



NATIONAL ELECTRIFICATION ADMINISTRATION
"The 1st Performance Governance System-Institutionalized National Government Agency"
57 NIA Road, Government Center, Diliman, Quezon City 1100

09 July 2014

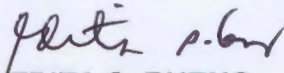
MEMORANDUM

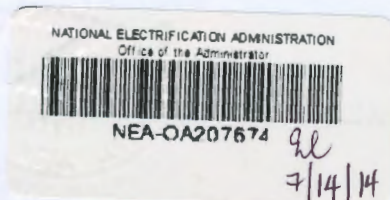
TO : ALL MINDANAO ELECTRIC COOPERATIVES (ECs)

SUBJECT : Policy on the Facility for the Modular Generator Sets Program for Mindanao ECs (LFMGensets)

This is to provide you with the Policy on the Facility for the Modular Generator Sets Program for Mindanao ECs (LFMGensets). The policy was approved by the NEA Board of Administrators on November 06, 2013 under Board Resolution No. 153 Series of 2013.

For your information and guidance.


EDITA S. BUENO
Administrator



Loan Facility for the Modular Generator Sets Program for Mindanao ECs (LFMGensets)

I. Objective

To establish a loan facility that will meet the Program's objective of providing immediate relief or alternative measure to supply the needed power in each of the franchise areas of ECs in Mindanao.

II. Policy Background

The Department of Energy (DOE), as Co-Chair of the Mindanao Power Monitoring Committee (MPMC), proposed the use of modular gensets as an immediate short-term solution to the intermediate electricity needs of Mindanao until baseload power plants come online by 2015.

Executive Order No. 137 (S. 2013) established the Mindanao Modular Generator Sets (GenSets) Program to provide the needed additional power supply to electricity end-users in Mindanao. The DOE in coordination with the Mindanao Development Authority (MinDA) and the Mindanao Power Monitoring Committee (MPMC) issued, adopted and promulgated the Implementing Rules and Regulations for the Mindanao Modular Generator Sets Program under DC Circular No. DC 2013-08-019.

III. Policy Statement

NEA may extend loan to Mindanao electric cooperatives (ECs) participating in the Mindanao Modular Generator Sets Program for the acquisition of modular gensets.

IV. Loan Facility

The Administrator is authorized to approve and release the individual loan of the ECs subject to confirmation by the NEA Credit and Risk Management Committee and ratification by the NEA Board subject to the following guidelines.

1. Amount Of Loan

The amount of loan shall be equivalent to the cost of gensets to be acquired.

2. Terms and Conditions

- Interest rate of 6% or less per annum
- 10% default charge per annum
- Maximum of 15 years repayment period
- 2 years grace period
- The EC has the option to return the gensets
- In case of rescission of the contract of loan due to pre-termination, any difference between the appraised value and the outstanding loan of the EC shall be for the account of the EC.

3. Eligibility Criteria

Mindanao ECs which are acquiring modular generator sets may be extended a loan. Priority of fund release will be given to those delivering modular gensets within three months or less.

4. Documentary Requirements:

The EC shall submit the following requirements in support of its application:

- Board resolution requesting for loan
- Board resolution authorizing the acquisition of gensets
- 10 year Investment Plan (2013 e-ICPM)

5. Release of Loan

The loan will be released directly to the selected proponent/supplier of the availing EC. Participating ECs must execute a Loan Agreement with NEA.

6. Fund Source

The Four Billion Five Hundred Million Pesos (Php4.5Billion) shall be sourced from the DOE Special Account in the General Fund specifically from Gas Malampaya Revenue to be released to NEA in accordance to EO No. 137 (s. 2013) and DOE DC No. DC-2013-08-0019.

7. Revolving Fund

A Revolving Fund will be set up for the purpose. The proceeds of all principal loan repayments and interest earned shall likewise revert back to the fund account provided, however, that 50% of the interest earned shall be automatically deducted before its accrual to the fund to cover administrative expenses of NEA. The entire amount contained in the fund shall be considered as revolving fund. Future utilization thereof for similar or related purpose, crisis or calamity or as may be determined by DOE, shall be with prior authority of the Secretary of the DOE.

*Approved by the NEA Board of Administrators on November 6, 2013
under Board Resolution No. 153 Series of 2013*