

PSALM ADVISORY TO ITS STAKEHOLDERS RE BILLINGS 26 March 2020

In line with the Government’s declaration of a State of Calamity throughout the Philippines due to the Coronavirus Disease 2019 (“COVID-19”) in Proclamation No. 929 dated 16 March 2020, and the concomitant directive on enhanced community quarantine in Luzon to contain the spread of the COVID-19, the Power Sector Assets and Liabilities Management Corporation (“PSALM”) will strictly comply with the advisories of the Energy Regulatory Commission dated 17 and 26 March 2020 (“ERC Advisories”) and the advisories of the Department of Energy dated 18 March and 23 March 2020 (“DOE Advisories”). PSALM recognizes that the COVID-19 pandemic is causing long term adverse effects on people’s livelihood and severe disruption of economic activities. PSALM aims to help alleviate the difficulties suffered by the electricity consumers to the extent that PSALM can legally do so. PSALM hereby issues the following policies that will implement the ERC Advisories, the DOE Advisories, the existing contractual arrangements with PSALM, and PSALM’s credit and collection policies:

1. For distribution utilities¹ (DUs) in the entire country, PSALM shall grant an extension of thirty (30) days counted from 14 April 2020, without imposing any interest and penalties, for PSALM’s billings falling due on 15 March 2020 to 14 April 2020. This covers also the payments of Deferred Accounting Adjustments on GRAM and ICERA. However, billings with due dates **not** falling within the said period of 15 March 2020 to 14 April 2020 shall follow the original due dates, and failure to pay on or before such due dates shall incur interests and penalties pursuant to existing agreements and in accordance with the credit and collection policies of PSALM. This is based not just on the ERC Advisory and DOE Advisories but also on the relevant provisions of the contracts with PSALM including the *force majeure* provisions.
2. For the DUs, consistent with the ERC Advisories whereby all DUs are reminded of their obligation to procure their power requirements in the least cost manner, to consider all attendant circumstances, including the approved contract’s minimum contracted capacity and fixed costs, PSALM shall not allow suspension or lowering of the minimum energy off-take or the Minimum Charges because the contracts with PSALM categorically provide for the effects of a *force majeure*. While *force majeure* justifies extension of the period to pay, the contracts with PSALM do not indicate that suspension or lowering of the minimum

¹ Distribution Utilities refers to any electric cooperative, private corporation, government-owned utility or existing local government unit which has an exclusive franchise to operate a distribution system in accordance with Republic Act No. 9136 “*Electric Power Industry Reform Act of 2001*”

energy off-take or of the Minimum Charges based on the Contract Energy per billing period using the basic energy charge is the consequence of *force majeure*. The contracts require that the *force majeure* event must render it impossible for a party to fulfill its obligation, such as when its operations are totally paralyzed to receive the supply of energy, and not just a mere incapacity to consume the Contract Energy or inability to meet the Minimum Charges or off-take.

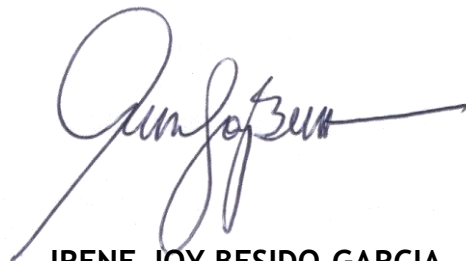
3. For the DUs that want to avail of the prompt payment discount, PSALM shall extend the prompt payment discount for PSALM's billings falling due on 15 March 2020 to 14 April 2020 if the payment is remitted to PSALM not later than 29 April 2020.
4. For the Independent Power Producer Administrators (IPPAs) in the entire country, PSALM shall grant an extension of thirty (30) days counted from 14 April 2020, without imposing any interest and penalties, for payments due to PSALM pursuant to IPPAs Administration Agreements, for both capacity and energy payments, **provided** that the payments fall due on 15 March 2020 to 14 April 2020, and **provided further** that PSALM was given by its counterpart Independent Power Producers (IPPs) with a similar extension period of 30 days from 14 April 2020 for the remittance of PSALM's payments due to such IPPs. This is to ensure that PSALM has sufficient funding source to pay the IPP obligations when they fall due. If the IPPs refuse to give an extension to PSALM, then PSALM is constrained not to give an extension to the IPPAs. However, payments due to PSALM pursuant to IPPAs Administration Agreements that are **not** falling within said period of 15 March 2020 to 14 April 2020 shall follow the usual due date, and failure to pay on or before such due date shall incur interests and penalties.
5. For the Universal Charge (UC) collecting entities (CEs), PSALM shall grant an extension of thirty (30) days counted from 14 April 2020, without imposing any interest and penalties, for the UC remittances to PSALM that fall due on 15 March 2020 to 14 April 2020, covering UC for Missionary Electrification (ME), Environmental Charge for Watershed Rehabilitation and Management (EC) and Stranded Debts (SD). In turn, the period for PSALM to disburse the remitted UC to the UC beneficiaries shall also be extended by the same number of days of extension given to the CEs to remit to PSALM per the DOE Advisories. However, UC remittances due to PSALM that are **not** falling within said period of 15 March 2020 to 14 April 2020 shall follow the usual due date, and failure to pay on or before such due date shall incur interests and penalties.
6. Consistent with the DOE advisories, any dispute that will arise from 15 March to 14 April 2020 regarding the settlement of any of the accounts payable to PSALM listed above should also be put on hold while the enhanced community quarantine is in place.
7. For PSALM's fuel suppliers, PSALM shall act consistently with the DOE Advisories that extended for a period of thirty (30) days from 14 April 2020 the deadline for

payments to fuel/resource suppliers of generating facilities throughout the country. This extension shall apply to payments falling due on 15 March 2020 to 14 April 2020.

8. For the DUs and CEs, PSALM shall require the DUs and CEs to remit to PSALM any proportionate amount that the DUs and CEs have already collected within the original deadline, if any, without awaiting the end of the extended period. This is consistent with the DOE Advisories intending to lessen the impact to generating companies of the 30-day extension given to DUs and CEs.

Should there be subsequent updates or amendment to the Advisories issued by the ERC and DOE, or if there are instructions or decisions that will be issued by the PSALM Board of Directors relative to this Advisory of PSALM, the necessary supplemental or amendatory advisories will thus be issued.

Signed this 26 March 2020 in Quezon City, Philippines

A handwritten signature in black ink, appearing to read 'Irene Joy Besido-Garcia', with a long horizontal flourish extending to the right.

IRENE JOY BESIDO-GARCIA
President and CEO