



Republic of the Philippines
METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM
Katipunan Road, Balara, Quezon City 1105, Philippines

Excerpts from the Minutes of the Fifth (5th) Special Board Meeting held on 13 December 2017:

“RESOLUTION NO. 2017-158-RO

WHEREAS, on 26 October 2017, the Metropolitan Waterworks and Sewerage System Board of Trustees (MWSS BOT) through Resolution No. 2017-141-RO approved and confirmed RO Resolution No. 2017-09-CA dated 18 October 2017, which recommends to grant Maynilad Water Services, Inc. (Maynilad) a Rates Adjustment Limit (RAL) of 2.80% composed solely of the “C” Factor. The RAL as applied to the 2017 Basic Charge of P34.51 per cubic meter resulted to an average adjustment of Php0.97 per cubic meter. Effective 01 January 2018, the average basic charge amounts to Php35.48 per cubic meter;

WHEREAS, on 26 October 2001, the MWSS BOT issued Resolution No. 512-2001 pursuant to Amendment No. 1 of the Concession Agreement (CA) to address, among others, the direct and indirect consequences of extraordinary foreign exchange (FOREX) losses/gains arising from the payment of the concession fees and concessionaires loans by Maynilad;

WHEREAS, in the said Resolution, the MWSS BOT allowed Maynilad to recover past FOREX losses as well as present and future FOREX losses;

WHEREAS, apart from the mechanism to recover past FOREX currency losses, the Foreign Currency Differential Adjustment (FCDA) mechanism was formulated to recover or account for future FOREX losses/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 Resolution, the MWSS Regulatory Office (MWSS-RO) is specifically mandated to formulate a correction mechanism to avoid under recovery or over recovery of these FOREX losses/gains;

WHEREAS, on 14 September 2017, the MWSS BOT issued Resolution No. 2017-119-RO that approved and confirmed the recommendation of the MWSS-RO as embodied in its Resolution No. 2017-07-CA dated 06 September 2017 for the 4th Quarter 2017 FCDA of Maynilad equivalent to 1.09% of the 2017 Basic Charge of Php34.51 per cubic meter or Php0.38 per cubic meter;

WHEREAS, on 21 November 2017, Maynilad submitted for validation and evaluation by the MWSS-RO its FCDA proposal for the 1st Quarter 2018, which comprise of FOREX losses amounting to Php133.891 million and Php145.035 million for 2017 and 2018, respectively, representing the actual and projected FOREX differentials on concession fees and concessionaire loans resulting in an FCDA of Php0.70% of the 2018 Basic Charge of Php35.48 per cubic meter to an average of Php0.25 per cubic meter effective 01 January 2018;

WHEREAS, the actual and projected FOREX losses / (gains) 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 until November 2017 and projected loan payments for November to December 2018 using the average FOREX rates of October 2017. Below is a chart showing FOREX rates used during the last Rate Rebasing and subsequent dates:

	Exchange Rates		
	Rebasing Date 28 December 2012	Average of July 2017	Average of October 2017
Yen to Php	0.4787	0.4504	0.4546
USD to Php	41.1920	50.6382	51.3433
Euro to Php	54.5300	53.3076	60.4006

Source of basic data: *Reference Exchange Rate Bulletin, Treasury Department, Bangko Sentral ng Pilipinas, as posted in www.bsp.gov.ph*

WHEREAS, it was noted in the FCDA proposal from Maynilad that the Base Rate used for Concession Fee payments in 2018 was the 2013 Rebasing Rates. This will be adopted for the meantime that the FOREX Rates for the Fourth Rate Rebasing is yet to be established. However, upon the establishment of such, the calculation of FOREX differentials shall utilize them as Base Rate for Concession Fee payments in 2018;

WHEREAS, the table below shows the evaluation of FOREX differentials by the MWSS-RO:

Forex Loss (Gain) (in millions)	Maynilad	MWSS-RO
2017 (as evaluated last quarter)	133.891	133.924
Concession Fee	123.80	123.087
Concessionaire Loans	10.812	10.838
2018 (updated this quarter)	145.035	145.593
Concession Fee	132.518	133.087
Concessionaire Loans	12.517	12.507

WHEREAS, the difference between the FOREX differentials in Maynilad's submission and the MWSS-RO's evaluation is attributed to the

difference in the October 2017 average FOREX rates used in the determination of projections:

WHEREAS, the MWSS-RO's evaluation of Maynilad's expected receipts from January to December 2018 amounts to Php25,806 million based on the following:

- (1) Average Tariff for 2018 of Php35.48 per cubic meter;
- (2) Collection efficiency of 99.9%;
- (3) 2018 billable volume of 596 MCM based on the RO-approved billed volume projections;
- (4) Environmental charge of 20% of the basic tariff;
- (5) 2018 non-domestic sewer billed volume at 32 MCM; and
- (6) Sewer charge of 0% for domestic and 20% for commercial/industrial;

WHEREAS, based on the evaluation of the MWSS-RO, Maynilad's actual and projected net FOREX losses to date, to be recovered beginning 01 January 2018, amount to Php154.85 million:

In Millions	FOREX Loss/(Gain)	FCDA Collections/(Rebate)	Net FOREX Loss/(Gain)
2016(balance)	Php 116.62	Php -	Php 116.62
2017	319.49	406.09	(86.60)
2018	355.66	-	355.66
TOTAL*	Php 791.78	Php 406.9	Php 385.69

**Difference between actual computation and amount presented is due to rounding
Source of basic data: Tariff Control and Monitoring Department of MWSS-RO*

WHEREAS, the net FOREX losses of Php154.85 million is 0.60% of expected receipts amounting to Php25,806 million. Thus, the computed FCDA for the 1st Quarter 2018 is 0.60% of the 2018 Average Basic Rate of Php35.48 per cubic meter or Php0.21 per cubic meter. From an implemented FCDA of Php0.38 per cubic meter in the previous quarter, the tariff shall be adjusted downward by an average of Php0.17 per cubic meter effective 01 January 2018.

WHEREAS, the estimated impact to residential customers of the FCDA is shown on the below;

Monthly Billed Volume	Php per month
10 cu. m. or less	
Not Lifeline customers	2.70
20 cu.m.	10.18
30 cu.m.	20.77

WHEREAS, in the 13 December 2017 meeting, the MWSS BOT deliberated on the recommendation of the MWSS-RO on the petition for the First Quarter 2018 FCDA by Maynilad;

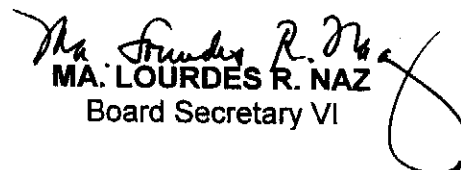
WHEREFORE, as recommended by the MWSS Regulatory Office, on motion made and duly seconded, **BE IT RESOLVED**, as it is hereby **RESOLVED**, to approve for Maynilad an FCDA equivalent to 0.60% of its 2018 Average Basic Charge of Php35.48 per cubic meter or Php0.21 per cubic meter effective 01 January 2018 pursuant to the provisions of Amendment No. 1 of the CA. Table below shows an average downward adjustment of Php0.17 per cubic meter compared to the 4th Quarter 2017 FCDA and the net adjustment considering the RAL:

	Q4 2017	Q1 2018	Inc./ (Dec)
1. Foreign Currency Differential Adjustment			
1.1 FCDA, % of Basic Charge	1.09%	0.60%	(0.49%)
1.2 FCDA, Php/cu.m.	0.38	0.21	(0.17)
2. Adjustment in Water Charges, Php/cu.m.	34.89	35.69	0.80
A. Basic Charge	34.51	35.48	0.97
B. FCDA	0.38	0.21	

RESOLVED, further, that pursuant to the MWSS Charter (RA 6234), these "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 15 December 2017, to take effect on 01 January 2018"

* * *

I, the undersigned, hereby certify that the foregoing is a true copy of the resolution adopted by the Board of Trustees of Metropolitan Waterworks and Sewerage System, and spread in the Minutes of a duly constituted meeting of said Board held on 13 December 2017.


MA. LOURDES R. NAZ
 Board Secretary VI