



PERFORMANCE AGREEMENT

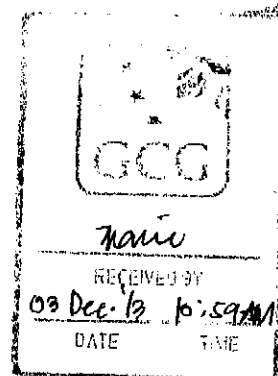
This Performance Agreement has been executed pursuant to the **PERFORMANCE EVALUATION SYSTEM FOR THE GOCC SECTOR (GCG MC No. 2013-02)** between the –

GOVERNANCE COMMISSION FOR GOCCs (GCG)

- and -

**METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM –
REGULATORY OFFICE (MWSS-RO)**

WITNESSETH: THAT –



The Parties agree to the following terms:

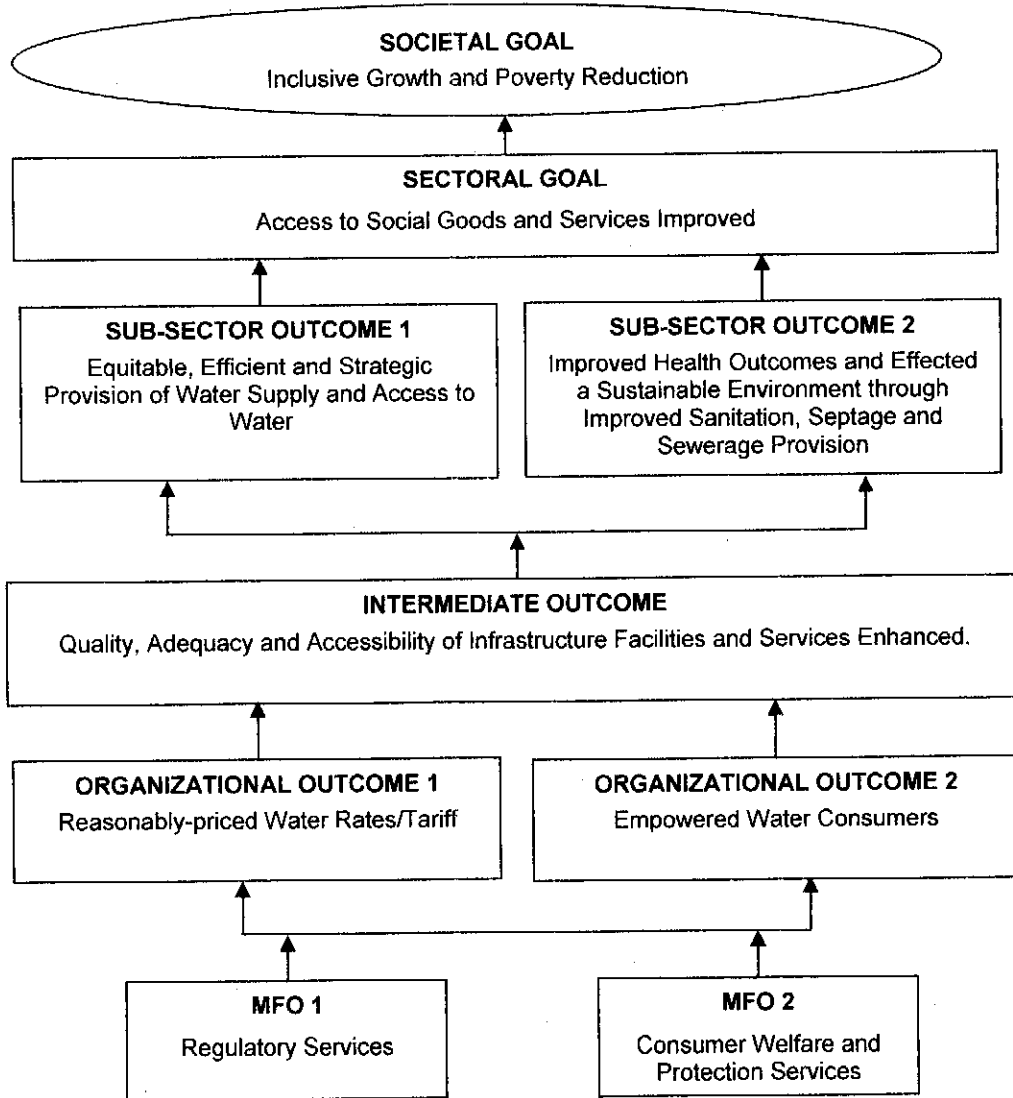
1. **Period.** – This Agreement shall be effective for a period of two (2) calendar years beginning from the execution of this agreement and ending on 31 December 2014.
2. **Charter Statement and OPIF Logframe.** – MWSS-RO's Charter Statement and OPIF Logframe for the Period specified in Section 1 hereof, shall be as follows:

Mission: For Metro Manila and its adjacent towns, the MWSS Regulatory Office, through effective regulatory mechanism, is committed to:

- Monitor compliance of the Concessionaires with contractual obligations and ensure prudent and efficient spending in respect of the development of water infrastructure;
- Monitor performance of the Concessionaires in providing equitable access to clean, potable and affordable water;
- Monitor and enforce standards of service pertaining to the Concessionaires' delivery of water supply, water quality, and sewerage and sanitation services, as well as ensure that such services fully cover their respective areas of operation; and
- Ensure prudence and efficiency in the implementation of the Concessionaires' Business Plans, and in doing so, deliver affordable water tariffs that will support the long term water security program for Metro Manila and all covered areas.

Vision: MWSS is the prime mover and guardian of water security providing adequate, safe, reliable and affordable water and sewerage services to Metro Manila and its existing and future coverage areas, while ensuring the sustainability of its water resources and the intelligent and right use of water.

MWSS-RO Logframe



3. **Measurement of Performance.** – Based on MWSS-RO's Interim Performance Scorecard, attached hereto as **Annex A**, the evaluation of MWSS-RO's performance for 2013-2014 shall be based on the following Measures/Performance Indicators and Annual Targets, to wit:

MFO	Performance Measures*	Weight		Baseline			Annual Targets	
		2013	2014	2010	2011	2012	2013	2014
MFO 1: Regulatory Services	Quantity 1: Percentage of rate adjustment petitions from the concessionaires evaluated and resolved	0%	0%	100%	44%	100%	100%	100%
	Timeliness 1: Percentage of rate adjustments petitions resolved at least 15 days prior to their intended implementation date	15%	15%	40%	44%	30%	50%	60%
	Quantity 2*: Number of major facilities inspected in relation to their performance in the delivery of service	10%	10%	-	-	-	100%	100%

[Handwritten signatures and initials]

MFO	Performance Measures*	Weight		Baseline			Annual Targets	
		2013	2014	2010	2011	2012	2013	2014
MFO 1: Regulatory Services	Quantity 3: Percentage of Concessionaires' Assets Validated and Authenticated as contained in their Asset Condition Report							
	1) Above-Ground Assets	5%	5%	-	-	-	100%	100%
	2) Below Ground Assets (random sampling)	5%	5%	-	-	-	100%	100%
	Timeliness 2: Average processing time of CAPEX evaluation reports from submission by the Concessionaires	5%	5%	30 days	30 days	30 days	30 days	25 days
	Quality 1: Percentage of Concessionaires' compliance with their following service obligations:							
	1) Water pressure (7psi)	5%	5%	-	-	-	100%	100%
2) Water availability	5%	5%	-	-	-	100%	100%	
3) Service coverage - water (population in million)	5%	5%						
		MWCI	MWCI	79%	84%	86%	87%	90%
		MWSI	MWSI	80%	86.3%	88%	88%	91%
Subtotal of Weights:		55%	55%					
MFO 2: Consumer Welfare and Protection Services	Quantity 4: Number of consumers reached with the conduct of information dissemination activities (Note: Total no. of barangays in the two Concession Areas is 2,207)	10%	10%	-	-	93.5%** (350/374)	95% (95/100)	95% (143/150)
	Quality 2: Percentage of compliance by the concessionaires' on the implementation of approved customer related Implementing Rules and Regulations (IRRs) (Downgrading of Customer's Rate Class/ Conversion of Subdivisions/POs water service connection from bulk to individual)	10%	10%	-	-	-	Finalization of revised and updated IRRs and presentation to the concessionaires	Formally accepted and implemented
	Timeliness 3: Percentage of complaints evaluated & resolved within 30 days	5%	5%	96%	88%	92%	93%	95%
	Quality 3: Compliance with prescribed water quality standards at the consumer's tap	10%	10%	97.9%	97%	97%	97.8%	97.9%

mcs

MFO	Performance Measures*	Weight		Baseline			Annual Targets	
		2013	2014	2010	2011	2012	2013	2014
MFO 2: Consumer Welfare and Protection Services	Quality 4: Evaluation of performance of sewerage and sanitation facilities complying with Effluent Regulations	10%	10%	80%	80%	85%	87%	89%
Subtotal of Weights:		45%	45%					
		100%	100%					

*See formulas and data provider on Annex B.
 ** rate-rebasing year
 *** Based on initial release of funds
 **** Completion of 57 (included among the suspended projects) of which is conditional on the availability of funds; no identified fund source as of 2013

It is understood that MWSS-RO must achieve a weighted-average of at least 90% to be eligible to grant any Performance-Based Bonus.

4. **Strategic Initiatives.** – MWSS-RO hereby commits to undertaking the following key programs and/or projects identified as having significant, impact on its Performance Scorecard (PES Form 2) attached hereto as **Annex B**, to wit:
- (a) Strategic Initiative 1 – 2013 Rate Rebasing Consultancy Services;
 - (b) Strategic Initiative 2 – Validation and Authentication of the Asset Condition Reports (ACR) of MWCI and MWSI;
 - (c) Strategic Initiative 3 – Technical Audit and Evaluation of CAPEX Programs and Projects of MWCI and MWSI; and
 - (d) Strategic Initiative 4 – Consultancy Services for Restructuring of the Rates of the MWSS Concessionaires.

The Commitment herein includes obtaining all necessary approvals, if applicable, such as those for Major Development Projects under GCG MC No. 2013-03. MWSS-RO shall include updates on the foregoing Strategic Initiative in its submission of quarterly monitoring reports (PES Form 3) to the GCG.

5. **Quarterly Submission of Performance Monitoring.** – MWSS-RO shall submit a quarterly monitoring report to the GCG within thirty (30) calendar days from the close of each quarter using the monitoring report attached hereto as **Annex C**.
6. **Good Governance Conditions.** – In addition to the covered portions of the Performance Scorecard, the MWSS-RO must fully comply with the Good Governance Conditions enumerated under GCG MC No. 2013-02, namely:
- 6.1. *Conditions common to National Government Agencies and GOCCs:*
- (a) Transparency Seal;
 - (b) PhilGEPS Posting;
 - (c) Cash Advance Liquidation;
 - (d) Citizen's Charter or its equivalent; and

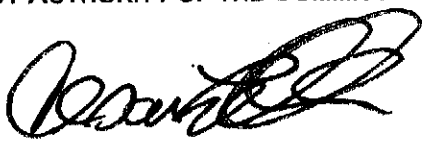
- (e) Compliance with the submission and review requirements covering Statement of Assets, Liabilities and Net Worth (SALN);¹

6.2. *Conditions specific to GOCCs covered by R.A. No. 10149:*

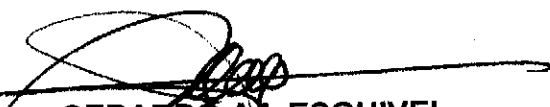
- (a) Satisfaction of all statutory liabilities, including the payment of all taxes due to the Government, and declaration and payment of all dividends to the State as of the end of the applicable calendar year, whenever applicable. Liabilities that are still under dispute and there has been no final and executory judgment/decision as of the date of the release of the PBB by the GOCC shall be excluded for the purpose of this provision.
- (b) Submission and execution of concrete and time-bound action plans for addressing Notices of Disallowances and Audit Observation Memoranda from the Commission on Audit (COA), if any.
- (c) Adoption of a "Manual of Corporate Governance" pursuant to Section 42 of the **CODE OF CORPORATE GOVERNANCE FOR GOCCs (GCG MC No. 2012-07)** that is approved by GCG and uploaded on the GOCC's website.
- (d) Compliance with posting on the GOCC's website the information enumerated under Section 43 of GCG MC No. 2012-07.
- (e) Adoption of a **No GIFT POLICY** approved by the GCG and uploaded on the GOCC's website pursuant to Section 29 of GCG MC No. 2012-07.
7. MWSS-RO hereby undertakes to have its Performance Scorecard rated by its customers and solicit feedback on how the same may be improved. MWSS-RO shall determine the most effective method for accomplishing the said purpose. Such information shall be reported to GCG together with the quarterly monitoring report. The rating shall not affect the performance indicators/measures in MWSS-RO's Performance Scorecard, and shall be used solely as a reference by GCG and MWSS-RO during Performance Agreement Negotiations/Renegotiations.
8. Nothing herein shall be construed as limiting the authority of GCG to initiate renegotiations and/or revoke Performance Agreements in accordance with existing laws, rules and regulations.

DONE, this 31 October 2013 in the City of Makati, Philippines.

**GOVERNANCE COMMISSION
FOR GOCCs**
BY AUTHORITY OF THE COMMISSION:


CESAR L. VILLANUEVA
Chairman

**METROPOLITAN WATERWORKS
AND SEWERAGE SYSTEM –
REGULATORY OFFICE (MWSS-RO)**


GERARDO A. ESQUIVEL
Acting Chairman and Administrator

¹ See CIVIL SERVICE COMMISSION MEMORANDUM CIRCULAR No. 3, s. 2013.



MA ANGELA E. IGNACIO
Commissioner



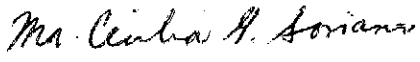
EMMANUEL L. CAPARAS
Trustee and Acting Chief Regulator



RAINIER B. BUTALID
Commissioner



RAOUL C. GREENCIA
Trustee



MA. CECILIA G. SORIANO
Trustee



JOSE RAMON T. VILLARIN
Trustee



BENJAMIN J. YAMBAO
Trustee

METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM – REGULATORY OFFICE (MWSS-RO)
INTERIM PERFORMANCE SCORECARD 2013-2014

MFO 1 : Regulatory Services	Description	Formula	Weight		Data Provider	Baseline Data					Targets	
			2013	2014		2010	2011	2012	2013	2014		
Quantity 1 : Percentage of rate adjustment petitions from the concessionaires evaluated and resolved Timeliness 1 : Percentage of rate adjustments petitions resolved at least 15 days prior to their intended implementation date	No. of rate adjustment petitions resolved ----- No. of rate adjustment petitions received	0%	0%	Concessionaires of MWSS FRA, TRA, CSR & Legal Dept.	100%	44%	100%	100%	100%	100%	100%	
												100%
Timeliness 1 : Percentage of rate adjustments petitions resolved at least 15 days prior to their intended implementation date	No. of petitions resolved 15 days prior to date of implementation ----- No. of petitions resolved	15%	15%	FRA, TRA, CSR & Legal Dept.	40%	44%	30%	50%	60%			
										60%		
Quantity 2* : Number of major facilities inspected in relation to their performance in the delivery of service	No. of existing major facilities inspected ----- Total No. of existing major facilities	10%	10%	TRA	-	-	-	100%	100%			
										100%		
Quantity 3 : Percentage of Concessionaires' Assets Validated and Authenticated as contained in their Asset Condition Report	No. of facilities validated ----- No. of facilities listed in the ACR	5%	5%	TRA	-	-	-	100%	100%			
										100%		
1) Above-Ground Assets 2) Below Ground Assets (random sampling)	No. of pipe cut-outs ----- Required No. of pipe cut-outs	5%	5%		-	-	-	100%	100%			
										100%		
Timeliness 2 : Average processing time of CAPEX evaluation reports completed from submission by the Concessionaires	No. of CAPEX evaluation reports completed within 30 days ----- No. of CAPEX reports submitted by the	5%	5%	TRA	30 days	30 days	30 days	30 days	30 days	25 days		

[Handwritten signature]

mca
[Handwritten signature]

MWSS - RO P E S F o r m 1 | 2 o f 3
Performance Scorecard

Description	Performance Measures	Formula	Weight		Data Provider	Baseline Data				Targets		
			2013	2014		2010	2011	2012	2013	2014		
Quality 1: Percentage of Concessionaires' compliance with their following service obligations: 1) Water pressure (7psi) 2) Water availability 3) Service coverage – Water (population in million)	Concessionaires	No. of validated benchmark customers with 7psi and above <u>Total no. of benchmark customers</u>	5%	5%	TRA & CSR	-	-	-	-	100%	100%	
						No. of validated benchmark customers receiving 24 hours of supply <u>Total no. of benchmark customers</u>	5%	5%	-	-	100%	100%
							Concessionaires' Performance Target per Business Plan	5%	5%	79% 80%	84% 86.3%	86% 88%
Subtotal of Weights:			55%	55%								
MFO 2: Consumer Welfare and Protection Services												
Quantity 4: Number of consumers reached with the conduct of information dissemination activities		No. of barangays represented <u>Target no. of Barangays</u>	10%	10%	CSR: PID	-	-	93.5%* (350/374)	95% (95/100)	95% (143/150)		
Quantity 2: Percentage of compliance by the concessionaires' on the implementation of approved customer related Implementing Rules and Regulations (IRRs)		No. of customer accounts downgraded/converted <u>Total no. of customer accounts covered</u>	10%	10%	Concessionaires / Customers	-	-	-	Finalization of revised and updated IRRs and presentation to the concessionaires	Formally accepted and implemented		

[Handwritten signature]

ma

[Handwritten signature]

SS


[Handwritten mark]

MWSS-RO Performance Form 1 | 3 of 3
Performance Scorecard

Description	Formula	Weight		Baseline Data					Targets	
		2013	2014	2010	2011	2012	2013	2014		
connection from bulk to individual)										
Timeliness 3: Percentage of complaints evaluated & resolved within 30 days	$\frac{\text{No. of complaints resolved within 30 days}}{\text{No. of Complaints Received}}$	5%	5%	96%	88%	92%	93%	95%		
Quality 3: Compliance with prescribed water quality standards at the consumer's tap	$\frac{\text{No. of samples complying with PNSDW}}{\text{Total no. of samples}}$	10%	10%	97.9%	97%	97%	97.8%	97.9%		
Quality 4: Evaluation of performance of sewerage and sanitation facilities complying with Effluent Regulations	$\frac{\text{No. of facilities evaluated based on criteria set in the Service Obligation - Key Performance Indicator Guide complete with evaluation report per STP}}{\text{Total no. of existing and operational facilities}}$	10%	10%	80%	80%	85%	87%	89%		
Subtotal of Weights:		45%	45%							
TOTAL OF WEIGHTS:		100%	100%							

*Rate rebasing year

For GCG:


RAINIER B. BUTALID
 Commissioner, GCG

For MWSS-RO:


GERARDO A.I. ESQUIVEL
 Acting Chairman and Administrator


EMMANUEL L. CAPARAS
 Trustee and Acting Chief Regulator

**METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM
REGULATORY OFFICE (MWSS-RO)
STRATEGIC INITIATIVES PROFILE**

INITIATIVES UNDER MFO 1

I. STRATEGIC INITIATIVE 1

- 1. Name of Project** : 2013 Rate Rebasing Consultancy Services
- 2. Contact Person/
Project Team Head** : Emmanuel L. Caparas
Acting Chief Regulator
- 3. Project Description** : The project scope involves all aspect of the Rate Rebasing Determination for the two MWSS Concessionaires under the Concession Agreement. Rate Rebasing done every five years to set the rates for water and sewerage to recover the expenditures of the two Concessionaires and provide a reasonable rate of return over the remaining term of the concessions. The project involves providing expert advice to the Regulatory Office in the aspects of legal, technical and financial issues relating to the rate determinations.

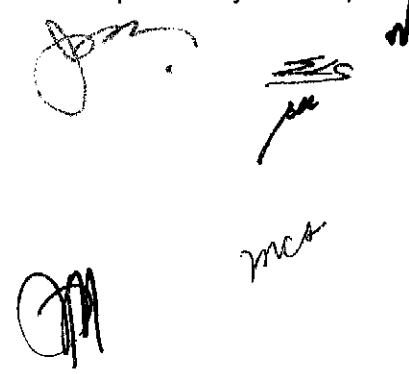
4. Milestones

Activities	Timeline		Budget	Funding Source	Status
	Start	End			
1. 2013 Rate Rebasing Consultancy	Mar 2013	Sept 2013	₱61.4 M	RO-COB	Completed
	Total		₱61.4 M		

II. STRATEGIC INITIATIVE 2

- 1. Name of Project** : Validation and Authentication of the Asset Condition Reports (ACR) of MWCI and MWSI
- 2. Contact Person/
Project Team Head** : Gerardo A. Sullano
Deputy Administrator, Technical Regulation
- 3. Project Description** : The scope of the project involves (a) review and validation of ACRs submitted by MWCI and MWSI; and (b) determination of the fair valuation of all assets used by MWSS, MWSI and MWCI in providing water supply and sewerage services, in accordance with generally accepted valuation principles using Fair Value Approach using Optimized Depreciated Replacement Cost Approach and the structured framework previously developed by RO.

4. Milestones



Activities	Timeline		Budget	Funding Source	Status
	Start	End			
1. 2010 ACR	Mar 2013	Sept 2013	₱21.03 M	RO-COB	Completed
2. 2013 ACR	Q2-2014	Q3-2014	₱15.88 M	RO-COB	
Total			₱36.91 M		

III. STRATEGIC INITIATIVE 3

1. **Name of Project** : Technical Audit and Evaluation of CAPEX Programs and Projects of MWCI and MWSI
2. **Contact Person/
Project Team Head** : Gerardo A. Sullano
Deputy Administrator, Technical Regulation
3. **Project Description** : The project scope involves 100% audit of MWCI and MWSI CAPEX projects to establish the prudence and efficiency in terms of cost and the correlation of such CAPEX project in the attainment of the Concessionaires' service obligations.

4. Milestones

Activities	Timeline		Budget	Funding Source	Status
	Start	End			
1. 2008-2012 CAPEX Audit	Jan 2013	Aug 2013	₱5.11 M	RO-COB	Completed
2. 2014 CAPEX Audit	Q3-2015	Q4-2015	₱15 M	RO-COB	
Total			₱20.11 M		

IV. STRATEGIC INITIATIVE 4

1. **Name of Project** : Consultancy Services for Restructuring of the Rates of the MWSS Concessionaires
2. **Contact Person/
Project Team Head** : Emmanuel L. Caparas
Acting Chief Regulator
3. **Project Description** : The project scope involves the determination of the most appropriate tariff design/structure of the Concessionaires to achieve the most desirable balance among the following objectives:
 - a) Rates must be equitable across customer classes
 - b) Rate structure must provide sufficient revenue;
 - c) Rate structure must promote conservation;
 - d) Rates can be easily implemented;
 - e) Water and sewerage services must be affordable;
 - f) Rates must comply with provisions of the CA and other existing laws and ordinances

4. Milestones

Activities	Timeline		Budget	Funding Source	Status
	Start	End			
1. Rate Restructuring Consultancy	Jun 2014	Aug 2014	₱11.5 M	RO-COB	
Total			₱11.5 M		

Handwritten signatures and initials:
 SLS
 me
 mac

METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM – REGULATORY OFFICE (MWSS-RO)
MONITORING REPORT OF PERFORMANCE TARGETS

Description	Formula	Weight	Rating/Score	Baseline		2013						
				2012	Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Actual		
				Target	Actual	Target	Actual	Target	Actual	Target	Actual	
MFO 1: Regulatory Services												
Quantity 1: Percentage of rate adjustment petitions from the concessionaires evaluated and resolved	$\frac{\text{No. of rate adjustment petitions resolved}}{\text{No. of rate adjustment petitions received}}$	0%		100%								
Timeliness 1: Percentage of rate adjustments petitions resolved at least 15 days prior to their intended implementation date	$\frac{\text{No. of petitions resolved 15 days prior to date of implementation}}{\text{No. of petitions resolved}}$	15%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 15\%$	30%								
Quantity 2: Number of major facilities inspected in relation to their performance in the delivery of service	$\frac{\text{No. of existing major facilities inspected}}{\text{Total No. of existing major facilities}}$	10%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 10\%$	-								
Quantity 3: Percentage of Concessionaires' Assets Validated and Authenticated as contained in their Asset Condition Report	$\frac{\text{No. of facilities validated}}{\text{No. of facilities listed in the ACR}}$	5%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 5\%$	-								
1) Above-Ground Assets												
2) Below Ground Assets (random sampling)	$\frac{\text{No. of pipe cut-outs}}{\text{Required No. of pipe cut-outs}}$	5%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 5\%$	-								

[Handwritten signature]

Timeliness 2: Average processing time of CAPEX evaluation reports from submission by the Concessionaires	No. of CAPEX evaluation reports completed within 30 days <u>No. of CAPEX reports submitted by the Concessionaires</u>	5%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 5\%$	30 days								
Quality 1: Percentage of Concessionaires' compliance with their following service obligations: 1) Water pressure (7psi)	No. of validated benchmark customers with 7psi and above <u>Total no. of benchmark customers</u>	5%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 5\%$									
2) Water availability	No. of validated benchmark customers receiving 24 hours of supply <u>Total no. of benchmark customers</u>	5%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 5\%$									
3) Service coverage – Water (population in million)	Concessionaires' Performance Target per Business Plan	5%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 5\%$	MWCI 86% MWSI 88%								
Subtotal of weights and ratings:		55%										
MFO 2: Consumer Welfare and Protection Services												
Quantity 4: Number of consumers reached with the conduct of information dissemination activities	No. of barangays represented <u>Target no. of Barangays</u>	10%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 10\%$	93.5%								
Quality 2: Percentage of compliance by the concessionaires' on the implementation of approved customer related	No. of customer accounts downgraded/converted	10%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 10\%$	72%								

[Handwritten mark]

[Handwritten signatures and initials]

Implementing Rules and Regulations (RRs) (Downgrading of Customer's Rate Class/ Conversion of Subdivisions/POs water service connection from bulk to individual)	Total no. of customer accounts covered																			
Timeliness 3: Percentage of complaints evaluated & resolved within 30 days	No. of complaints resolved w/in 30 days No. of Complaints Received	5%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times \%$	92%																
Quality 3: Compliance with prescribed water quality standards at the consumer's tap	No. of samples complying with PNSDW Total no. of samples	10%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times \%$	97%																
Quality 4: Evaluation of performance of sewerage and sanitation facilities complying with Effluent Regulations	No. of facilities evaluated based on criteria set in the Service Obligation - Key Performance Indicator Guide complete with evaluation report per STP Total no. of existing and operational facilities	10%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times \%$	85%																
Subtotal of weights and ratings:		45%																		
TOTAL OF WEIGHTS AND RATINGS:		100%																		

