

BUDGETS OF DEPARTMENT OF ENERGY ATTACHED CORPORATIONS

Sec.2. Approval of Annual Budgets of Corporations under R.A. No. 7638. Pursuant to Section 13, Chapter III of Republic Act No. 7638, the 1998 annual budgets of the National Electrification Administration (NEA), the National Power Corporation (NPC) and the Philippine National Oil Company (PNOC) are hereby approved as follows:

I. NATIONAL ELECTRIFICATION ADMINISTRATION

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998
(In Thousand Pesos)
SUMMARY

	<u>Current Operating Expenditures</u>			<u>Total</u>
	<u>Personal Services</u>	<u>Maintenance and Other Operating Expenses</u>	<u>Capital Outlays</u>	
A. PROGRAM/ACTIVITY/PROJECT				
1. General Administration and Support	P 34,488 P	144,538 P	126,540 P	305,566
2. Support to Operations	134,854	51,830	1,043	187,727
3. Operations	51,694	66,449	1,304	119,447
4. Locally-Funded Projects		476,600	218,866	695,466
4.1 Rural Electrification		476,600	212,866	689,466
4.2 Solar Energy Programme			6,000	6,000
5. Foreign-Assisted Projects		3,538	1,055,350	1,058,888
A. Foreign Borrowings		3,538	1,055,350	1,058,888
a.5.1 Rural Electrification			1,055,350	1,055,350
a.5.2 Institutional Strengthening		3,538		3,538
6. Debt Servicing		1,758,801		1,758,801
6.1 Loan Repayment		1,258,791		1,258,791
6.2 Reserve for Sinking Fund				
6.3 Conversion of Interest on NG advances		500,010		500,010
Total	P 221,036 P	2,501,756 P	1,403,103 P	4,125,895

*/NOOE, Net of Allowance for Depreciation of P13.175 Million

I. NATIONAL ELECTRIFICATION ADMINISTRATION

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998

(In Thousand Pesos)

NATIONAL GOVERNMENT EQUITY AND/OR SUBSIDY

Schedule I

A. PROGRAM/ACTIVITY/PROJECT	<u>Current Operating Expenditures</u>			Total
	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	
1. Locally-Funded Project	P	476,600		P 476,600
1.1 Rural Electrification		476,600		476,600
1.2 Solar Energy Programme				
2. Debt Servicing		977,316		977,316
2.1 Loan Repayment		477,306		477,306
2.2 Reserve for Sinking Fund				
2.3 Conversion of Interest on NG advances		500,010		500,010
Total	P	1,453,916		P 1,453,916

I. NATIONAL ELECTRIFICATION ADMINISTRATION

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998

(In Thousand Pesos)

CORPORATE BORROWINGS

Schedule II

A. PROGRAM/ACTIVITY/PROJECT	<u>Current Operating Expenditures</u>			Total
	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	
1. Foreign-Assisted Projects	P	3,538 P	1,045,355 P	1,048,893
A. Foreign Borrowings		3,538	1,045,355	1,048,893
a.1.1 Rural Electrification			1,045,355	1,045,355
a.1.2 Institutional Strengthening		3,538		3,538
2. Debt Servicing		249,219		249,219
2.1 Loan Repayment		249,219		249,219
2.2 Reserve for Sinking Fund				
2.3 Conversion of Interest on NG advances				
Total	P	252,757 P	1,045,355 P	1,298,112

I. NATIONAL ELECTRIFICATION ADMINISTRATION

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998
(In Thousand Pesos)
CORPORATE FUNDS

Schedule III

A. PROGRAM/ACTIVITY/PROJECT	Current Operating Expenditures			
	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	Total
1. General Administration and Support	P 34,488 P	144,538 P	126,540 P	305,566
2. Support to Operations	134,854	51,830	1,043	187,727
3. Operations	51,694	66,449	1,304	119,447
4. Locally-Funded Project			218,866	218,866
4.1 Rural Electrification			212,866	212,866
4.2 Solar Energy Programme			6,000	6,000
5. Foreign-Assisted Projects			9,995	9,995
A. Foreign Borrowings			9,995	9,995
a.5.1 Rural Electrification			9,995	9,995
a.5.2 Institutional Strengthening				
6. Debt Servicing		532,266		532,266
6.1 Loan Repayment		532,266		532,266
6.2 Reserve for Sinking Fund				
6.3 Conversion of Interest on MG Advances				
Total	P 221,036 P	795,083 P	357,748 P	1,373,867

Special Provisions

1. Budget Flexibility and Report - The National Electrification Administration, through its Board of Administrators, is authorized to realign/reallocate the projects/programs and their corresponding budgetary requirements herein approved, as well as augment the requirements which may arise from factors beyond the Corporation's control. These may include, but shall not be limited to, currency depreciation, inflation, change in interest rate, new loans/financing that may be contracted or sourced, substitute projects and programs, and schedule of project implementation should conditions warrant: PROVIDED, That augmentation funds shall not be used for the acquisition of motor vehicles and payment of travelling, representation and discretionary expenses: PROVIDED, FURTHER, That the Personal Services shall not be augmented by savings from Maintenance and Other Operating Expenses as well as, Capital Outlays, or by new funding sources.

A report on the aforesaid budgetary adjustments shall be submitted to the House Committee on Appropriations and the Senate Committee on Finance, including the Department of Budget and Management, within thirty (30) days after such adjustments are made.

2. Audit of Government Funds - The status or use of all government funds received, whether in the form of equity, subsidy, grant, loan, contribution or any kind of assistance shall be subject to audit by the Commission on Audit up to and including any end-user entity.

3. **Payment of Compensation.** Payment of salaries, wages, and allowances or other forms of compensation shall be in accordance with Republic Act No. 6758 known as, "Compensation and Position Classification Act of 1989," as amended by Joint Resolution No.1, s. 1994 of Congress and Executive Order No. 164, s. 1994, as well as Corporate Compensation Circular No. 10 and other pertinent implementing rules and regulations, unless the corporation is exempted therefrom by special law.

4. **Remittance of Dividends.** Dividends equivalent to at least fifty percent (50%) of annual net earnings shall accrue to the National Government and shall be remitted to the National Treasury pursuant to Republic Act No. 7656.

5. **Acquisition of Equipment.** The acquisition of equipment, whether funded from internally generated funds, budgetary support or authorized borrowings, shall be subject to Corporate Budget Circular No. 17, s. 1996, National Budget Circular No. 446, s. 1995 and other existing statutory requirements and/or Presidential issuances.

II. NATIONAL POWER CORPORATION

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998
(In Thousand Pesos)
SUMMARY

		<u>Current Operating Expenditures</u>			
		<u>Personal Services</u>	<u>Maintenance and Other Operating Expenses</u>	<u>Capital Outlays</u>	<u>Total</u>
A. PROGRAM/ACTIVITY/PROJECT					
1. General Administration and Support	P	1,447,510	1,089,000	4,164,684	6,701,194
A. Head Office Support Group		1,447,510	1,089,000	1,768,221	4,304,731
B. Eng'g. Admin./Survey/Dev. Studies/Planning				2,396,463	2,396,463
2. Support to Operations		101,087	1,060,000		1,161,087
A. NPV Training Center/Test-Run Plants		101,087	1,060,000		1,161,087
3. Operations		4,585,217	63,297,135	10,124,859	78,007,211
A. Utility Operations/SO/IBMD		4,295,624	4,668,500	5,701,438	14,665,562
B. Small Island Grids		256,125	222,000	2,069,839	2,547,964
C. Spares				2,353,582	2,353,582
D. Production of Goods (Power Generation)			55,812,000		55,812,000
E. Other Expenses		33,468	2,594,635		2,628,103
4. Locally-Funded Projects				1,856,978	1,856,978
5. Foreign-Assisted Projects				24,220,742	24,220,742
A. Generation				2,779,577	2,779,577
B. Transmission Lines & Substations				17,330,567	17,330,567
C. Others				1,256,561	1,256,561
D. Interest during Construction				2,854,037	2,854,037
6. Debt Servicing			22,747,000		22,747,000
7. Other Expenditures		35,154	1,162,000		1,197,154
8. Lump-sum for Personal Services	c/	786,335			786,335
TOTAL	P	6,955,303 a/P	89,355,135 b/P	40,367,263 P	136,677,701

a/ Inclusive of P41.017M PS requirement for Casuals

b/ MOOE, net of allowance for depreciation of P9.636B

c/ Represents salary adjustments and incremental cost of cash and non-cash benefits of 15,679 positions pursuant to M.O. No.198, s. of 1994, the utilization of which is subject to Special Provision No.4 of NPC.

II. NATIONAL POWER CORPORATION

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998
(In Thousand Pesos)
CORPORATE BORROWINGS

Schedule I

A. PROGRAM/ACTIVITY/PROJECT	<u>Current Operating Expenditures</u>			
	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	Total
1. General Administration and Support	P		P 1,936,957	P 1,936,957
A. Head Office Support Group			1,510,166	1,510,166
B. Eng'g. Admin./Survey/Dev. Studies/Planning			426,791	426,791
2. Operations			8,641,482	8,641,482
A. Utility Operations/SO/IBMD			5,494,112	5,494,112
B. Small Island Grids			793,788	793,788
C. Spares			2,353,582	2,353,582
3. Locally-Funded Projects			1,856,978	1,856,978
4. Foreign-Assisted Projects			19,846,717	19,846,717
A. Generation			1,408,866	1,408,866
B. Transmission Lines & Substation			16,597,653	16,597,653
C. Others			1,256,561	1,256,561
D. Interest during Construction			583,637	583,637
5. Debt Servicing		1,762,000		1,762,000
6. Other Expenditures		476,000		476,000
TOTAL	P	2,238,000	P 32,282,134	P 34,520,134

II. NATIONAL POWER CORPORATION

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998
(In Thousand Pesos)
CORPORATE FUNDS

Schedule II

A. PROGRAM/ACTIVITY/PROJECT	<u>Current Operating Expenditures</u>			
	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	Total
1. General Administration and Support	P 1,447,510	P 1,089,000	P 2,227,727	P 4,764,237
A. Head Office Support Group	1,447,510	1,089,000	258,055	2,794,565
B. Eng'g. Admin./Survey/Dev. Studies/Planning			1,969,672	1,969,672

2. Support to Operations	101,087	1,060,000		1,161,087
A. NPV Training Center/ Test-Run Plants	101,087	1,060,000		1,161,087
3. Operations	4,585,217	63,297,135	1,483,377	69,365,729
A. Utility Operations/SO/IBMD	4,295,624	4,668,500	207,326	9,171,450
B. Small Island Grids	256,125	222,000	1,276,051	1,754,176
C. Production of Goods (Power Generation)		55,812,000		55,812,000
D. Other Expenses	33,468	2,594,635		2,628,103
4. Foreign-Assisted Projects			4,374,025	4,374,025
A. Generation			1,370,711	1,370,711
B. Transmission Lines & Substation			732,914	732,914
C. Interest during Construction			2,270,400	2,270,400
5. Debt Servicing		20,985,000		20,985,000
6. Other Expenditures	35,154	686,000		721,154
8. Lump-sum for Personal Services	786,335			786,335
TOTAL	P 6,955,303	P 87,117,135	P 8,085,129	P 102,157,567

Special Provisions

1. **Budget Flexibility and Report** - The National Power Corporation through its Board of Directors, is authorized to realign/reallocate the projects/programs and their corresponding budgetary requirements herein approved, as well as augment the requirements which may arise from factors beyond the Corporation's control. These may include, but shall not be limited to, increase in oil/steam/coal prices, currency depreciation, inflation, change in generation mix and demand, interest rate, new loans/financing that may be contracted or sourced, substitute programs and projects, change in schedule of project implementation, and correction, transfer, or elimination at NPC's expense, of projects or installations that inhabitants affected thereby complain are a hazard to their health or safety, and reorganization, or subsidiarization, should conditions warrant: PROVIDED, That augmentation funds shall not be used for the acquisition of motor vehicles and payment of travelling, representation and discretionary expenses: PROVIDED, FURTHER, That the Personal Services shall not be augmented by savings from Maintenance and Other Operating Expenses (MOOE) as well as Capital Outlays or by new funding sources.

A report on the aforesaid budgetary adjustments shall be submitted to the House of Committee on Appropriations and the Senate Committee on Finance, including the Department of Budget and Management, within thirty (30) days after such adjustments are made.

2. **Restrictions on the Use of Funds.** In the event that certain NPC power plants have been completely subsidiarized and privatized before 1998, any amount earmarked for the rehabilitation and other costs intended for said power plants as reflected in the Corporate Operating Budget shall not be made available for such plants.

3. **Payment of Compensation.** Payment of salaries, wages and allowances or other form of compensation shall be in accordance with Memorandum Order No.198 s. 1994, implementing Republic Act No.7648 known as, "Electric Power Crisis Act of 1993": PROVIDED, That in the event that a new benefit is granted by law which is superior to its existing similar benefits, they may opt for the same in lieu of their existing ones.

4. **Use of Lump-sum Amount.** The use of the lump-sum amount provided for cash, non-cash and other economic benefits shall be subject to the approval of the Office of the President and shall be used exclusively for the intended purpose: PROVIDED, That the following conditions shall have been fully satisfied: (1) all of NPC's statutory obligations to the National Government shall have been settled; (2) the performance targets set for 1997 and 1998, both financial and physical, shall have been fully met; and (3) the grant of any salary increase/benefit authorized through NPC Board Resolutions shall have prior approval from the Office of the President.

5. **Remittance of Dividend.** Dividend equivalent to at least fifty percent (50%) of annual net earnings shall accrue to the National Government and shall be remitted to the National Treasury pursuant to Republic Act No. 7656.

6. **Acquisition of Equipment.** The acquisition of equipment, whether funded from internally generated funds, budgetary support or authorized borrowings, shall be subject to Corporate Budget Circular No.17, s. 1996, National Budget Circular No. 446, s. 1995 and other existing statutory requirements and/or Presidential issuances.

7. **Jurisdiction of the Commission on Audit.** The constitutional jurisdiction of the Commission on Audit over government funds and resources shall remain unimpaired.

III. PHILIPPINE NATIONAL OIL COMPANY

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998
(In Thousand Pesos)
SUMMARY

	<u>Current Operating Expenditures</u>			
	<u>Personal Services</u>	<u>Maintenance and Other Operating Expenses</u>	<u>Capital Outlays</u>	<u>Total</u>
A. PROGRAM/ACTIVITY/PROJECT				
1. General Administration and Support	P 41,445	P 125,217	P 5,071	P 171,733
2. Operations	7,953	177,696	5,833,706	6,019,355
3. Others				
Debt Servicing				
Principal		309,890		309,890
Interest Expense		822,370		822,370
Privatization-Related Expenses		1,530,420		1,530,420
TOTAL	P 49,398	P 2,965,593	P 5,838,777	P 8,853,768

a/

a/ MOOE, net of allowance for depreciation of P39.761M

III. PHILIPPINE NATIONAL OIL COMPANY

SOURCES AND USES OF FUNDS BY EXPENSE CLASS
(In Thousand Pesos)
CORPORATE BORROWINGS

Schedule I

	<u>Current Operating Expenditures</u>			
	<u>Personal Services</u>	<u>Maintenance and Other Operating Expenses</u>	<u>Capital Outlays</u>	<u>Total</u>
A. PROGRAM/ACTIVITY/PROJECT				
1. Operations			P 2,397,478	P 2,397,478
TOTAL			P 2,397,478	P 2,397,478

III. PHILIPPINE NATIONAL OIL COMPANY

Schedule II

SOURCES AND USES OF FUNDS BY EXPENSE CLASS
(In Thousand Pesos)
CORPORATE FUNDS

	<u>Current Operating Expenditures</u>			
	<u>Personal Services</u>	<u>Maintenance and Other Operating Expenses</u>	<u>Capital Outlays</u>	<u>Total</u>
A. PROGRAM/ACTIVITY/PROJECT				
1. General Administration and Support	P 41,445	P 125,217	P 5,071	171,733
2. Operations	7,953	177,696	3,436,228	3,621,877
3. Others				
Debt Servicing				
Principal		309,890		309,890
Interest Expense		822,370		822,370
Privatization-Related Expenses		1,530,420		1,530,420
		a/		
TOTAL	P 49,398	P 2,965,593	P 3,441,299	6,456,290

a/ MOOE, net of allowance for depreciation of P39.761M

Special Provisions

1. Budget Flexibility and Report. The Philippine National Oil Company (PNOC), through its Board of Directors, is authorized to realign/reallocate the projects/programs and their corresponding budgetary requirements herein approved, as well as augment the requirements which may arise from factors beyond the Company's control. These may include, but shall not be limited to, increase in costs associated with the privatization of subsidiaries, changes in foreign exchange rate, taxes, inflation, interest rates, payment of obligations as a result of final judgment of the court, and changes in programs/projects: PROVIDED, That augmentation funds shall be in compliance with the special provision hereunder regarding funds for Capital Outlays and shall not be used for the acquisition of motor vehicles and payment of traveling, representation and discretionary expenses: PROVIDED, FURTHER, That the Personal Services shall not be augmented by savings from Maintenance and Other Operating Expenses (MOOE), as well as, Capital Outlays, or by new funding sources.

A report on the aforesaid budgetary adjustments shall be submitted to the House Committee on Appropriations and the Senate Committee on Finance, including the Department of Budget and Management, within thirty (30) days after such adjustments are made.

2. Funds for Capital Outlays. The provisions of paragraph 1 above notwithstanding, Capital Outlays, including but not limited to lending and equity infusions to subsidiaries and other entities, provided herein under Operations, Program 2, whether funded from internally generated funds, augmentation funds, budgetary support or authorized borrowings, shall be utilized for the primary purposes of exploration, exploitation and development of indigenous energy resources: PROVIDED, That an amount not exceeding one billion pesos (P1,000,000,000) in the aggregate may be invested in entities not engaged in the said primary purposes: PROVIDED, FURTHER, That consistent with the privatization program of the government, such equity investment shall not exceed thirty six percent (36%) of the outstanding capital stock of any one such entity concerned: PROVIDED, FINALLY, That such Capital Outlays shall not be used as loans or advances to entities not engaged in the primary purposes herein defined. This provision shall apply to the Philippine National Oil Company and all its subsidiaries.

3. Privatization and/or Disposition of Assets. The PNOC, shall notify the Philippine Senate and the House of Representatives of any plan, proposal or program for the privatization and/or disposition of any of its subsidiaries, operations and substantial assets as well as those of its subsidiaries: PROVIDED, That such notification shall be due upon submission of such plan, proposal or program to the PNOC Board of Directors and, shall include, in specific terms, the procedure, process and manner of such privatization and/or disposition.

4. **Payment of Compensation.** Payment of salaries, wages, and allowances or other forms of compensation shall be in accordance with Republic Act No. 6758 known as, Compensation and Position Classification Act of 1989, as amended by Joint Resolution No.1, s. 1994 of Congress and Executive Order No. 164, s. 1994, as well as Corporate Compensation Circular No. 10 and other pertinent implementing rules and regulations, unless the corporation is exempted therefrom by special law.

5. **Remittance of Dividends.** Dividend equivalent to at least fifty percent (50%) of annual net earnings shall accrue to the National Government and shall be remitted to the National Treasury pursuant to Republic Act No. 7656.

6. **Acquisition of Equipment.** The acquisition of equipment, whether funded from internally generated funds, budgetary support or authorized borrowings, shall be subject to Corporate Budget Circular NO. 17, s. 1996, National Budget Circular No. 446, s. 1995 and other existing statutory requirements and/or Presidential issuances.

7. **Jurisdiction of the Commission on Audit.** The constitutional jurisdiction of the Commission on Audit over government funds and resources shall remain unimpaired.