



Republic of the Philippines
NATIONAL ELECTRIFICATION ADMINISTRATION
Quezon City

May 25, 2004

MEMORANDUM

TO : ALL CONCERNED ELECTRIC COOPERATIVES

SUBJECT : PAYMENT TO NPC/TRANSCO

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The assumption by PSALM of an EC's RE loan shall be revoked when it continually fails to comply with the conditions of Section 5 of E.O. 119. One of which is that the EC must be current and continue to be current on its obligation to NPC; and if not, it must submit to NEA a Special Payment Agreement with NPC.

To facilitate monitoring of your compliance to the above-mentioned condition, please inform NEA thru the Accounts Management & Guarantee Department (AMGD), if EC overdue accounts are already settled or are covered by a Special Payment Arrangement between the coop and NPC/TRANSCO and fax to us said documents (929-2203/926-1301).

For your compliance.


EDITA S. BUENO
Administrator

NATIONAL ELECTRIFICATION
ADMINISTRATION

IN REPLYING TO THE NUMBER 0004855



NER-0004855

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5/2/04

SCHEDULE OF CASH SHORTFALL

	NPC	TRANSCO
Current Power Cost		
Less: Payment/s made		
Cash Shortfall		



Republic of the Philippines
National Electrification Administration

CERTIFICATION

This is to certify that the NEA Board of Administrators, in its Meeting held on May 27, 2004, passed the following resolution:

RESOLUTION NO. 55

WHEREAS, the Management in its Memorandum to the Board of May 19, 2004, is recommending the approval of the proposed Policy on Short Term Credit Facility (STCF) for Electric Cooperatives (ECs) settlement of power accounts and its Implementing Guidelines hereto attached as ANNEXES "A" and "B";

WHEREAS, the objective of the STCF is to finance the ECs monthly shortfall on the settlement of power accounts with the National Power Corporation (NPC) and National Transmission Corporation (TRANSCO);

WHEREAS, the STCF is being recommended by Management considering that the assumption by the Power Sector Assets and Liabilities Management Corp. (PSALM) of the outstanding financial obligations of ECs entails substantial government support that must come hand in hand with meaningful and lasting reforms among the ECs for the purpose of achieving reliable, secured and reasonable electricity for all consumers, particularly in the rural areas;

WHEREAS, Section 8 of Executive Order (E.O.) 119 dated August 28, 2002, stipulates, among others, that: "the assumption by PSALM of the Rural Electrification Loan/s of an EC shall be revoked for failure to continually comply with Section 5 of this E.O. x x x." and Section 5 (d) of said E.O. provides, among others, that: "Each EC must be current and continue to be current in the payment of its obligation to the NPC to be eligible for the assumption by PSALM of its Rural Electrification Loan/s.";

WHEREAS, the STCF is likewise being proposed in accordance with the additional mandate of NEA under Section 58 of R.A. 9136, which provides, among others, that: "NEA shall develop and implement programs x x x (b) To strengthen the technical capability and financial viability of rural electric cooperatives; x x x.";

WHEREAS, under the proposed STCF, the ECs which have overdue accounts with NPC/TRANSCO and meet the criteria stated below may be extended financial assistance:

- (1) Temporarily experiencing problem in cash flow (Cash Deficit);
- (2) Must have a debt-service ratio of 1.2;



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(3) Must show a substantial compliance on the implementation of its 5-year Plan.

WHEREAS, the proposed STCF have the following standards:

AMOUNT The maximum amount of credit facility shall be computed as follows:

Current month Power Cost (latest MFSR)
Less: 50% of Ave. Monthly Non Power Cost
Maximum Amount of credit facility

TERMS 1% interest rate per month on the amount withdrawn
Six (6) months credit line
Payable within 30 days after each availment
1.5% default charge per month

WHEREAS, with the proposed STCF, the Management is requesting further to the Board the following:

- (1) Grant of authority to the Administrator to approve the individual credit facility of the proponent EC not exceeding Php 30M, subject to confirmation of the Board;
- (2) Funding allocation in the amount of Php 100M; and,
- (3) Grant of authority to the Administrator to open the Short Term Credit Facility Account with any of NEA's depository bank.

WHEREAS, the Board had a discussion on the foregoing and it had determined the need to incorporate in the STCF Contract, NEA's authority under Section 5 of P.D. No. 1645, which authority shall be exercised by NEA, in the event of default in payment by the borrower of its obligation;

NOW, THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED, based on the foregoing, and pursuant to its authority under Section 5, (a), (2) of P.D. 269, as amended and Section 58, (b) of R.A. 9136, to approve, as it is hereby approve, the Policy on Short Term Credit Facility (STCF) for ECs settlement of power accounts and its Implementing Guidelines, hereto attached as ANNEXES "A" and "B";



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RESOLVED FURTHER, AS IT IS HEREBY RESOLVED, based on the foregoing, to grant, as it is hereby granted, the Administrator, the following authorities:

- (1) To approve the individual credit facility of the proponent EC not exceeding Php 30M, subject to confirmation of the Board;
- (2) To open the Short Term Credit Facility Account with any of NEA's depository bank.

RESOLVED MOREOVER, AS IT IS HEREBY RESOLVED, based on the foregoing, to approve, as it is hereby approved, the funding allocation for the STCF in the amount of One Hundred Million Pesos (Php 100M);

RESOLVED FINALLY, AS IT IS HEREBY RESOLVED, based on the foregoing, that the STCF Contract shall provide among others, the exercise of NEA's authority under Section 5 of P.D. No. 1645, in the event of default in payment by the borrower of its obligations.

Issued this 31st day of May 2004, at Quezon City.


NOLLIE B. ALAMILLO
Corporate Board Secretary

SHORT TERM CREDIT FACILITY (STCF) FOR ECs SETTLEMENT OF POWER ACCOUNTS

OBJECTIVE

To establish the NEA Short Term Credit Facility (STCF) for Electric Cooperatives (ECs) to finance the ECs monthly shortfall on the settlement of power accounts with the National Power Corporation (NPC) and TRANSCO.

BACKGROUND

The assumption by the Power Sector Assets and Liabilities Management Corp. (PSALM) of the outstanding financial obligations of ECs entails substantial government support that must come hand in hand with meaningful and lasting reforms among the ECs for the purpose of achieving reliable, secure and reasonable electricity for all consumers, particularly in the rural areas.

Said assumption of an EC's RE loan shall be revoked when it continually failed to comply with Sec. 5 of Executive Order 119. One of the conditions set under Sec. 5 is that the EC must be current and continue to be current of its obligations to NPC.

GENERAL/POLICY STATEMENT

NEA shall assist the ECs to comply with the Program set and approved by the President to ensure assumption of ECs RE loans by PSALM.

ECs which have overdue accounts with NPC/TRANSCO and meet the criteria stated below may be extended financial assistance:

1. Temporarily experiencing problem in cash flow (Cash deficit)
2. Must have a debt-service ratio of 1.2
3. Must show substantial compliance on the implementation of its 5-year Plan

REPUBLIC OF THE PHILIPPINES
NATIONAL ELECTRIFICATION ADMINISTRATION
QUEZON CITY

DATE OF REQUEST

5-31-04
DATE OF RELEASE

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CORPORATE BOARD SECRETARY
OFFICE OF THE CORPORATE SECRETARY

FACILITIES

AMOUNT The maximum amount of credit facility shall be computed as follows:

Current month Power Cost (latest MFSR)
Less: 50% of Ave. Monthly collection
Add: Ave. Monthly Non Power Cost
Maximum Amount of credit facility

TERMS 1% interest rate per month on the amount withdrawn
Six months credit line
Payable within 30 days after each availment
1.5% default charge per month

FUNDS

To set up an initial P100 Million to fund the STCF to be sourced from the NEA Internally Generated Fund (IGF).

Collections out of these loans shall be deposited to STCF account and shall serve as revolving fund to ensure continuity of the program and availability of funds for ECs that are eligible to avail of the STCF.

REQUIREMENTS

To avail of the short term credit facility, the proponent EC shall be required of the following:

Board Resolution requesting for loan
12 Month Projected Income Statement and Cash Flow including
Schedules and assumptions to projection

NEA's Evaluation and Approval

AMGD shall conduct evaluation of the request immediately after the above requirements have been submitted. Coordination with other NEA Department shall be made by AMGD and the recommendation on the EC's request shall be submitted for approval within five (5) working days.

The individual credit facility of the concerned EC not exceeding P30M shall be submitted to the Administrator for approval, subject to the Board's confirmation.

Approved by the NEA Board of Administrators
May 27, 2004

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NATIONAL ELECTRIFICATION ADMINISTRATION
QUEZON CITY

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ADMINISTRATOR
BOARD SECRETARY

**IMPLEMENTING GUIDELINES ON THE SHORT TERM CREDIT FACILITY
(STCF) FOR ECs SETTLEMENT OF POWER ACCOUNTS**

A. EVALUATION OF THE ECs CREDIT FACILITY:

- A.1 The proponent EC shall be required of the following :
- Board Resolution requesting for loan
 - 12 Month Projected Income Statement and Cash Flow including Schedules and assumptions to projection
- A.2 Upon receipt of the evaluation requirements, AMGD shall review the EC's request and determines the amount of the credit facility.

B. APPROVAL OF THE ECs CREDIT FACILITY:

- B.1 The individual credit facility of the proponent EC not exceeding P30M shall be submitted to the Administrator for approval within five (5) working days upon receipt of the requirements, subject to the confirmation of the NEA Board.
- B.2 NEA thru AMGD shall advise the EC in writing, the approval/denial of the credit facility application.
- B.3 The NEA and EC shall execute a Credit Facility Agreement. Every availment of the Electric Cooperative (EC) shall be covered by a Promissory Note.

C. EXPIRY:

The short term credit facility shall have a period of six months. Renewal of the credit facility is subject for another evaluation and approval.

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D. AVAILMENT OF THE CREDIT FACILITY:

- D.1 The EC can avail of the credit facility in part, in aggregate principal amount or full amount.
- D.2 The EC shall deliver a Notice of Borrowing (includes the amount to be released and date of release to the account of NPC/TRANSCO) to NEA thru the AMGD at least two (2) banking days prior to the date of proposed borrowing/date of release.
- D.3 AMGD shall process the Notice of Borrowing and shall submit recommendation to the Deputy Administrator for Corporate Resources and Finance Services and the Administrator for the approval of release.

E. RELEASE OF AVAILMENT/BORROWING:

NEA directs/requests its depository bank to transfer the said amount to the corresponding depository/account of NPC/TRANSCO. NPC/TRANSCO shall issue a notice of receipt of payment and NEA shall advise concerned EC of the transfer of funds and the schedule of payment of the availment/borrowing.

F. INTEREST/CHARGES:

The interest rate of the availment/borrowing is one percent (1%) per month. If the EC fails to pay any principal or interest payable or any sum payable by the EC, the EC shall, on demand by NEA, pay a default charge at the rate of one and half percent (1.5%) per month.

G. REPAYMENT OF AVAILMENT/BORROWINGS:

- G.1 The EC shall repay the availment/borrowing together with interest thereon, within 30 days from release thereof. However, the EC may, at its option, prepay the availment/borrowing in part or in full, together with the accrued interest thereon to the date of prepayment.
- G.2 All payments by the EC shall be made thru an inter-bank fund transfer/electronic transfer of funds to the account of NEA-STCF Fund without further demand from NEA.
- G.3 Amortization payment shall first be applied to the STCF over other existing loans.

Approved by the NEA Board of Administrators
May 27, 2004

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NATIONAL ELECTRIFICATION ADMINISTRATION
QUEZON CITY

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OF THE CORPORATION