RE Claims)</p> <p>(in ₱ Billions)</p> <table border="1"> <thead> <tr> <th></th> <th>A</th> <th>B</th> <th>A/B</th> </tr> </thead> <tbody> <tr> <td>NPC</td> <td>12.56</td> <td>12.56</td> <td>100%</td> </tr> <tr> <td>RE Developers</td> <td>0.05</td> <td>0.05</td> <td>100%</td> </tr> </tbody> </table>		A	B	A/B	NPC	12.56	12.56	100%	RE Developers	0.05	0.05	100%
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SM 11	No. of Business Process Enhancement Program/Project Implemented	$\sum \text{Actual no. of business process implemented}$	5%	All or Nothing	QMS Surveillance Audit – 2 nd Phase; and System on WESM Billing	QMS Surveillance Audit – 2 nd Phase; and System on WESM Billing	5%	QMS Surveillance Audit – 2 nd Phase; and System on WESM Billing	5%	<ul style="list-style-type: none"> ISO 9001:2015 Certificate valid from 01/04/2019 to 12/16/2019 User Acceptance Certificate on Computerized Billing and Reporting System for WESM <p>PSALM passed the surveillance audit as reflected in the ISO 9001:2015 Certification issued by TUV Rheinland on 4 January 2019.</p> <p>PSALM also completed its system on WESM Billing as validated during onsite visit.</p>													
Sub-total			20.00%				20.00%		20.00%														

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SO 6 Enhanced Competency and Skills of Employees												
LEARNING AND GROWTH	SM 14	Percentage of Employees with Required Competencies Met	$\frac{\Sigma \text{ Employees with required competencies met}}{\Sigma \text{ Total No. of Employees}}$	5.00%	All or Nothing	10% increase from 2017 baseline	14.27% increase from 2017 baseline	5.00%	13.55% increase from 2017 baseline	5.00%	<ul style="list-style-type: none"> Competency-Based Human Resource Framework Position and Person Profiling Rating Sheet 	<p>PSALM initially reported an increase of 14.27% or a total of 92% (139 out of 150 employees).</p> <p>Based on evaluation, PSALM only increased its competency by 13.55%, translating to 91.95% accomplishment (137 out of 149 re-assessed employees).</p>
	Sub-total			5.00%				5.00%		5.00%		
	Total			95.00%				85.25%		69.15%		

PSALM Validated Score: $\frac{69.15\%}{95.00\%} = 72.79\%$

† Using 2017 yearend FOREX Rate

‡ Graduated Scale for Disposal of Power Assets
Public Bidding
 100 % Turnover
 95% Issuance of Notice of Award
 90% Declaration of Highest Bidder

§ Graduated Scale for Disposal of Lots
Public Bidding
 100% Turnover
 95% Issuance of Notice of Award
 90% Declaration of Highest Bidder

Option Existence Notice
 100% Payment
 95% Completion of Sale Documents
 90% Acceptance by SCG