



Republika ng Pilipinas  
PANGASIWAAN NG TUBIG AT ALKANTARILYA SA METRO MANILA  
Metropolitan Waterworks and Sewerage System  
Katipunan Road, Balara, Quezon City 1105, Philippines

Excerpts from the Minutes of the Fifteenth (15th) Regular Meeting of the Board held on 20 September 2012:

"Resolution No. 2012-124

"WHEREAS, on 17 August 2012, Manila Water Company, Inc. (MWCI) submitted for validation and evaluation by the Regulatory Office (RO) its foreign currency differential adjustment (FCDA) proposal of 3.49% of the basic charge of PhP26.44 (exclusive of CERA) per cubic meter or PhP0.92 per cubic meter effective 01 October 2012;

"WHEREAS, based on RO's evaluation, MWCI's actual and projected net FOREX loss to date, to be recovered in the 4th quarter of 2012, amounts to PhP116.96 Million, as follows:

In Millions	FOREX (Gain)/Loss	FCDA Collections	Net FOREX (Gain)/Loss
2010 (balance unrecovered)	P 81.15	P -	P 81.15
2011	130.56	99.56	31.00
2012	209.29	204.47	4.82
TOTAL	P 421.00	P 304.03	P 116.96

"WHEREAS, RO explained that actual and projected FOREX (Gains)/Losses represent the difference between (1) projected loan payments converted to PhP using FOREX rates during the last rate rebasing, and (2) actual loan payments in PhP using actual FOREX rates upon payment/projected loan payments in PhP for the 4th quarter 2012 using the average FOREX rates of July 2012. Following is a chart showing rates during the last rate rebasing and during subsequent dates:

	Rebasing Rate	Oct. 2011	Jan. 2012	Apr. 2012	July 2012
PhP to Yen	0.3861	0.5669	0.5670	0.5253	0.5302
PhP to USD	44.0000	43.4514	43.6191	42.6998	41.9054
PhP to Euro	53.0998	59.4688	56.2208	56.2914	51.5881

"WHEREAS, RO pointed out that this quarter's determination of actual and projected FOREX Loss for 2012 is 8% higher than last quarter's determination. This is due to the following factors: 1) an increase in actual forex loss for concession fees compared to the projections made in the previous quarter amounting to P8.27 Million due

to the actual payment of ADB 986 shortfall during the month of May 2012; 2) an increase in actual forex loss for concessionaire loans compared to the projections made in the previous quarter amounting to P9.5 Million attributed to the actual forex rate used in the transactions; 3) an increase in forex loss in concessionaire loans amounting to P1 Million due to the change in forex rate used;

"WHEREAS, the evaluation of the total forex loss submitted by MWCI amounting to P239.97 Million resulted in a verified forex loss of P228.50 Million or a difference of P11.47 Million, as follows:

CY 2012	As proposed	As evaluated	Inc./Dec.	Remarks
<b>CONCESSION FEES</b>	<b>160,797,559</b>	<b>160,695,551</b>	<b>(102,008)</b>	
Actual	102,680,276	102,578,268	(102,008)	• Difference due to ADB 986 % sharing of both concessionaires
Projected	58,117,283	58,117,283	0.00	
<b>CONCESSIONAIRE LOANS</b>	<b>79,173,693</b>	<b>67,804,029</b>	<b>(11,369,664)</b>	
Actual	41,313,368	29,971,450	(11,341,918)	• Difference due to the forex rate used re: IFC yen – it should have been .5382 instead of .5832.  • Difference due to exclusion of GRT, supervision fee.
Projected	37,860,325	37,832,579	(27,746)	• Difference due to exclusion of GRT.
<b>TOTAL</b>	<b>239,971,252</b>	<b>228,499,580</b>	<b>(11,471,672)</b>	

"WHEREAS, upon evaluation of MWCI's proposal, it was found that MWCI did not incorporate in its FCDA calculation the actual forex losses incurred in June for concessionaire loans amounting to P19.21 Million. The same were not included in the calculation of the RO that further reduced the forex loss determination from P228.50 Million to P209.29 Million;

"WHEREAS, it was also found that MWCI, in calculating its expected receipts, included sewer receipts for domestic customers at 10% of the water charge when the same is supposed to be at 0%;

"WHEREAS, based on RO's evaluation, expected receipts for the 4th quarter of 2012 amount to PhP3,335.25 Million based on the following assumptions: 1) Average Tariff for 2012: PhP26.44 per cubic meter, 2) collection efficiency: 95%, 3) billable volume: 109 MCM based on the CA Renewal Business Plan, 4) environmental fee: 20% of basic

tariff, 5) sewer billed volume (%age of billed volume): 3.58% for domestic and 3.37% for commercial/industrial, 6) sewer tariff: 0% for domestic and 30% for commercial/industrial;

"WHEREAS, based on RO's calculation, the net FOREX loss of P116.96 Million is 3.51% of expected receipts of PhP3,335 Million. Thus, the computed FCDA for the 4th quarter 2012 is 3.51% of the basic rate (exclusive of CERA) or an average PhP0.93 per cubic meter. Since an adjustment of PhP0.84 per cubic meter had been approved in the previous quarter, tariff shall further be adjusted by PhP0.09 for the 4th quarter of 2012. However, since RO calculation resulted in a greater FCDA than what MWCI proposed, RO adopted the proposal of MWCI with the impact of all findings of RO to be reckoned in the FCDA determination for the next quarter, subject to the principle of no over- or under-recovery.

"WHEREFORE, as recommended by the Regulatory Office (RO) as embodied in its Resolution No. 12-007-CA, BE IT RESOLVED, as it is hereby resolved, to APPROVE the 4th quarter 2012 FCDA for Manila Water Company, Inc. (**MWCI**) equivalent to 3.49% of the basic rate of P26.44 per cubic meter (exclusive of CERA) or PhP0.92 per cubic meter effective 01 October 2012. This is an upward adjustment of PhP0.08 per cubic meter from the FCDA of P0.84 per cubic meter approved in the previous quarter. The review of this FCDA included the unrecovered actual foreign exchange differential for 2010-2012 as well as the projections for 2012 based on the no over, no under-recovery principle.

"This tariff adjustment shall take effect fifteen (15) days after publication in newspapers of general circulation pursuant to Section 12 of Republic Act No. 6234, as amended."

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I, the undersigned, hereby certify that the foregoing is a true copy of the resolution adopted by the Board of Trustees of the Metropolitan Waterworks and Sewerage System and spread in the minutes of a duly constituted meeting of said Board held on 20 September 2012.

  
MA. LOURDES R. NAZ  
Board Secretary VI

Resol.2012-124