



Republika ng Pilipinas
**PANGASIWAAN NG TUBIG AT ALKANTARILYA SA KALAKHANG
MAYNILA**

Metropolitan Waterworks and Sewerage System
REGULATORY OFFICE
Katipunan Road, Balara, Quezon City 1105, Philippines

**IN RE: MANILA WATER COMPANY, INC.
PETITION FOR 4th QUARTER
FOREIGN CURRENCY DIFFERENTIAL
ADJUSTMENT (FCDA) EFFECTIVE
01 OCTOBER 2012**

RO RESOLUTION NO. 12-007-CA

WHEREAS, on 26 October 2001, the Metropolitan Waterworks and Sewerage System Board of Trustees (MWSS BOT) issued Board Resolution No. 512-2001 pursuant to Amendment No. 1 of the Concession Agreement to address, among others, the direct and indirect consequences of extraordinary foreign exchange gains/loss arising from the payment by the Manila Water Company, Inc. ("Manila Water") of the Concession Fees and Concessionaires Loans;

WHEREAS, in the said Board Resolution, the MWSS BOT allowed Manila Water to recover past foreign exchange losses as well as present and future exchange losses;

WHEREAS, apart from the mechanism to recover past foreign exchange currency losses, a Foreign Currency Differential Adjustment ("FCDA") mechanism was formulated to recover or account for future foreign exchange losses or gains beginning 01 January 2002, arising from MWSS loans and concessionaire loans used for capital expenditures and concession fee payments;

WHEREAS, pursuant to the said Board Resolution, the MWSS Regulatory Office (MWSS RO) is specifically mandated to formulate a correction mechanism to avoid under recovery or over recovery of these foreign exchange losses;

WHEREAS, on 17 August 2012, Manila Water submitted for validation and evaluation by the MWSS RO its FCDA proposal amounting to P160.80M and P79.17M representing actual and projected forex losses on concession fees and concessionaire loans, respectively, for 2012 equivalent to an adjustment of 3.49% of the Basic Charge of P26.44 per cubic meter (exclusive of CERA) or P0.92 per cubic meter effective 01 October 2012. This calculation assumes, among others the exchange rate of P41.91, P0.53 and P51.59 per US Dollar, Japanese Yen and European Euro, respectively, which are the average exchange rates for the month of July 2012;

WHEREAS, Manila Water's actual and projected net forex loss to date, to be recovered in the 4th quarter 2012, amounts to P116.96M, as follows:

In Millions	FOREX (Gain)/Loss	FCDA Collections	Net FOREX (Gain)/Loss
2010 <i>(balance unrecovered)</i>	P 81.15	P -	P 81.15
2011	130.56	99.56	31.00

OFFICE OF THE
PRESIDENT & CEO

M	RECEIVED
W	
C	BY: <i>Rul</i>
I	DATE: <i>9/21/12</i>

[Handwritten signatures and initials]

2012	209.29	204.47	4.82
TOTAL	P 421.00	P 304.03	P 116.96

WHEREAS, the actual and projected forex (gains)/losses represent the difference between (1) projected loan payments converted to Philippine pesos (Php) using forex rates during the last rate rebasing for concession fees and at drawdown dates for concessionaire loans, and (2) actual loan payments in Php using actual forex rates upon payment and projected loan payments for the 4th quarter 2012 using the average forex rates of July 2012. Following is a chart showing forex rates during the last rate rebasing and during subsequent dates:

	Rebasing Date	Oct 2011	Jan 2012	Apr 2012	Jul 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, the actual and projected forex (gain)/loss for 2012 for this quarter's determination is 8% higher than the 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 P8.27M 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 compare to the projections made in the previous quarter amounting to P9.5M attributed to the actual forex rate used in the transactions; (3) an increase in forex loss projected concession fees amounting to P1M offset by a decrease in forex loss in concessionaire loans amounting to P1M due to the change in forex rates used;

WHEREAS, the evaluation of the total forex loss submitted by Manila Water amounting to P239.97M resulted in a verified forex loss of P228.50M or a difference of P11.47M. Following is a chart showing the result of the evaluation made on the total forex loss submitted by Manila Water:

CY 2012	As proposed	As evaluated	Inc / (Dec)	Remarks
CONCESSION FEES	160,797,559	160,695,551	(102,008)	
Actual	102,680,276	102,578,268	(102,008)	• Difference due to ADB 986 % sharing of both concessionaire.
Projected	58,117,283	58,117,283	0.00	
CONCESSIONAIRE LOANS	79,173,693	67,804,029	(11,369,664)	
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

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Projected	37,860,325	37,832,579	(27,746)	• Difference due to exclusion of GRT
TOTAL	239,971,252	228,499,580	(11,471,672)	

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

WHEREAS, expected receipts for the 4th quarter 2012 amount to P3,335.25M based on the following assumptions: (1) Average Tariff for 2012 of P26.44 per cubic meter, (2) collection efficiency of 95%, (3) billable volume of 109 MCM based on the CA Renewal Business Plan, (4) environmental charge of 20% of the basic tariff, (5) sewer billed volume at 3.58% of domestic and 3.37% for commercial/industrial, (6) sewer charge of 0% for domestic and 30% for commercial/industrial;

WHEREAS, upon evaluation of Manila Water's proposal, it was also found that Manila Water, in calculating their expected receipts, included sewer receipts for domestic customers at 10% of the water charge when the same is supposed to be at 0%;

WHEREAS, the net forex loss of P116.96M is 3.51% of expected receipts of P3,335.25M. Thus, the computed FCDA for the 4th quarter 2012 is 3.51% of the basic rate (exclusive of CERA) or an average of P0.93 per cubic meter. Since an FCDA of P0.84 per cubic meter has been approved in the previous quarter, the tariff should further be adjusted by P0.09 per cubic meter for the 4th quarter 2012. However, since MWSS-RO calculation resulted in a greater FCDA than what Manila Water proposed, MWSS-RO adopted the proposal of Manila Water with the impact of all findings of MWSS-RO shall be reckoned in the FCDA determination for the next quarter, subject to the principle of no over- or under-recovery;

NOW THEREFORE, BE IT RESOLVED, AS IT HEREBY RESOLVED, to transmit/submit to the MWSS Board of Trustees the FCDA calculation for the 4th Quarter of 2012 effective October 1, 2012, Manila Water:

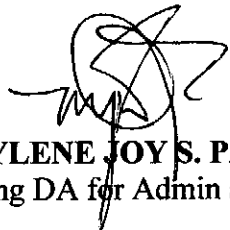
3.49% FCDA of the 2012 Average Basic Charge of P26.44 per cubic meter (exclusive of CERA) or P0.92 per cubic meter effective 01 October 2012 pursuant to the provisions of Amendment No. 1. This is an upward adjustment of P0.08 per cubic meter from the FCDA of P0.84 per cubic meter approved in the previous 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. (A copy of the calculation and the rate schedule is attached hereto and made an integral part hereof as Annex "A");

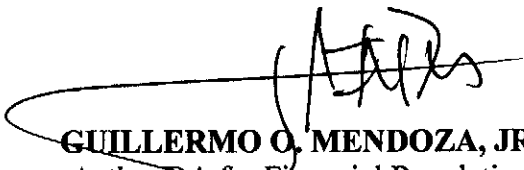
RESOLVED FINALLY that due to the publication requirement under Section 12 of the MWSS Charter that such "rates and fees shall be effective and enforceable fifteen (15) days after publication in newspaper of general circulation", these rates shall be published not later than 16 September 2012, to take effect on 01 October 2012.


SO ORDERED.


10 September 2012, Quezon City.


ESTRELLA T. DECENA-ZALDIVAR
Acting Chief Regulator


MYLENE JOY S. PARRAS
Acting DA for Admin and Legal


GUILLERMO O. MENDOZA, JR.
Acting DA for Financial Regulation


RANDOLPH Q. MARCIAL
Acting DA for Customer Service


JORGE C. MATEO
Acting DA for Technical Regulation