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1. OVERVIEW

The conceptualization of the CAAGs started in September 2014. Several weekly meetings were conducted by the MWSS-RO TWG together with the two (2) Concessionaires to discuss among other the following:

1. Mapping of the Statutory Accounts with the Regulatory Accounts;
2. MWSS-RO perspective relative to the contents of the CAAGs and the Concessionaires comments;
3. Concessionaires' presentation relative to the recording process of FCDA and CAPEX in relation to IFRIC 12.

During the conceptualization process, managing the conflicting principles between the Concessionaire's interest and MWSS-RO mandate became apparently evident. Thus, the feasibility of realizing a profound position considerable to both Concessionaires and MWSS-RO TWG were made apparently difficult to achieve. In view thereof, last March 25, 2015, Maynilad proposed for a break from the weekly meeting and suggested to focus on reviewing and updating the CAAGs document, which was conveyed by the MWSS-RO TWG to the MWSS-RO Executive Committee last March 27, 2015.

With the above circumstances, The MWSS-RO TWG updated the CAAGs and submitted the draft to the MWSS-RO Executive Committee for approval with the recommendation that the same shall be forwarded to the Concessionaires for review and comments in May 19, 2015.

In June 25, 2015, the MWSS-RO TWG was given notice that the MWSS-RO Executive Committee authorized the same to forward the CAAGs to the Concessionaires for comments. On the same day the MWSS-RO TWG forwarded the same to both Concessionaires for comments which shall be due on July 9, 2015. However, both Concessionaires requested for extension of submission of comment to July 31, 2015 and further asked to be extended to August 6, 2015. The MWSS-RO TWG granted the request, thus the joint comments were submitted on August 6, 2015. However, the MWSS-RO TWG viewed the submitted comments vague. Thus, both Concessionaires were given opportunity to submit additional comments and position papers relative to the disputed provision of the CAAGs. On September 10, 2015, both Concessionaires submitted its additional joint comments and clarifications relative to the disputed provision of the CAAGs.

At this point, the MWSS-RO TWG, after careful examination of the comments and clarification, considered some proposed revisions and integrated the same into the CAAGs. Other comment, proposals and suggestions were not considered but were documented which may be used for future reference and improvement.

This volume draws the commentaries of both Concessionaires relative to the development of the CAAGs and MWSS-RO TWG "Aides Memoire" on significant concerns raised during the development process. Some of the commentaries provided by the Concessionaires were adopted in the CAAGs. Moreover, certain comments and recommendations made by consultants commissioned by MWSS RO during the 4th Rate Rebasing exercise were also taken into consideration.

2. MATRIX OF COMMENTS

A. GENERAL COMMENTS

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| <p>1.1.1. The Metropolitan Waterworks and Sewerage System - Regulatory Office (MWSS-RO) recognizes the importance of adopting and implementing a set of Concession Accounting and Auditing Guidelines (CAAGs) to ensure that:</p> <ol style="list-style-type: none"> 1. The Concessionaires' respective Opening Cash Positions ("OCP"); 2. The relevant documentation and reports prepared pursuant to the determination of the Concessionaires' respective OCPs and; 3. The audit methodology which the MWSS-RO shall employ to determine each of the Concessionaires' OCP <p>are in accordance with the Concessionaires' respective Concession Agreements ("CAs"). The Metropolitan waterworks</p> | <p>1. <u>Comment</u></p> <p>Concessionaires' understanding is that the CAAGs will be a tripartite agreement, hence, a TWG was formed among the RO, and the Concessionaires, and the draft framework likewise reflects a tripartite agreement.</p> <p><u>Proposed revision:</u></p> <p><i>"The Metropolitan Waterworks and Sewerage System – MWSS-RO (MWSS-RO), Manila Water Company, Inc. ("Manila Water"), and Maynilad Water services, Inc. ("Maynilad") (Manila Water and Maynilad collectively referred to as the "Concessionaires") recognizing the importance of adopting and implementing a set of rules to ensure that..."</i></p> <p>A tripartite agreement requires that the Concessionaires agree on terms of the CAAGs.</p> <p>Concessionaires are of view that the CAAGs <u>should be in the form of an agreement</u> among MWSS, Manila Water and Maynilad.</p> <p>It will be recalled that the CAAGs was conceived and proposed because of the experience the concessionaires and MWSS had during the last rate rebasing where there were no clear guidelines on the conduct of rate rebasing exercise. Following these issues, top management of the <u>three entities agreed</u> to come up with "rules of agreement" so to speak for rate rebasing.</p> | <p>The MWSS-RO and the Concessionaires maintains different positions relative to several issues which includes but not limited to the following:</p> <ol style="list-style-type: none"> 1. inclusion of Corporate Income Tax and FCDA as part of CAAGs; 2. Guaranty Fee treatment; 3. Effectivity of implementation; 4. Application of parameters. <p>Although the proposed CAAGs is conceptualized as a single entity document, it is readily a three (3) entity agreement. The Concessionaire is not precluded to question the parameters in the proper jurisdiction.</p> <p>The CAAGs Report included the Matrix of comments raised by the Concessionaires and the corresponding responses made by the MWSS-RO TWG.</p> <p>The issue relative to treating CAAGs as a tripartite document was raised in the MWSS-RO Execom held last March 27, 2015 with the following concerns:</p> <ol style="list-style-type: none"> 1. Timeline set for the Regulatory Financial Audit, wherein the proposed CAAGs should have already been established. CAAGs will serve as an essential document in the conduct of the financial regulatory audit; 2. difficulty in the attainment of the consensus among MWSS and the concessionaires. | <p>No change in the CAAGs.</p> | <p>The CAAGs should not be considered a tripartite agreement, but a set of implementing rules by the RO.</p> <p>Although the Concessionaires comments were obtained, the final decision on whether to consider their comments in the CAAGs is that of the MWSS RO</p> |

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| | Thus, the CAAGs was born out of such consensual arrangement among the parties. | 3. The MWSS-RO TWG viewed to consider the proposed CAAGs as MWSS-RO document. | | |
| | <p>2. <u>Comment</u></p> <p>The Concessionaires would also like to confirm that the CAAGs shall be effective only on the Charging Year immediately after execution thereof by the MWSS and the Concessionaires.</p> | <p>The MWSS-RO TWG viewed that a single standard guideline shall be applied to the 5-year period. Thus, the CAAGs shall be applied starting July 2012 up to present.</p> <p>The CAAGs parameters and rules were sourced from the 2012 Rate Rebasing exercise, which indicates that said parameters were already applied before the development of CAAGs.</p> <p>The CAAGs was made to document the parameters applied in 2012 Rate Rebasing exercise.</p> | | |
| <p>7.5.1.Except for schedules identified during the course of the audit and those specified under each Regulatory Account of the CAAGs, the Concessionaire shall submit to the MWSS-RO not later than:</p> <p>7.5.1.1. thirty (30) calendar days after the 4th month following the end of each calendar year, the annual schedules as mentioned above;</p> <p>7.5.1.2. Thirty (30) calendar days following the end of each calendar quarter a quarterly Schedule of Reconciliation of Regulatory Accounts with Business Efficiency Measures (BEMs) reporting. This shall form part of the quarterly submission of financial statements.</p> | <p>3. <u>Comment</u></p> <p>The Concessionaires expect to encounter difficulties in immediately shifting their respective systems to comply with certain scheduled required under the CAAGs.</p> <p>Major adjustments, reclassification, and possible enhancements on Concessionaires' systems and processes will have to be undertaken by the Concessionaires.</p> <p>Thus, while the Concessionaires shall ensure that transactions entered into after the effectivity of the CAAGs shall be reported consistent with the provisions of the CAAGs, the Concessionaires will not be able to commit 100% compliance with the required schedules for transactions entered into prior to the effectivity of the CAAGs (i.e., from 2012 up to present).</p> <p>Effectivity of the schedules required in these guidelines shall be prospectively applied.</p> | <p>It is clear that during the transition phase of applying the CAAGs, difficulties may be encountered. However, the MWSS-RO and/or its commissioned auditors may resort to other auditing process and procedures, but still apply the parameters contained in the proposed CAAGs.</p> <p>The application of the parameters starting July 2012 onwards can be made in evaluating the cash flows of the Concessionaires notwithstanding the Concessionaires compliance with the required schedules.</p> | | <p><u>Maynilad:</u></p> <p>7.5.1.1 May 31st</p> <p>7.5.1.2 45 days</p> |

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| <p>1.2. Nature</p> <p>1.2.1. The CAAGs is a set of rules and principles that shall govern the treatment Regulatory Accounts for purposes of determining each of the Concessionaires' OCP. Specifically, the CAAGs shall include the following:</p> <p>1.2.1.1. Receipts</p> <p>1. Parameters for inclusion and exclusion of receipts in and from the OCP.</p> <p>1.2.1.2. Operating Expenditures</p> <p>1. Parameters for exclusion of expenditures in and from the OCP.</p> <p>1.2.1.3. Capital Expenditures ("CAPEX") and Concession Fee Payments</p> <p>1. Parameters for exclusion of Capital Expenditures</p> <p>2. Reconciliation of Concession fee payments</p> <p>1.2.1.4. Reconciliation of Working Capital</p> <p>2.1.23 PFRS - refers to Philippine Financial Reporting Standards.</p> <p>PFRS include statements named PFRS and Philippine Accounting Standards, including Philippine Interpretations from International Committee (IFRIC</p> | <p>4. <u>Comment</u></p> <p>Corporate Income Tax – As the CAAGs are meant to reduce ambiguity and to facilitate the conduct of rate rebasing exercise, we request that we include a section on Corporate Income Tax (CIT)</p> <p><u>Proposed added provision:</u></p> <p><i>We want to include a section on CIT for clarity.</i></p> <p><u>Proposed addition:</u></p> <p><i>Refer to payments for income taxes to the Bureau of Internal Revenue ("BIR")</i></p> <p><i>The Concessionaires shall provide the following:</i></p> <p><i>a. Annual Income Tax Return duly submitted to the BIR; and</i></p> <p><i>b. Proof of Payment</i></p> <p><u>Proposed addition:</u></p> <p><i>1. Income Taxes shall be recoverable to the extent that these meet the applicable requirements under the CAAGs.</i></p> <p><i>2. Income taxes shall exclude those that arise from revenues/income that are derived outside the Concessionaire's respective Specified Zone (such as dividend income from subsidiaries operating outside the Specified Zone.</i></p> | <p>it is the MWSS-RO position to defer the inclusion of the Corporate Income Tax in the CAAGs, pending the final resolution relative to the Corporate Income Tax issue of recoverability.</p> <p>The MWSS-RO is not precluded to include such, in the CAAGs upon resolution of said issue.</p> | <p>No change in the CAAGs</p> | <p>The MWSS RO may consider including the disallowance of the CIT in the CAAGS pending the decision of the Supreme Court on the case filed.</p> |

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| issued by the International Financial Standards Council. | | | | |
| 5.20.3.2 5.22.3.2(2) 5.24.3.2 | <p>5. Comment</p> <p>Application of General Test for Recoverability (Prudence and Efficiency, etc.)</p> <ul style="list-style-type: none"> These tests shall only be applied to expenses incurred outside of the approved business plan as the premise is that the expenses in the business plan have already been reviewed. | <p>The MWSS-RO TWG understands that expenditures in the Business Plan are primarily to determine the tariff, using information available at the time of such determination.</p> <p>The figures contained in the business plan are (1) projections of expenditures that would result in an approved service performance of the Concessionaires and (2) projections reasonably expected in their operations.</p> <p>The former should be evaluated mainly in the context of the actual outputs or service performance while the latter should be evaluated based on the circumstances leading to their actual incurrence.</p> | | |
| 4.1.2.1 4.1.2.4 4.2.2.2 5.B.2 5.B.5 5.1.2.5 5.1.2.7 5.2.2.2 5.2.2.5 5.3.2.2 5.3.2.5 5.4.2.2 5.5.2.2 5.5.2.7 5.6.2.2 5.6.2.5 5.7.2.2 5.7.2.5 5.8.2.3 5.9.2.2 5.9.2.5 5.10.2.2 5.11.2.3 5.12.2.3 5.13.2.2 | <p>6. Comment</p> <p>We took out provisions which tend to cause ambiguity.</p> <ul style="list-style-type: none"> We understand that the objective of the CAAGs is to minimize ambiguity for the benefit of all parties. For submission of additional documents outside of those specified in the CAAGs, we specified the instances that will justify the submission of the former documents. The objective of the CAAGs is to remove ambiguity and arbitrariness in the required submissions of the Concessionaires during rate rebasing. Concessionaires should be able to know which documents to submit. Please clarify. Does this mean that if the Rewards and Penalty | <p>The MWSS-RO TWG understands that there would be situations that cannot be anticipated during the crafting of CAAGs. Thus, catchall provisions for additional documents, if the need arises, were included throughout the document.</p> <p>The general provisions for requiring information from and auditing the Concessionaires are embodied in Article 13 of the CA. The CAAGs merely defined these provisions. Thus, the CAAGs shall not limit the audit power of the MWSS RO.</p> <p>However, the new requirements are subject to prior discussions with the Concessionaires.</p> <p>Omission of the catch-all provision shall limit the right of the MWSS-RO to require information under the CA. The catch-all provision on additional information shall cover this.</p> | No change in the CAAGs. | |

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| 5.14.2.2 5.15.2.2 5.16.2.2 5.17.2.3 5.18.2.2 5.18.2.4 5.19.2.2 5.19.2.4 5.20.2.2 5.21.2.2 5.22.2.2 5.23.2.2 5.24.2.3 5.25.2.2 5.26.2.2 5.28.2.3 5.28.2.7 5.29.2.5 | <p>Framework will be applied, no audit will be applied?</p> <p>– The CAAGs is meant to reduce ambiguity and uncertainty on the submissions of the Concessionaires.</p> | | | |
| 4.1.2.3 4.2.2.1 5.1.2.6 5.2.2.3 5.3.2.4 5.4.2.1 5.5.2.6 5.6.2.4 5.7.2.4 5.8.2.2 5.9.2.4 5.10.2.1 5.11.2.2 5.12.2.2 5.13.2.1(2) 5.14.2.1(6) 5.15.2.1(2) 5.16.2.1 5.17.2.2(2) 5.19.2.3(2) 5.20.2.1(2) 5.21.2.1(2) 5.22.2.1(2) 5.23.2.1(2) 5.24.2.2(2) 5.25.2.1(2;4) 5.26.2.1 5.28.2.6(4) | <p>7. Comment</p> <p>Information to be included in Schedules</p> <p>– Our revisions of the contents of the Schedules, and to include only that information available to the Concessionaires, as discussed and agreed with the MWSS-RO during the meetings.</p> <p>– To make it the requested information more specific, and to include only those information available to the Concessionaires</p> | <p>The MWSS-RO TWG decided to retain the Schedule templates, however, in lieu of having sub-classifications, four (4) major classifications were made which includes:</p> <ol style="list-style-type: none"> 1. Water Service Activity; 2. Wastewater Service Activity; 3. General and Administrative; 4. CPF <p>However, if warranted the MWSS-RO is not precluded to request sub-classification from the Concessionaires.</p> <p>The Concessionaires omitted the Transactional Schedule. This is the movement of the Trial Balance account for the year. MWSS-RO TWG believes that this is readily available from their accounting system.</p> | <p>Reconciliation of Statutory Income Statement to the Regulatory Account Income Statement (Annex A) to include only major categories.</p> | |

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| 5.29.2.3 | | | | | |
| 2.2.12 2.2.13 4.1.1.1(5) 4.1.2.3(2b) 4.1.3.2 4.1.4.1(2) 5.26.2(2) 5.27 | <p>8. <u>Comment</u> Foreign Currency Differential Adjustment (FCDA)</p> <ul style="list-style-type: none"> As explained in the meeting last 26 August 2015, FCDA should not be included in the CAAGs. There is a separate mechanism for FCDA which is being submitted by the Concessionaires and reviewed by the MWSS-RO every quarter. This should be excluded because we have a separate mechanism for the FCDA which is being submitted by the Concessionaires and reviewed by the RO every quarter. | <p>As explained in the meeting last 26 August 2015, FCDA should be included as part of the CAAGs.</p> <p>The MWSS-RO TWG considers FCDA as a Receipt and should be considered part of the Opening Cash Position (OCP).</p> <p>FCDA mechanism is a temporary relief, while Receipts shall include and report all that is being recovered. Timing difference is negligible.</p> <p>Please see Aide Memoire for FCDA in the context for the CAAGs in page 92.</p> | No change in the CAAGs | <p>To conform with the provisions of the CA, the MWSS RO may consider including actual FCDA collection as a form of revenue or inflow and actual payout of forex losses/gains on loans as disbursement or outflow in the OCP. The effect of the timing difference should likewise be monitored and considered in the OCP of the last year end of the rate rebasing period. The related computations should also be presented.</p> <p>On the other hand, to simplify the monitoring process, the MWSS RO may consider excluding FCDA components in the OCP. More important, the forex projections and quarterly computation of the FCDA, including the actual records, should be closely monitored and reviewed by the MWSS RO.</p> <p>If the FCDA component of the basic revenue will be excluded in the OCP, then the FCDA component of the environmental and sewer revenue should likewise be excluded in the OCP.</p> | |
| 4.1.2.1 5.B.2 5.1.2.4 5.2.2.1 5.3.2.1 5.6.2.1 5.7.2.1 5.9.2.1 5.18.2.1 5.19.2.1 | <p>9. <u>Comment</u> Rewards and Penalties framework and KPI BEMs guidelines are pending for discussion.</p> <ul style="list-style-type: none"> Concessionaires are requesting for confirmation that if a concessionaire has Rewards and Penalty framework then no audit will be performed. Rewards and penalties framework is agreed by the RO with the Concessionaire. The CA does not | <p>The MWSS-RO TWG viewed that if no "Rewards and Penalty" mechanism will be establishing all regulatory accounts shall be subjected to a detailed financial audit.</p> <p>Please see Aide Memoire for the Conduct of Financial Audit in Relation to the Implementation of the Rewards and Penalty Framework in page95.</p> <p>Omission of the catch-all provision shall limit the right of the MWSS-RO to require information under the CA. The</p> | Noted | | |

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| | <p>explicitly provide for this framework.</p> <ul style="list-style-type: none">– The objective of the CAAGs is to remove ambiguity and arbitrariness in the required submissions of the Concessionaires during rate rebasing. Concessionaires should be able to know which documents to submit. Please clarify. Does this mean that if the Rewards and Penalty Framework will be applied, no audit will be applied?– This has not been discussed in this rebasing period. Will this be applicable to the rebasing period 2018-2022?– It appears to imply that recoverability depends on the Rewards and Penalties Framework. Also, what will be the basis for the evaluation of Maynilad's expenditures? Please consider the proposed revision. | <p>catch-all provision on additional information shall cover this.</p> | | | |

A. OTHER COMMENTS

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| <p>1.1.1. The Metropolitan Waterworks and Sewerage System - Regulatory Office (MWSS-RO) recognizes the importance of adopting and implementing a set of Concession Accounting and Auditing Guidelines (CAAGs) to ensure that:</p> <ol style="list-style-type: none"> 1. The Concessionaires' respective Opening Cash Positions ("OCP"); 2. The relevant documentation and reports prepared pursuant to the determination of the Concessionaires' respective OCPs and; 3. The audit methodology which the MWSS-RO shall employ to determine each of the Concessionaires' OCP <p>are in accordance with the Concessionaires' respective Concession Agreements ("CAs").</p> | <p>10. <u>Comment:</u></p> <p>The revision is intended to reflect the objectives of the CAAGs, which cover the OCP, the audit methodology and the reports.</p> <p><u>Proposed revision:</u></p> <ol style="list-style-type: none"> 1. <i>the Concessionaires' respective Opening Cash Positions ("OCP"),</i> 2. <i>the relevant documentation and reports prepared pursuant to the determination of the Concessionaires' respective OCPs and</i> 3. <i>the audit methodology which the MWSS-RO shall employ to determine each of the Concessionaires' OCP</i> <p><i>are in accordance with the Concessionaires' respective Concession Agreement ("CAs").</i></p> | Noted | Adopted the revision. | | |
| <p>1.1.2 The CAAGs shall specify the documents to be submitted by the Concessionaires' and shall prescribe templates for the Concessionaires' schedules to be used for purposes of reporting the Concessionaires' Regulatory Accounts, as such required documents and prescribed templates may be revised from time to time by the MWSS-RO.</p> | <p>11. <u>Comment:</u></p> <p>The revision is intended to make the statement clear and specific.</p> <p><u>Proposed revision:</u></p> <p><i>The CAAGs shall specify the documents to be submitted by the Concessionaires, and shall prescribe templates for the Concessionaires' schedules to be used for purposes of reporting the Concessionaires' Regulatory accounts.</i></p> | To address possible improvement / enhancement of the prescribed schedule templates in the future, the proposed wordings were revised. | <p>The concessionaires' proposed revision was adopted but added the following wordings:</p> <p>"... as such required documents and prescribed templates may be revised from time to time by the MWSS RO".</p> | | |

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| 1.1.3 The CAAGs shall also establish procedures to facilitate the conduct of the Rate Rebasing exercise and/or any exercise of regulatory prerogatives, including the manner of conducting the audit. | <p>12. <u>Comment:</u></p> <p>CAAGs is specific to rate rebasing exercise, and should not be relevant to RO's exercise of its other regulatory prerogatives.</p> <p><u>Proposed revision:</u></p> <p><i>The CAAGs shall also establish procedures to facilitate the conduct of the Rate Rebasing exercise, including the manner of conducting audit.</i></p> | <p>The MWSS-RO TWG viewed that the parameters contained in the CAAGs is applicable also in assessing the cash flow relative to other rate determination e.g. Extraordinary Price adjustments.</p> <p>The submitted schedules and adjustments/results derived from it may be used by the MWSS-RO in establishing its actions on regulatory issues identified in the future.</p> <p>Though, the CAAGs is to be used to facilitate the Rate Rebasing exercise, regulatory reports, results of the regulatory audit and other information gathered through the use of this CAAGs may be use and useful for other regulatory monitoring functions.</p> <p>The MWSS-RO TWG viewed that the CAAGs is not specifically for rate rebasing purposes only.</p> | <p>Adopted the proposed revision, however, retained the following phrase:</p> <p>"xxx and / or any exercise of regulatory prerogatives xxx"</p> | | |
| 1.1.4 In general, the CAAGs shall endeavor to correctly reflect the accounting of Receipts and Expenditures included in the preparation and computation of the Opening Cash Position (OCP) of both Concessionaires in Rate Rebasing exercises. | <p>13. <u>Comment:</u></p> <p>The general objective of the CAAGs is already in the first paragraph of the prefatory statement.</p> <p><u>Proposed to delete</u></p> | Noted | No change in the CAAGs. | | |
| <p>1.2.1 The CAAGs is a set of rules and principles that shall govern the treatment Regulatory Accounts for purposes of determining each of the Concessionaires' OCP. Specifically, the CAAGs shall include the following:</p> <p>1.2.1.1. Receipts</p> <p>1. Parameters for inclusion and</p> | <p>14. <u>Comment:</u></p> <ol style="list-style-type: none"> 1. This provides for the scope of the CAAGs. 2. Inclusion of CIT is consistent with the award of the Appeals Panel in Maynilad's arbitration proceeding. 3. Related party transaction - Ok to delete guideline. There is full disclosure in the Audited Financial Statements. <p><u>Proposed revision:</u></p> | <p>The MWSS-RO TWG decided to defer the inclusion of the CIT in the guideline, pending the final resolution on the Corporate Income Tax (CIT),</p> <p>Pending the MWSS-RO resolution as to, whether Guaranty Deposits are treated as Receipt or subject it to sinking fund, inclusion of the monitoring guidelines relative to Guaranty deposits is deferred.</p> | <p>Adopted the proposed provision, but defer the inclusion of guidelines relative to:</p> <ol style="list-style-type: none"> 1. Corporate income tax; and 2. Guaranty deposits. <p>In view of the related party transactions, the MWSS-RO included a Schedule template</p> | | |

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| <p>exclusion of receipts in and from the OCP.</p> <p>1.2.1.2. Operating Expenditures</p> <p>1. Parameters for exclusion of expenditures in and from the OCP.</p> <p>1.2.1.3. Capital Expenditures ("CAPEX") and Concession Fee Payments</p> <p>1. Parameters for exclusion of Capital Expenditures</p> <p>2. Reconciliation of Concession fee payments</p> <p>1.2.1.4 Reconciliation of Working Capital</p> | <p><i>The CAAGs is a set of rules and principles that shall govern the treatment Regulatory Accounts for purposes of determining each of the Concessionaires' OCP. Specifically, the CAAGs shall include the following:</i></p> <ol style="list-style-type: none"> <i>Receipts</i> <ol style="list-style-type: none"> <i>Criteria for inclusion and exclusion of receipts in and from the OCP (e.g. receipts from water charges, connection charges, other fees and charges, and other income)</i> <i>Operating expenditures ("OPEX")</i> <ol style="list-style-type: none"> <i>Criteria for recoverability of Expenditures;</i> <i>Rules on capitalization of project-related OPEX; and</i> <i>Rules on identification and allocation of OPEX between water and wastewater services.</i> <i>Inclusion of corporate income tax in the Cash Flows</i> <i>Capital Expenditures ("CAPEX") and Concession Fees ("ConFee")</i> <ol style="list-style-type: none"> <i>Criteria for recoverability of CAPEX; and</i> <i>Accounting of ConFee payments</i> <i>Guidelines in monitoring guaranty deposits</i> <i>Guidelines in disclosing related-party transactions</i> <i>Reconciliation of working capital</i> | | of transaction of affiliates under Annex F-2. | | |
| <p>1.3 Rationale/Objective</p> <p>1.3.1. The primary objective of the CAAGs is to ensure that the Concessionaires' respective Receipts, and Expenditures identified by the Concessionaires as recoverable and included in its respective business models are valid, efficient and reasonable or</p> | <p>15. <u>Comment:</u></p> <ul style="list-style-type: none"> Validity and reasonableness are not in the CA. To make the objective more specific. The provision was only restated for clarity. We understand this to be one of the purposes for the setting of the CAAGs <p><u>Proposed revision:</u></p> | While the wordings, validity and reasonableness are not explicitly stated in the CA, the MWSS-RO viewed that efficiency and prudence encompass the validity and reasonableness of cash flows. | No change in the CAAGs | | |

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| prudent, and in compliance with the provisions of the Concession Agreements ("CAs"), in the normal course of business operations particularly water delivery and sewerage within its respective concession Specified Zones. | <i>The primary objective of the CAAGs is to ensure that the Concessionaires' respective Receipts and Expenditures are consistent with the provisions of the CAs. Hence, the CAAGs shall be consistent with (i) the CAs, and (ii) agreements relating to OCP determination between MWSS and the Concessionaires in previous Rate Rebasing exercises.</i> | | | | |
| | <p>16. <u>Comment</u></p> <p><u>Proposed additional provision</u></p> <p><i>Specifically, the CAAGs seek to ensure that OPEX, Confee and CAPEX identified by the Concessionaires as recoverable and included in the Concessionaires' respective approved business plans are efficiently and prudently incurred. [proposed addition]</i></p> | Noted | No change in the CAAGs | | |
| <p>1.3.2. The CAAGs are likewise designed to facilitate:</p> <p>1.3.2.1. the conduct of the Rate Rebasing exercises;</p> <p>1.3.2.2. guide the Concessionaires in the preparation of their respective business plans for the Rate Rebasing exercise by setting guidelines and prescribing documents needed for their respective submission;</p> <p>1.3.2.3. transparency and comparability between Concessionaires and perform necessary analysis on their water and</p> | <p>17. <u>Comment</u></p> <p>We understand this to be one of the purposes for the setting of the CAAs.</p> <p><u>Proposed revision:</u></p> <p><i>The CAAGs are likewise designed to:</i></p> <ol style="list-style-type: none"> <i>facilitate the conduct of the Rate Rebasing exercises;</i> <i>guide the Concessionaires in the preparation of their respective business plans for the Rate Rebasing exercises by setting guidelines and prescribing documents needed for their respective submissions;</i> <i>enable comparability of the costs of providing water and sewerage services of the Concessionaires.</i> <i>aid in arriving at informed regulatory decisions;</i> | Noted | Adopted the proposed revision in the CAAGs | | |

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| 1.3.2.4. sewerage activities; aid in arriving at informed regulatory decisions; and balance the interest of consumers with the need to make sure that the Concessionaires can finance the delivery of water and sewerage services. | | | | | |
| 1.3.2.5 balance the interest of consumers with the need to make sure that the Concessionaires can finance the delivery of water and sewerage services. | <p>18. <u>Comment</u></p> <p>We further request that this provision be revised as follows:</p> <p><i>Proposed revision</i></p> <p>5. <i>balance the need to provide the customers' access to sufficient and potable water at reasonable prices with the need to ensure that the Concessionaires are able to recover their prudent and efficiently incurred expenses on providing water and sewerage services; and</i></p> | Noted | No change in the CAAGs. | | |
| 1.4. 1.4.1. | <p>19. <u>Comment:</u></p> <ol style="list-style-type: none"> 1. This portion is already covered by the sections on Nature and Rationale/Objective above. 2. The CAAGs refer to recoverability of expenditures and recognition of receipts for purposes of computation of the OCP. 3. PFRS are guidelines intended to correctly reflect/record the business transactions of a corporation. As the CAAGs on the one hand, and PFRS, on the other hand, serve different | <p>Noted</p> <p>This portion identifies the core foundation behind the parameters / criteria set in the assessment of the inclusion of Receipts and exclusion of Expenditures.</p> | No change in the CAAGs | | |

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| | <p>purposes, there should be no precedence rule.</p> <p>4. The objective, as stated in the Framework, is that the determination of the OCP should be in accordance with the CAs. If there are resolutions issued by the MWSS and the RO, such resolutions should likewise be in accordance with the CA.</p> <p><i>Proposed to delete</i></p> | | | | |
| 2.1 Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Concessionaires' respective CAs. | <p>20. <u>Comment:</u> For clarity, let us limit to the CA the source of definitions of the defined terms.</p> <p><i>Proposed deletion of the following:</i> "xxx and Implementing Rules and Regulations (IRR) agreed with and issued by the MWSS-RO."</p> | Noted | Adopted and revised the proposed CAAGs. | | |
| 2.1.1 BEMs refers to a monitoring tool in view of Article 6.5.1(iii) of the CA intended to facilitate in evaluating the efficiency of the operations of the Concessions. | <p>21. <u>Comment:</u> Rewards and Penalties framework and KPI BEMs guidelines are pending for discussion.</p> <p><i>Proposed revision:</i> Refers to a monitoring tool under Article 6.5.1(iii) of the CA used to evaluate the efficiency of the operations of the Concessions.</p> | Noted | Adopted the proposed revision | | |
| 2.1.2 Business Plan refers to the Concessionaires' respective business plan for the relevant Rate Rebasing Period which included information on the Concessionaires' Expenditure, Receipts, Cash Flows, Opening Cash Position, Appropriate Discount Rate and Future Cash Flows as approved by MWSS Board of Trustees. | <p>22. <u>Comment:</u> Financial model is only a part of the business plan.</p> <p><i>Proposed revision:</i> Refers to the Concessionaires' respective business plans for the relevant Rate Rebasing Period, which includes information on the Concessionaires' Receipts, Expenditures, Cash Flows, Opening Cash Position, Appropriate Discount Rate and Future Cash Flows as approved by the RO and the MWSS.</p> | The MWSS RO determination is recommendatory in nature. It is the MWSS Board of Trustees that approved the rate adjustment based on the financial model. | Adopted the proposed revision, however, it shall be approved by the MWSS Board of Trustees and not by the MWSS-RO and the MWSS. | | |

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| 2.1.4 CAPEX Headline classification - as used in the CAAGs, this refers to the "headline" CAPEX classification as stated in Concessionaires' respective Business Plan. | | 23. Comment: In view of the CAPEX Classification develop by the Technical Team of MWSS-RO, a column was added in the Schedule of Capex (Annex F1) to address such classification. | Included a definition of the column "Capex Headline classification" as used in the CAAGs, this refers to the "headline" CAPEX classification as stated in Concessionaires' respective Business Plan. | | |
| 2.1.5 Concession Agreement or CA - refers to the signed agreement, as amended and extended, between (i) MWSS and Manila Water and (ii) MWSS and Maynilad pursuant to RA 8041. | 24. <u>Comment:</u> The proposed revision is intended for clarity. <u>Proposed revision:</u> <i>Refers to the signed agreements, as amended and extended, between (i) MWSS and Manila Water and (ii) MWSS and Maynilad pursuant to Republic Act No. 8041.</i> | The proposed revision is essentially saying the same thing. | Adopted and revised the definition. | | |
| 2.1.6 refers to Manila Water Company Inc. or Maynilad Water Services Inc. "Concessionaires" shall refer to both Manila Water and Maynilad. | 25. <u>Comment:</u> The proposed revision is intended for clarity. <u>Proposed revision:</u> <i>Refers to Manila Water Company, Inc. or Maynilad Water Services, Inc. "Concessionaires" shall collectively refer to Manila Water and Maynilad.</i> | The proposed revision is essentially saying the same thing. | Adopted the proposed revision in the CAAGs. | | |
| 2.1.7 Concessionaire Loan refers to debts of the Concessionaire, obtained to finance or refinance the construction or refurbishment of the Facilities, or employee severance costs or other transitional costs incurred by the Concessionaire following the Commencement Date related to the Concession. This also includes loans incurred by the Concessionaire used to finance Concession Fee payments pursuant to Amendment No. 1 of the CA. | 26. <u>Comment:</u> As Concession Fees is abbreviated as "Confee" above, we used "Confee" in this provision. <u>Proposed revision:</u> <i>Refers to debts of the Concessionaire to finance or refinance the construction or refurbishment of the Facilities, employee severance costs and other transitional costs incurred by the Concessionaire following the Commencement Date related to the Concession.</i> | The proposed revision is essentially saying the same thing. | Adopted the proposed revision in the CAAGs. | | |

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| | <i>This also includes loans incurred by the Concessionaire to finance ConFee payments pursuant to Amendment No. 1 of the CA.</i> | | | | |
| 2.1.8 Environmental Revenue - refers to revenues derived from provision of sanitation and other environment-related services. | <p>27. <u>Comment:</u> The term being defined is a type revenue, hence the proposal to use revenue, instead of costs or charges.</p> <p><u>Proposed revision:</u> <i>Refers to revenues derived from the provision of sanitation and other environmental-related services.</i></p> | Noted | Adopted the proposed revision in the CAAGs. | | <u>Maynilad:</u> Environmental Revenue is 20% of the basic water charge. |
| 2.1.12 Financing charges refers to those expenditures which are made or demanded by the bank or financial institution as a condition for extending credit. | | <p>28. <u>Additional define term</u> In reference to 2002 Rate Rebasing exercise, financing cost include but not limited to interests, bank charges, service charges, discounts, promoter commissions and other charges incident of the extension of credit. Documentary stamp tax is not considered financing cost.</p> <p>Cost of implementing the Employee Stock Option Plan obligations spelled out in Section 6.1.4 of the CA is an example of financing cost.</p> | Revised the proposed CAAGs to include the definition of financing cost. | | |
| <p>2.1.13 Financial Audit refers to the audit and evaluation of the following:</p> <ol style="list-style-type: none"> 1. Receipts; 2. Operating Expenditures that have no and/or insignificant impact on the attainment of Service Obligations; 3. Concession Fee payments; 4. CAPEX not subjected to Technical Audit; 5. CAPEX classified as General and Administrative <p>which were incurred by each Concessionaire during the relevant Rate Rebasing period, as conducted by the "Financial Team" of MWSS-RO.</p> | | <p>29. <u>Additional defined term</u> Financial audit refers to the audit and evaluation of the following:</p> <ol style="list-style-type: none"> (i) Receipts; (ii) Operating Expenditures; (iii) Concession Fee payments; (iv) CAPEX not subjected to CAPEX Audit; and (v) CAPEX classified as General and Administrative <p>which were incurred by each Concessionaire during the relevant Rate Rebasing period, as conducted by the "Financial Team" of MWSS-RO.</p> | The MWSS-RO intends to differentiate the 2 types of audit to be conducted by the MWSS-RO. | | |

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| <p>2.1.14 Foreign currency differential adjustment revenue refers to the revenues in view of Amendment No. 1 of the CA, where the Concessionaire is entitled to rate adjustment mechanism for the recovery or compensation on a current basis, subject to quarterly review and adjustment by MWSS, when necessary, of accrued FOREX losses/gains arising from any foreign denominated concessionaire loans used for capital expenditures and/or concession fee payments only, in lieu of the Extraordinary Price Adjustment recovery mechanism for FOREX losses under Article 9.3 of the CA.</p> <p>2.1.15 Foreign Loss/Gains refer to the difference (in peso) in the debt servicing arising from the changes in the exchange rates of foreign denominated loans at the time it was drawn (for concessionaire loans) or during the last rate rebasing (for concession fees) vis-a-vis the time it was paid or the time it is expected to be paid.</p> <p>4.1.1.1. Regular Receipts shall include the following:</p> <ol style="list-style-type: none"> 1. Water Revenue 2. Environmental Revenue 3. Sewer Revenue 4. Other Revenue <p>Foreign Currency Differential Adjustment ("FCDA") Revenue</p> <p>4.1.2.3(3b) In addition to the schedules specified under Section 7 of the CAAGs, Concessionaires shall provide the following:</p> | <p>30. <u>Comments:</u></p> <ol style="list-style-type: none"> 1. This should be excluded because we have a separate mechanism for the FCDA which is being submitted by the Concessionaires and reviewed by the RO every quarter. 2. Delete all provision relative to FCDA. There is a separate mechanism for FCDA and this is not included in the OCP. 3. We took out FCDA, and reference to "regular." <p>All types of revenues are included in the definition of receipts.</p> <p><u>Proposed revision:</u></p> <p><i>Receipts shall include the following:</i></p> <ol style="list-style-type: none"> 1. <i>Water Revenue;</i> 2. <i>Environmental Revenue;</i> 3. <i>Sewer Revenue; and</i> 4. <i>Other Revenues.</i> | <p>Please see Aide Memoire - Foreign Currency Differential Adjustment in the Context for the Concession Accounting and Auditing Guidelines (CAAGs) on page 119.</p> | <p>No change in the CAAGs.</p> | <p>To conform with the provisions of the CA, the MWSS RO may consider including actual FCDA collection as a form of revenue or inflow and actual payout of forex losses/gains on loans as disbursement or outflow in the OCP. The effect of the timing difference should likewise be monitored and considered in the OCP of the last year end of the rate rebasing period. The related computations should also be presented.</p> <p>On the other hand, to simplify the monitoring process, the MWSS RO may consider excluding FCDA components in the OCP. More important, the forex projections and quarterly computation of the FCDA, including the actual records, should be closely monitored and reviewed by the MWSS RO.</p> <p>If the FCDA component of the basic revenue will be excluded in the OCP, then the FCDA component of the environmental and sewer revenue should likewise be excluded in the OCP.</p> | |

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| <p>3. Schedule of Other Revenues shall consist of the following:</p> <ul style="list-style-type: none"> a. Nature of each revenue classified as Other Revenue b. Unrealized Forex Gain c. Total amount per year <p>4.1.3.2 Non-Cash revenues such as Unrealized Forex Gains shall be excluded.</p> <p>4.1.4.1 For regulatory purposes:</p> <ul style="list-style-type: none"> 2. Entries to Deferred FCDA/Deferred Charges – BS relating to the Foreign Currency Differential Adjustment (FCDA) charges to customers shall be reclassified as Regular Receipts <p>5.27 Foreign Exchange Loss/Gain on Concessionaire Loans</p> | | | | | |
| <p>2.1.16 IFRIC 12 refers to the interpretation issued by the IFRS Interpretation (formerly International Financial Reporting Interpretations Committee, or "IFRIC") for the accounting by the operator of its broad range of Service Concession Arrangements.</p> <p>A service concession agreement is defined as an arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), or operate and maintain the grantor's infrastructure assets.</p> | <p>31. <u>Comment:</u> Specific to IFRIC12. The document talks of one IFRIC only (IFRIC12)</p> <p><u>Proposed revision:</u> <i>Refers to the interpretation issued by the IFRS Interpretations (formerly International Financial Reporting Interpretations Committee, or IFRIC) for the accounting by the operator of its broad range of service concession arrangements. A service concession arrangement is defined as an arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain the grantor's infrastructure assets.</i></p> | Noted | Adopted the proposed revision in the CAAGs. | | |
| <p>2.1.17 Investments - as used in the pro forma Schedule of Working Capital refers to assets and liabilities related to Investment in Subsidiaries,</p> | <p>32. <u>Comment:</u> The proposed revision is intended for clarity.</p> <p><u>Proposed revision:</u></p> | The proposed revision is essentially saying the same thing. | Adopted the proposed revision. | | |

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| Joint Ventures, Available for Sale of Financial Assets i.e. stocks etc. | <i>as used in the pro forma Schedule for Working Capital, refers to assets and liabilities related to Investment in Subsidiaries, Joint Ventures, Available for Sale Financial Assets i.e. stocks, etc.</i> | | | | |
| 2.1.18 Other Revenues - refers to revenues from regular service connections, legalized water connection/installation, fees from reconnections, laboratory tests, septic sludge disposal/desludging, water tankering, recovery of written-off accounts and proceeds from sale/rental of assets and other revenues from activities outside the concessionaires' core operations. | <p>33. <u>Comment:</u> We expanded the list of Other Revenues.</p> <p><u>Proposed revision:</u> <i>refers to revenues from regular service connections, legalized water connection/installation, reconnection fees, laboratory tests, septic sludge disposal/desludging, water tankering, recovery of written-off accounts and proceeds from sale/ lease of assets and other revenues generated from activities outside the-company's core operations.</i></p> | Noted | Adopted the proposed revision in the CAAGs. | | |
| 2.1.19 Other Charges - as used in the pro forma Schedule of Concession Fee Payments (Annex D), the column other charges would refer to payments other than the interest, guarantee fee, and commitment charge that are not included in the FCDA determination. | <p>34. <u>Comment:</u> We will retain this definition because, while the term was not used in the text of the CAAGs, the same was used in Schedule of Concession Fee Payments. However, instead of "in view of," we suggest using "as used in."</p> | Noted | Adopted the proposed revision. | | |

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| 2.1.20 Outside Specified Zone - as used in the pro forma Schedule of Reconciliation of Income Statement (Annex A), the column outside specified zone refers to Receipts and Expenditures that are incurred on behalf of a related entity and other business development projects outside East Zone for Manila Water and West Zone for Maynilad. | <p>35. <u>Comment:</u> May we know the purpose of reporting the Concessionaires' receipts and expenditures for transactions outside their respective concession are?</p> <p><u>Proposed revision:</u> <i>Delete the definition of "Outside Specified Zone"</i></p> | <p>The purpose of reporting the Concessionaires receipts and expenditures for transactions outside their respective concession is to determine the "reconciliation" adjustments of the audited statutory financial statements vis-a-vis the regulatory reports. The MWSS-RO TWG deems it necessary to report this category of adjustment to determine the extent of activities. outside the Specified Zone to the statutory account balances.</p> <p>It is understood that the statutory financial statement is not limited to the business activities within the East Zone only.</p> | No change in the CAAGs | | |
| 2.1.21 Party means MWSS-RO or any of the Concessionaires. | <p>36. <u>Comment:</u> MWSS-RO is a defined term.</p> <p><u>Proposed revision:</u> <i>Means MWSS-RO or any of the Concessionaires.</i></p> | The proposed revision is essentially saying the same thing. | Adopted the proposed revision in the CAAGs. | | |
| 2.1.20 Provisions CA - as used in the pro forma schedules under Section 7 of the CAAGs, the column Provisions-CA refers to receipts/expenditures explicitly identified in the Concession Agreement as non-recoverable or not within the definition of Receipts/Expenditures. Included also are the movement of Assets and Liabilities related to Concession Agreement identified receipts/expenditures. | <p>37. <u>Comment:</u> Please clarify treatment of working capital.</p> <p><u>Proposed revision</u> <i>as used in the pro forma schedules under Section 7 of this Guideline, the column "Provision-CA" refers to receipts/expenditures explicitly identified in the Concession Agreement as non-recoverable. Included also are the movement of Assets and Liabilities related to Concession Agreement identified receipts/expenditures.</i></p> | For working capital accounts, the column "Provision-CA" shall contain items explicitly identified by the CA as excluded from Receipts and Expenditures, such as, accrued interest. If there are no explicit exclusions contained in the working capital accounts, the column would be left blank. | Revised the CAAGs to state that receipts and expenditures that are relevant and related to the Regulatory Account shall be subjected to the audit. | | |
| 2.1.23 PFRS refers to Philippine Financial Reporting Standards. PFRS include statements named PFRS and Philippine Accounting Standards, including Philippine Interpretations from International | <p>38. <u>Comment</u> <u>Proposed Additional defined term</u> <i>refers to the Philippine Financial Reporting Standards and the Philippine Accounting Standards, including Philippine</i></p> | Noted | Adopted the proposed additional defined term in the CAAGs. | | |

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| Committee (IFRIC issued by the International Financial Standards Council. | <i>Interpretations from International Financial Reporting Standards Council.</i> | | | | |
| 2.1.22 Reclassification refers to the change from one account to another to aid the assessment of the holistic behavior of expenditures having similar nature, in consideration with other underlying factors. | <p>39. <u>Comment:</u> Okay to retain the term and definition of RO. There should be no impact in the Net Cash Flows.</p> <p><u>Proposed wordings:</u> <i>as used in pro forma schedules under Section 7 of this Guideline, the column "Adjustments" refers to adjustments to statutory accounts to arrive at the Regulatory Accounts for rate-setting purposes.</i></p> | Noted | Revised the definition of "Reclassification" in the CAAGs. | | |
| 2.1.25 Regulatory Accounts refers to the account where information is more focused on the regulated businesses or activities of the Concessionaire as contained in its respective Statutory Accounts. This is derived by adjusting the Statutory Account balances that comprises the Opening Cash Position ("OCP") taking into consideration the provisions contained in the CAAGs. | <p>40. <u>Comment:</u> The proposed revision is intended to clarify the accounts covered.</p> <p><u>Proposed revision:</u> <i>refers to the Concessionaires' Receipts and Expenditure accounts. Specifically, the Expenditure accounts shall refer to accounts affected by payments for (i) CAPEX, (ii) ConFee, (iii) OPEX, and (IV) corporate income taxes.</i></p> | The MWSS-RO TWG maintains to defer the inclusion Corporate Income Tax in the CAAGs pending the final resolution of the issue on the matter. | No change in the CAAGs | | |
| 2.1.26 Rewards and Penalty refers to a system of rewards granted and penalties as implemented by the MWSS-RO as contemplated in Article 9.4. of the Concession Agreement. | <p>41. <u>Comment:</u> Rewards and penalties framework is agreed by the RO with the Concessionaire. The CA does not explicitly provide for this framework.</p> <p><u>Proposed revision:</u> <i>refers to a system of rewards granted and penalties imposed by the MWSS-RO as agreed with the Concessionaires.</i></p> | Though the "Rewards and Penalty" framework was not explicitly provided in the CA, the MWSS-RO TWG view it as a mechanism to realize the intent of Article 9.4. of the CA. | No change in the CAAGs | | |
| 2.1.27 RO Inclusion/Exclusions as used in the schedules under Section 7 of the CAAGs, the column RO | <p>42. <u>Comment</u> We propose that this provision be revised as follows.</p> | The column was named "RO Exclusions/Inclusions to address any adjustment in the Concessionaires | No change in the CAAGs | | |

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| Inclusion/Exclusions refers to the MWSS-RO's adjustments in the Concessionaires' receipts and expenditures pursuant to CAAGs | <u>Proposed revision:</u> <i>as used in the pro forma schedules under Section 7 of this guideline, the column "RO Exclusions" refers to the RO's adjustments to the Concessionaires' expenditures pursuant to CAAGs.</i> | receipts and expenditures and does not only include exclusions. | | | |
| 2.1.28 Service Obligations refers to the obligations of the Concessionaire of the kind referred to in Article 5 of the CA, as such Service Obligations may be revised from time to time by MWSS-RO in accordance with the CA. | 43. <u>Comment:</u> Can we take out the definition of Service Obligation as this is defined in the CA? <u>Proposed revision:</u> <i>refers to service obligations in accordance with Article 5 of the Concessionaires' respective CAs, as amended from time to time by the MWSS-RO in accordance with the CAs and the Concessionaires' respective approved business plans.</i> | Noted The MWSS-RO TWG believes to consider the change in Service Obligations from time to time in the definition. | Revised the CAAGs accordingly. | | |
| 2.1.29 Sewer Revenue - refers to the revenues derived from providing sewer services to customers. | 44. <u>Comment:</u> Please refer to the definition of Sewer Revenue below. <u>Proposed revision:</u> <i>refers to revenues derived from sewer services to customers.</i> <i>refers to revenues derived from providing sewer services to customers, including monthly maintenance charges and service fees.</i> | Noted | Adopted the proposed revision | | |
| 2.1.31 Statutory Account - refers to the accounts in the Concessionaires' respective quarterly and/or audited financial statements prepared in accordance to PFRS, which cover all the Concessionaires' respective business activities, including activities outside of its respective Specified Zone. | 45. <u>Comment:</u> This proposed revision is intended for clarity. <u>Proposed revision:</u> <i>refers to the accounts in the Concessionaires' respective audited financial statements, which cover all the Concessionaires' respective business activities, including those outside of the Specified Zone.</i> | The Concessionaires may be required to issue quarterly financial statements under PFRS by other regulatory agencies. Although the requirements under the CAAGs are primarily to audit and validate annual balances, MWSS-RO is not precluded from performing analysis on quarterly financial reports submitted by the Concessionaires vis-a-vis quarterly financial statements under PFRS, if available. | Adopted the proposed revision however, indicated the submission of quarterly financial statements under PFRS. | | |

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| 2.1.32 Technical Audit - refers to the audit and evaluation of all completed and on-going CAPEX programs and projects being undertaken by each Concessionaire which are included in their respective approved Business Plans for the relevant Rate Rebasing period as conducted by the "Technical Team" of MWSS-RO. | <p>46. <u>Comment:</u> This proposed revision is intended for clarity.</p> <p><u>Proposed revision:</u> <i>refers to the audit and evaluation of all completed and on-going CAPEX programs and projects of each Concessionaire, which are included in their respective approved Business Plans for the relevant Rate Rebasing Period, as conducted by the MWSS-RO.</i></p> | <p>The proposed revision speaks of the same thing.</p> <p>The MWSS-RO TWG intends to differentiate the 2 types of evaluation to be conducted by the MWSS-RO.</p> <p>The CAPEX Audit shall be conducted by the Technical Team and the Financial audit to be conducted by the Financial Team.</p> | Adopted the proposed revision in the CAAGs. | | |
| 2.1.33 Water Revenue - refers to revenues derived from sale of water and other revenues directly related to the provision of water which includes but not limited to basic water charge, discounts, unbilled water services and maintenance service charge. | <p>47. <u>Comment:</u> Suggest to delete since this was not used in the document; or</p> <p><u>Proposed revision:</u> <i>refers to revenues derived from the sale of water which include basic water charges, and maintenance service charge.</i></p> | This was used in the Reconciliation schedule | Expand the definition of Water revenue in the CAAGs. | | |
| <p>3.1.1. refers to the proper grouping of each cost and expenditures incurred during the relevant Rate Rebasing period. Receipts and Expenditures shall be classified and/or allocated according to the following major-activities.</p> <ol style="list-style-type: none"> 1. Water Service Activity; 2. Wastewater Service Activity; and 3. General and Administrative Activity. | <p>48. <u>Comment:</u> Costs are classified into Water Service, Sewerage and Sanitation Service and General and Administrative. If applicable, all schedules are required to be classified according to the categories set herein.</p> | Noted | <p>Revised the CAAGs to consider the category relative to common purpose facilities.</p> <p>Receipts and expenditures are categorized as water service, wastewater service, common purpose and general and administrative under the "Category section". All relevant required schedules shall be classified accordingly.</p> | | |

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| 3.2.1 Water Service refers to all business activities within its Specified Zone which are directly related to the provision of water services. | <p>49. <u>Comment:</u></p> <p>This proposed revision is intended for clarity.</p> <p><u>Proposed revision:</u></p> <p><i>refers to operating and capital expenditures directly related to the provision of water services. or</i></p> <p><i>Costs that are directly related to the provision of Water Services within the Concessionaires' respective Specified Zones.</i></p> | The MWSS-RO TWG deleted the Wastewater Expense definition in the Definition Section, wastewater expense are included in the categories section. | Receipts and expenditures are categorized as water service, wastewater service, common purpose and general and administrative under the "Category section". All relevant required schedules shall be classified accordingly. | | |
| <p>3.3. Common Purpose Facility (Joint Venture)</p> <p>3.3.1. Refers to all activities related to the facilities upstream of Angat dam established under the UATP project and the Facilities downstream of the auxiliary hydropower plant of Norzagaray, Bulacan, including the IPO reservoir facilities, the Ipo-Bicti tunnels, Bicti basins and Bicti Novaliches aqueducts, up to and including the Novaliches portal interconnection Facilities.</p> <p>3.3.2. This would also refer to the joint venture agreement to be entered into by the Concessionaires and the Other Operator pursuant to Section 3.8 of the CA.</p> <p>As used in schedules under Section 7 of the CAAGs, all expenditures that are directly related to Common Purpose Facility and/or joint venture shall be categorize under "Common Purpose Facility Activity".</p> | | <p><u>Additional Category</u></p> <p>Considering that the Concessionaires' commented that Common Purpose expenditures are included in various OPEX and CAPEX accounts, the MWSS-RO proposed instead, to provide a column, named "Common Purpose" to identify such in the required Schedules to be submitted to the MWSS-RO.</p> <p>This would also refer to the joint venture agreement to be entered into by the Concessionaires and the Other Operator pursuant to Section 3.8 of the CA.</p> <p>As used in schedules under Section 7 of the CAAGs, all expenditures that are directly related to Common Purpose Facility and/or joint venture shall be categorize under "Common Purpose Facility Activity".</p> | Deleted the Section relative to the Common Purpose Expenditures, however, included a column on the required schedule template named "Common Purpose". | If CPF is deleted in the CAAGs, transactions relative to this account should be reclassified to proper accounts. The impact on the guidelines of other accounts will have to be considered in the reclassification. | |

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| 3.4. Wastewater service refers to all business activities within its Specified Zone which are directly related to the provision of sewer and sanitation services. | <p>50. <u>Comment:</u> We propose that the term be defined as Wastewater Expense, instead. May consider revising column headings to align with this categories (or the other way around) for consistency. <u>Proposed revision:</u> <i>Costs that are directly related to the provision of sewerage and sanitation services within the Concessionaires' respective Specified Zones.</i></p> | Noted | Deleted the Wastewater Expense definition in the Definition Section. Instead the receipts and expenditures relative to wastewater are being categorized based on the "categories section". | | |
| 3.5 General and Administrative refer to all business activities that are related but not directly identifiable with water and sewerage and sanitation services activities. | <p>51. <u>Comment:</u> Make sure these 3 items are aligned with the Definitions section <u>Proposed revision:</u> <i>Costs related to, but not directly identifiable with water and sewerage and sanitation services.</i></p> | Noted | <p>Deleted the Wastewater Expense definition in the Definition Section. Instead the receipts and expenditures relative to wastewater are being categorized based on the "categories section".</p> <p>Revised the column heading of the required schedule templates aligned as Water Service; Wastewater Service; Common Purpose and General and Administrative.</p> | | |
| 3.5.3 All other costs and Expenditures not related to water, sewer and sanitation services shall be excluded. | <p>52. <u>Comment:</u> Expenditures (as defined under the CA) should not be confused with expenditures. Hence, the use of "expenditures" instead of the defined term "Expenditures." <u>Proposed revision:</u> <i>Refers to expenditures that are related but not directly identifiable with the provision of water and sewerage and sanitation services.</i></p> | Noted | Adopted and revised the CAAGs. | | |

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| 4.1.1.1 | <p>53. <u>Comment:</u></p> <p>1. Rewards and Penalty Framework and KPI BEMs guidelines are pending discussion.</p> <p><u>Proposed revision:</u></p> <p><i>Receipts under items 1, 2, and 3 shall be subject to the Rewards and Penalties Framework.</i></p> <p>2. This has not been discussed in this rebasing period. Will this be applicable to the rebasing period 2018-2022?</p> | <p>The MWSS-RO TWG viewed that if no "Rewards and Penalty" mechanism will be establish, all regulatory accounts shall be subjected to a detailed financial audit.</p> <p>Please see Aide Memoire - The Conduct of Financial Audit in Relation to the Implementation of the Rewards and Penalty Framework on page 122.</p> | No change in the CAAGs | | |
| 5.1.2.5 5.2.2.1 5.3.2.1 5.6.2.1 5.7.2.1 5.9.2.1 5.18.2.1 5.19.2.1 | <p>54. <u>Comment</u></p> <p><u>Proposed revision to "Guidelines - specific expenditure":</u></p> <p><i>Because (name of expenditure) contribute directly to the fulfilment of Service Obligations, (name of expenditure) may be subject to the Rewards and Penalty Framework, if such a framework has been agreed by the Concessionaire with the RO.</i></p> | <p>Noted</p> <p>The issue whether the Rewards and Penalty framework is agreed by the Concessionaire with the MWSS-RO lies to the Rewards and Penalty Committee, not in the CAAGs.</p> | No change in the CAAGs | | |

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| 5.2.9 In the event that the Regulatory Account balances derived from the Statutory Accounts, do not reconcile with the Concessionaires' reports submitted to the MWSS-RO, such as Business Efficiency Measures (BEMs) and CAPEX Monitoring Report, the Concessionaire shall provide the reconciliation thereof. | <p>55. <u>Comment:</u> This has not been discussed in this rebasing period. Will this be applicable to the rebasing period 2018-2022?</p> <p><u>Proposed revision relative to "Guidelines - Expenditures":</u> <i>In the event that a Concessionaire has set with the MWSS-RO a Rewards and Penalty Framework, expenditures that contribute directly to the fulfilment of Service Obligations under the Concessionaires' respective CAs and business plans, shall be subject to such framework.</i></p> | <p>The MWSS-RO TWG viewed that if no "Rewards and Penalty" mechanism will be established; all regulatory accounts shall be subjected to a detailed financial audit.</p> <p>Please see Aide Memoire - The Conduct of Financial Audit in Relation to the Implementation of the Rewards and Penalty Framework on page 122.</p> <p>The Rewards and Penalty framework lies within the Rewards and Penalty Committee, not in the CAAGs.</p> | | <ol style="list-style-type: none"> 1. Identify Regulatory Accounts subject to Rewards and Penalties framework and apply Financial Audit to rest of Regulatory Accounts; 2. Regulatory Accounts that directly result to the delivery of service shall be subjected to the Rewards and Penalty framework; 3. Regulatory Accounts that are not directly related to service delivery shall be subjected to Financial Audit; 4. If Regulatory Accounts subject to Rewards and Penalties are audited, the basis for computations shall be the balance after the audit; 5. If not Rewards and Penalties framework is implemented, all Regulatory Accounts shall be subjected to Financial Audit, except those subjected to Technical Audit, explicitly CAPEX. <p>Consideration can be placed on the following items:</p> <ol style="list-style-type: none"> 1. Basing the rewards and penalties on direct cost (direct labour, power, water treatment, chemicals, collection fees and new service connections). 2. The process on financial audit relative to the direct costs should be limited to the analysis and gathering of corroborating evidence on the propriety of the claim for rewards and efficiency tests should be done by the technical group. 3. The basis for the computation of the direct costs subject to Rewards and penalties shall be the balance after the audit. However, the related forecasts should likewise be adjusted, if necessary. | 6. |
| | <p>56. <u>Comment</u> <u>Proposed revision:</u></p> | The proposed revision is essentially saying the same thing. | Adopted in the CAAGs | | |

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| | <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall provide the following:</i> | | | | |
| <p>4.1.2.3(6) In addition to the schedules specified under Section 7 of the CAAGs, Concessionaires shall provide the following:</p> <p>7) Schedule of movements in Trust Liability related to Regular Receipts for the audit period, other than Guaranty Deposits and Connection Fees.</p> <p>4.1.4.1 For regulatory purposes:</p> <ol style="list-style-type: none"> Any Service Connection Fee classified as Trust Liability shall be reclassified as part of Regular Receipts Entries to Deferred FCDA/Deferred Charges – BS relating to the Foreign Currency Differential Adjustment (FCDA) charges to customers shall be reclassified as Regular Receipts Any other customer related fees received by the Concessionaires from its customers within its Specified Zone for services rendered such as installation of service connection, reconnection fees, desludging etc. shall be reclassified as part of Regular Receipts. | <p>57. <u>Comment:</u></p> <p>Omissions/changes to the regulated information were suggested by the Concessionaire</p> <ol style="list-style-type: none"> To make it the requested information more specific, and to include only that information available to the Concessionaires This explanation applies to all schedules proposed to be revised by the Concessionaires. Audit methodology was transferred to the last section. Deleted as this is related to FCDA We don't have Trust Liability for regular receipts. | <p>The MWSS-RO TWG believes that the information is available to the Concessionaires, since the entries to the schedules are in accordance with their respective trial balances and/or transactions. The challenge that we see is the analysis of those accounts and / or transactions that would enable their classification into the specific categories (i.e. Water, Wastewater, etc.).</p> <p>Please see Aide Memoire - Foreign Currency Differential Adjustment in the Context for the Concession Accounting and Auditing Guidelines (CAAGs) on page 119.</p> <p>During the 2012 Rate Rebasing exercise, it was noted that Service Connection Fee were initially classified as Trust Liability.</p> <p>However, in case service connection fees are classified otherwise, it shall be stated in the submissions by the Concessionaires.</p> | | <p>We concur with the suggestions of the MWSS RO. The information requested should be made available by the Concessionaires.</p> <p>The transactions posted in the accounting system of the Concessionaires should have the complete description to address these requirements. The accounting system should be designed to capture the information required (i.e. per facility, location, etc.)</p> | |
| 4.1.2.3 | <p>58. <u>Proposed revision</u></p> <p>1. <i>Schedule of Water, Environmental and Sewer Revenues that shall consist of the following:</i></p> <p>a. <i>Annual consumption per customer rate class (i.e., residential,</i></p> | <p>MWSS-RO TWG sees that the details prescribed and proposed is not that different except for the omission of the Unrealized Forex Gain.</p> <p>Please see Aide Memoire - Foreign Currency Differential Adjustment in the Context for the Concession</p> | Revised the schedules to include a schedule of desludging services. | | |

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| | <p><i>semi business, commercial, and industrial); and</i></p> <p><i>b. Annual revenue per rate class (Water, Environmental and Sewer Revenue)</i></p> <p>2. <i>Schedule of Other Revenues that shall consist of the following:</i></p> <p><i>a. Nature of each revenue classified as Other Revenues</i></p> <p><i>b. Total amount per year</i></p> <p>3. <i>Schedule of customer-related fees indicating the following:</i></p> <p><i>a. Nature and total amount of customer-related fees per year and per business area (i.e. new service connection and other fees, such as installation charges)</i></p> <p><i>b. Number of service connections installed per year</i></p> <p>4. <i>Policies relative to customer-related fees</i></p> | <p>Accounting and Auditing Guidelines (CAAGs) on page 119.</p> <p>The MWSS-RO TWG added a Schedule relative to the desludging services, where its information is believed to be available.</p> <p>Based on the foregoing MWSS-RO TWG retains the original provision on the Unrealized FCDA and provided an additional required schedule.</p> | | | |
| <p>4.1.2.4</p> <p>4.2.2.2</p> <p>5.1.2.7</p> <p>103</p> <p>122</p> <p>134</p> <p>142</p> <p>151</p> <p>165</p> <p>175</p> <p>182</p> <p>193</p> <p>200</p> <p>214</p> <p>227</p> <p>241</p> <p>256</p> <p>273</p> <p>282</p> <p>287</p> <p>297</p> <p>305</p> <p>311</p> | <p>59. <u>Comment:</u></p> <p>1. To specify the instances when the RO's request for additional information is warranted. The CAAGs is meant to reduce ambiguity and uncertainty on the submissions of the Concessionaires.</p> <p>2. This explanation and revision apply to all similar provisions.</p> <p>3. We suggest that we be consistent in our references to the RO, whether it is Regulatory Office, MWSS-RO, and RO.</p> <p><u>Proposed revision:</u></p> <p><i>The RO may require such other information if:</i></p> <p><i>1. The supporting documents submitted by the Concessionaire do not match the schedule/s provided; or</i></p> | <p>Noted</p> <p>The proposed changes from the Concessionaires shall limit the right of the MWSS-RO to require information under the CA. The catch-all provision on additional information shall cover this.</p> | <p>Adopted the suggestion to be consistent with references to MWSS-RO.</p> | | |

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| 317 321 328 334 340 353 379 397 413 | 2. <i>The RO, in its reasonable opinion, finds inconsistency in the information provided by the Concessionaire.</i> | | | | |
| 4.1.3.1 | 60. <u>Comment</u> <i>Proposed revision:</i> <i>Receipts shall include cash inflows that meet the following:</i> | The phrase “unless otherwise stated” are deemed to address the specific provisions concerning each regulatory account. | No change in the CAAGs. | | |
| 4.1.3.1(1) | 61. <u>Comment:</u> Are receipts limited to those generated from the Concessionaires' principal operations? <i>Proposed to delete</i> | Receipts under the CAAGs shall cover revenues generated from principal operations within the Specified Zone and other revenues that are related to the attainment of service obligations within the Specified Zone. | No change in the CAAGs. | | |
| 4.1.3.1(2) | 62. <u>Comment</u> <i>Proposed revision:</i> <i>a. Definition of Receipts under the Concession Agreements</i> | The proposed revision is essentially saying the same thing. | No change in the CAAGs | | |
| 4.1.3.1(3) | 63. <u>Comment:</u> Please clarify, what item do you foresee? | Examples of this are sale of equipment, liquidated damages, and other non-operating revenues. Proceeds from sale of equipment are deemed as reimbursement of the cost of the equipment. Liquidated damages are deemed are partial reimbursement of the contract cost for CAPEX. | No change in the CAAGs | | |
| 4.1.3.1(4) | 64. <u>Comment:</u> The CAAGs is meant to reduce ambiguity and uncertainty on the submissions of the Concessionaires. <i>Proposed to delete</i> | The MWSS-RO TWG understands that there would be situations that cannot be anticipated during the crafting of CAAGs. The general provisions for requiring information from and auditing the Concessionaires are embodied in Article 13 of the CA. The CAAGs | No change in the CAAGs | | |

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| | | merely defined these provisions. Thus, the CAAGs shall not limit the audit power of the MWSS RO. | | | |
| 156 186 206 219 235 250 266 277 324 349 365 385 | 65. <u>Comment:</u> The CAAGs is meant to reduce ambiguity and uncertainty on the submissions of the Concessionaires. Criteria should be clear. <u>Proposed to delete</u> | The MWSS-RO TWG understands that there would be situations that cannot be anticipated during the crafting of CAAGs. The general provisions for requiring information from and auditing the Concessionaires are embodied in Article 13 of the CA. The CAAGs merely defined these provisions. Thus, the CAAGs shall not limit the audit power of the MWSS RO. | No change in the CAAGs | | |
| 4.1.3.3 | 66. <u>Comment:</u> The burden is on the RO to prove other items are included in the receipts. | It is the concessionaire to prove that the Regulatory account balance that comprises the Opening Cash Position as submitted to the MWSS-RO are in accordance with the CAAGs. | No change in the CAAGs | | |
| 4.1.4.1(1) | 67. <u>Comment:</u> There is no Service Connection Fee classified as Trust Liability <u>Proposed to delete</u> | During the 2012 Rate Rebasing exercise, it was noted that Service Connection Fee were initially classified as Trust Liability. However, in case service connection fees are classified otherwise, it shall be stated in the submissions by the Concessionaires. | No change in the CAAGs | | |
| 5.7.2.1 | 68. <u>Comment</u> MWC is no longer using trust liabilities account for new service connections. <u>Proposed revision:</u> <i>Because New Service connections contribute directly to the fulfilment of the Service Obligations, under the Concession Agreement, the balance of the Receipts / Expenditures relative to New Service Connection may be subjected to the Rewards and Penalty framework.</i> | During the 2012 Rate Rebasing exercise, it was noted that Service Connection Fee were initially classified as Trust Liability. However, in case service connection fees are classified otherwise, it shall be stated in the submissions by the Concessionaires. | | | |

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| 4.1.4.1(3) | 69. <u>Comment:</u> The Concessionaires are already reporting these fees are part of the Receipts. <i>Proposed to delete</i> | Noted | No change in the CAAGs | | |
| 4.2.1.1 | 70. <u>Comment:</u> Revised definition is intended for clarity <i>Proposed revision:</i> <i>Refers to the payment by the Concessionaires' customers upon application for water service connections to secure payment of customers' water charges, that is refunded to the customers, net of outstanding water charges, upon termination of its water service connection.</i> | Noted | Adopted the proposed revision in the CAAGs | | |
| 4.2.2.1 | 71. <u>Comment</u> <i>Proposed revision:</i> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall provide a Schedule of the movements in Guaranty Deposits for the audit period indicating the following:</i> | Noted | Adopted and revised the CAAGs | | |
| 4.2.2.1(a,b) | 72. <u>Comment:</u> To clarify that only the annual balance will be submitted <i>Proposed revision:</i> <i>a. Annual balance of deferred credit relative to guaranty deposits (i.e. total amount of guaranty deposits received without corresponding service connections)</i> <i>b. Annual balance of customers' guaranty deposits</i> | Noted | Adopted and revised the CAAGs | | |
| 4.2.3.1 | 73. <u>Comment:</u> This is for discussion with the RO. Under the proposed framework, the CAAGs shall only cover the monitoring of GDs, but | Noted The MWSS RO TWG viewed that CAAGs shall establish the guidelines for the inclusion of Guaranty Deposits as Receipts and not the monitoring. A | No change in the CAAGs | The unrestricted guaranty deposits, whether or not covered by a sinking fund, should form part of the regulatory receipts for the following reasons: | |

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| | shall not establish guidelines for inclusion in cash flows. | guideline for the operations of the sinking fund for Guaranty Deposits may be issued later, if a policy is issued to require such. This shall ensure that the sinking fund is sufficient for all connections and not invested in the operations of the Concessionaires. | | <ul style="list-style-type: none"> The cash received are utilized to defray part of the costs of carrying on the service obligations of the Concessionaires; Considering the nature of the product, it is quite unlikely that a significant portion of the customers will request for a refund of its guaranty deposit in any given year. <p>Hence, the inflow should be considered part of the Concessionaire's receipt and the Concessionaire's receipt and the refund should form part of the cash outflow in the OCP.</p> | |
| 5.B.3 | <p>74. <u>Comment</u></p> <p><u>Proposed revision:</u></p> <p><i>The Conditions for Exclusions mentioned below shall be applicable to all Expenditures.</i></p> | <p>Noted</p> <p>The "unless otherwise stated" are deemed to address the specific provisions concerning each regulatory account.</p> | No change in the CAAGs | | |
| <p>5.B.6</p> <p>5.1.2.8</p> <p>5.2.2.6</p> <p>5.28.2.8</p> <p>5.29.1.6</p> | <p>75. <u>Comment:</u></p> <p>This is contained in the Expenditures Guidelines.</p> <p><u>Proposed to delete</u></p> | <p>The MWSS-RO TWG believes that there is nothing wrong with repeating provisions which are relevant to the sub-heading. This will aid future users of the CAAGs. For reconciliations with other regulatory reports, e.g. KPI-BEMs the items subject to the same shall be discussed from the account they were originally taken up and the account they will end up eventually. There is no point in arguing against the provision if the Concessionaires is already reporting these transactions in accordance with the CAAGs.</p> | No change in the CAAGs | | |
| 5.C.1.1(3) | <p>76. <u>Comment:</u></p> <p>To clarify that corresponding taxes, such as Documentary Stamp Taxes, shall not be covered by this article 1.1.3.</p> <p><u>Proposed revision</u></p> | <p>Documentary stamp tax is not a financing charge.</p> | Adopted the proposed revision relative to financing cost in the CAAGs. | | |

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| | <p><i>The Expenditures shall be evaluated taking into account the following general parameters:</i></p> <p><i>CA-Allowable Expense Test</i></p> <p><i>The following Expenditures are not recoverable under the CA:</i></p> <p>1.1.1. Penalties;</p> <p>1.1.2. Interest charges on late payments;</p> <p>1.1.3. Financings cost other than taxes;</p> | | | | |
| 5.C.1.1(4;5) | <p>77. <u>Comment</u></p> <p><u>Proposed revision:</u></p> <p>1.1.4 Bad debts provisions; and</p> <p>1.1.5 Depreciation provision</p> | Noted | Adopted the proposed revision in the CAAGs. | | |
| 5.C.1.2 | <p>78. <u>Comment:</u></p> <p>This is not in the CA, however, we adopted the criteria related to prudence and efficiency test under item 2.</p> | The MWSS-RO TWG believes that this does not go against the provisions of the CA, but rather it further defines the process of determining the efficiency and prudence of Expenditures. | No change in the CAAGs | | |
| 5.C.1.2(1) | <p>79. <u>Comment</u></p> <p><u>Proposed to delete</u></p> <p>No explanation was provided.</p> | <p>The Concessionaires position is manifested in comment 85 below.</p> <p>This provision of condition for exclusion no. 2 under "Expenditure" section was based on the RO resolutions for 2013 Rate Rebasing determinations. The MWSS-RO TWG deems that this does not go against the provisions of the CA, but rather it further defines the process of determining the efficiency and prudence of Expenditures.</p> | No change in the CAAGs | | |
| 5.C.1.2(2) 5.C.1.2(3) | <p>80. <u>Comment</u></p> <p>Moved to Efficiency and Prudency section</p> | | | | |
| 5.C.1.2(4) | <p>81. <u>Comment</u></p> <p><u>Proposed to delete</u></p> <p>No explanation was provided.</p> | | | | |
| 5.C.1.2(5) | <p>82. <u>Comment</u></p> <p><u>Proposed to delete</u></p> <p>No explanation was provided.</p> | | | | |

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| 5.C.1.3(1) | 83. <u>Comment</u> <u>Proposed revision:</u> 2.1. Expenditures that meet the following criteria shall be included in the Concessionaires' respective cash flows: | Noted | No change in the CAAGs | | |
| 5.C.1.2(2) 5.C.1.2(3) 5.C.1.3(2) | 84. <u>Comment:</u> Relationship test is not in the CA, the following criteria was moved to "Efficiency and Prudency Test" 1.1.1. Necessary in the course of, or related to the, carrying out the Concessionaires' Service Obligations within their respective Specified Zones; 1.1.2. Related to the operation of the Concessionaires' Service Obligations within their respective Specified Zone. | Noted The MWSS-RO TWG believes that this does not go against the provisions of the CA, but rather it further defines the process of determining the efficiency and prudence of Expenditures. | No change in the CAAGs | | |
| 5.C.1.3(3) | 85. <u>Comment</u> <u>Proposed revision:</u> 2.1.2 Adequately supported by appropriate documentation; | Noted The proposed revision is essentially speaking the same thing. | No change in the CAAGs | | |
| 5.C.1.3(4) | 86. <u>Comment</u> <u>Proposed revision:</u> 2.1.3 Reasonable under the circumstances | Noted The proposed revision is essentially speaking the same thing. | No change in the CAAGs | | |
| 5.C.1.3(5) | 87. <u>Comment:</u> The criteria "reasonable under the circumstances" should address concerns relating to branding expenses, etc. <u>Proposed to delete</u> | Expenditures relating to branding, image enhancement, etc. are excluded and require no justification. (if this is the case, this may be moved to Relationship Test) | No change in the CAAGs | | |
| 5.C.1.3(6) | 88. <u>Comment:</u> This is covered by the CA-allowable expense test <u>Proposed to delete</u> | There are Expenditures directly resulting from negligence or wrongdoing that is not recorded as penalties, as contemplated in CA-allowable expense test. This provision shall cover such items. | No change in the CAAGs | | |

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| 5.C.1.3(7) | <p>89. <u>Comment:</u> Should be sufficient that the transaction is at arm's length.</p> <p><u>Proposed wordings:</u> 2.1.4 If entered with related parties, the transaction is at arm's length.</p> | <p>In view of the definition of Cash Flow under the CA, it stated:</p> <p>"xxx the Concessionaire in order to carry out its obligations under this Agreement payable to any shareholder or affiliate of the Concessionaire to the extent, in the judgement of the Regulatory Office, that such fees do not represent the best value available in the market for such services."</p> <p>The CAs speaks of the "best value available in the market" and not simply "arm's length transactions".</p> | No change in the CAAGs | | |
| 5.C.1.3(8) | <p>90. <u>Comment</u> <u>Proposed revision:</u> Should the actual expenditures be greater than the expenditures in the Concessionaire's approved Business Plan, the recoverability of the excess shall be subject to the Efficiency and Prudence Test.</p> | <p>The MWSS-RO TWG viewed that the total actual amount relative to receipts and expenditures shall be subjected to the General parameters set in the CAAGs.</p> <p>The Concessionaire proposal essentially limits the audit powers of the RO to those that exceed the values in the business plan. It should be noted that the values in the business plan were established using available information at that time. These values may guide the analysis of the MWSS-RO and the auditors but shall not serve as the only basis for the evaluation of the Expenditures.</p> | No change in the CAAGs | | |
| 5.C.1.3(9) | <p>91. <u>Comment:</u> Non-cash expenses are not included in the OCP.</p> | <p>This is addressed by an additional condition for exclusion.</p> | <p>Update the CAAGs to include the additional condition for exclusion. This is to address other non-cash expenditures.</p> <p>Additional condition for exclusion:</p> <p>3.0.9 Non-cash expenses are not included in the determination of the Opening Cash Position</p> | | |
| 5.C.1.3(11) | <p>92. <u>Comment</u></p> | <p>The MWSS-RO TWG view that the total actual amount relative to receipts and</p> | No change in the CAAGs | | |

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| | <p><u>Proposed revision:</u></p> <p><i>The foregoing tests shall be applied to the expenses incurred outside of those approved in the Business Plan. The presumption is that the expenses approved in the Business Plan meet the foregoing tests.</i></p> | <p>expenditures shall be subjected to the General parameters set in the CAAGs.</p> <p>The Concessionaire proposal essentially limits the audit powers of the RO to those that exceed the values in the business plan. It should be noted that the values in the business plan were established using available information at that time. These values may guide the analysis of the MWSS-RO and the auditors but shall not serve as the only basis for the evaluation of the Expenditures.</p> | | | |
| 5.D.1 5.D.1(1) | <p>93. <u>Comment</u></p> <p><u>Proposed revision:</u></p> <p><i>Reclassification should be in accordance with the specific provisions of the CAAGs.</i></p> | <p>The proposed CAAGs provisions by the MWSS-RO explain the general objective of reclassifications contained in the CAAGs.</p> | No change in the CAAGs | | |
| 5.D.1(2) | <p>94. <u>Comment</u></p> <p><u>Proposed to delete</u></p> <p>No explanation provided</p> | | | | |
| 5.1.1.2 | <p>95. <u>Comment</u></p> <p><u>Proposed revision:</u></p> <p><i>Subject to the rules on reclassification below, Salaries, wages and Benefits refer to all costs of manpower, and include, but are not limited to, basic pay, statutory bonuses, discretionary bonuses, retirement pay, regular allowances (such as representation and transportation allowance), fringe benefit tax and other employee benefits.</i></p> | <p>The proposed revision is essentially saying the same thing. The MWSS-RO TWG stated the inclusion of trainings for personnel development which shall be considered as benefits.</p> | No change in the CAAGs | | |
| 5.1.2.1 | <p>96. <u>Comment</u></p> <p><u>Proposed revision</u></p> <p><i>The MWSS-RO shall review the payroll benchmarking report submitted by the Concessionaire.</i></p> | <p>The proposed revision is essentially speaking the same thing.</p> | No change in the CAAGs. | <p>Considering the significance of Salaries, Wages and Benefits, MWSS RO may consider having subscription with Towers Watson and request data on the compensation necessary for benchmarking purposes.</p> | |

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|--|--|---|---|--|--|
| 4.1.2.2 4.1.2.4 4.2.2.2 5.B.2 5.B.5 5.1.2.1 5.1.2.2 5.1.2.5 5.1.2.7 5.2.2.2 5.2.2.5 5.3.2.2 5.3.2.3 5.3.2.5 5.4.2.2 5.5.2.2 5.5.2.5 5.5.2.7 5.6.2.2 5.6.2.3 5.6.2.5 5.7.2.2 5.7.2.5 5.8.2.1 5.8.2.3 5.9.2.2 5.9.2.3 5.9.2.5 5.10.2.2 5.11.2.1 5.11.2.3 5.12.2.1 5.12.2.3 5.13.2.2 5.14.2.2 5.15.2.2 5.16.2.2 5.17.2.3 5.18.2.2 5.18.2.4 5.19.2.2 5.19.2.4 5.20.2.2 5.21.2.2 5.22.2.2 5.23.2.2 5.24.2.1 | <p>97. <u>Comment:</u></p> <p>We understand that the MWSS RO is the principal who will conduct the audit. This is applicable to all similar provision.</p> <p><u>Proposed revision:</u></p> <p><i>"used the MWSS-RO instead of the auditors"</i></p> | <p>Noted</p> <p>The financial audit shall be conducted by the auditors commissioned by the MWSS-RO. The audit findings and recommendations shall be subjected to the approval by MWSS-RO.</p> | <p>Adopted and revised the CAAGs as follows:</p> <p>"The MWSS-RO and/or its commissioned auditor/s xxx"</p> | <p>The consultants should be authorized to review the report of Towers Watson.</p> <p>Other suggestions:</p> <ol style="list-style-type: none"> 1. Performance bonuses can be set with a limit that can be recovered subject to approval of MWSS RO. 2. Employees activities (i.e. celebration of Christmas, anniversary, sports fest, team building and other special events) can be allowed within reasonable limits to be set by the MWSS RO. 3. Employee Benefits (i.e. Business Expense Limit (BEL), Mobility allowance, Trainings and Development) can be allowed within reasonable limits to be set by the MWSS RO. 4. Include the headcount of contracted employees. 5. The headcount should be presented per rank. 6. Issuance of shares under the ESOP can be considered as "constructive payments" and should be allowed as OCP deduction at issue date. However, the redemption of shares by the Concessionaire are not recoverable. | |

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| 5.24.2.3 5.25.2.2 5.26.2.2 5.28.2.3 5.28.2.7 5.29.1.5 | | | | | |
| 5.1.2.3 | | <u>Added provision:</u> MWSS-RO or its commissioned auditor/s shall determine the concessionaires' respective compensation plan. | Revised the CAAGs to include the additional provision. | | |
| 5.1.2.6 5.1.2.6(2) | <p>98. <u>Comment</u> <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaire shall make available the following documents during the course of the audit:</i></p> <ol style="list-style-type: none"> 1. Payroll management report 2. Certified headcount 3. Payroll benchmark report 4. Copies of collective bargaining agreements 5. For trainings, workshops, and seminars, the documents relating to the following shall be provided. <ol style="list-style-type: none"> a. Training invitation/nomination b. Per Diem c. Airfare d. Other itemized travel expense (e.g. visa fees, terminal fees, passport fee, travel tax, clothing allowance, etc) e. Accommodation f. Purpose/Description of Training; g. Policy on Trainings, if available | <p>The proposed revision is essentially saying the same thing.</p> <p>However, MWSS-RO TWG provided the details required relative to the Certified headcount and total amount per position classification.</p> | Revised the CAAGs to include the details / categories relative to the headcount and total amount. | | |
| 5.1.3.1 5.2.3.1 5.3.3.1 5.4.3.1 5.5.3.1 5.6.3.1 5.7.3.1 5.8.3.1 | <p>99. <u>Comment:</u> Please see proposed revision for clarity.</p> <p><u>Proposed revision:</u></p> | The proposed revision essentially speaks of the same thing except that it omits the wordings "unless otherwise stated" of which addresses the identified specific exclusions of each regulatory account. | No change in the CAAGs. | | |

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|---|--|---|-------------------------|-----------------------------|--|
| 5.9.3.1 5.10.3.1 5.11.3.1 5.12.3.1 5.13.3.1 5.14.3.1 5.15.3.1 5.16.3.1 5.17.3.1 5.18.3.1 5.19.3.1 5.20.3.1 5.21.3.1 5.22.3.1 5.23.3.1 5.24.3.1 5.25.3.1 5.26.3.1 5.28.3.1 | <i>(name of expenditure) shall be recoverable to the extent that these meet the applicable requirements under the CAAGs.</i> | | | | |
| 5.1.3.2 5.2.3.2 5.3.3.2 5.6.3.2 5.7.3.2 5.9.3.2 5.18.3.2 5.19.3.2 | <p>100. <u>Comment:</u> It appears to imply that recoverability depends on the Rewards and Penalties Framework. Also, what will be the basis for the evaluation of Maynilad's expenditures? Please consider the proposed revision.</p> <p>We understand that, if there will be no Rewards and Penalty Framework agreed with the RO, only the applicable requirements in the CAAGs shall be applied in determining recoverability. This explanation applies to all accounts.</p> <p><u>Proposed revision</u> <i>The Rewards and Penalty Framework shall be applied in determining the adjustments to the OCP for (name of expenditure).</i></p> | <p>The MWSS-RO TWG viewed that if no "Rewards and Penalty" mechanism will be established; all regulatory accounts shall be subjected to a detailed financial audit.</p> <p>Please see Aide Memoire on Financial Audit in Relation to Rewards and Penalty Framework on page 122.</p> | No change in the CAAGs. | | |
| 5.1.3.3 | <p>101. <u>Comment:</u> No explanation provided</p> <p><u>Proposed to delete</u></p> | For purpose of clarity, as much as possible the MWSS-RO TWG maintains the indication that there are non-cash items included in specific expenditures which were already identified as subjected for exclusions. This is for the users of the CAAGs who are not as familiar to the transactions of the | No change in the CAAGs. | | |

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| | | Concessionaires as the TWG is at the time this document is being developed. | | | |
| 5.1.3.3(a) | <p>102. <u>Comment:</u> This is true when the Plan Assets>Actuarial Liability, therefore, there is no need to contribute cash but there is a need to accrue retirement expense for the current year to update the Actuarial Liability.</p> <p><u>Proposed revision:</u> <i>It is more accurate to say "retirement expense with no actual cash contribution to the retirement fund."</i></p> | Noted | Adopted the proposed revision | | |
| 5.1.3.3(b) | <p>103. <u>Comment:</u> Can we take this out as this is a given. This also implies that there are non-cash transactions which are recoverable.</p> <p><u>Proposed to delete</u></p> | For purpose of clarity, as much as possible the MWSS-RO TWG maintains the indication that there are non-cash items included in specific expenditures which were already identified as subjected for exclusions. This is for the users of the CAAGs who are not as familiar to the transactions of the Concessionaires as the MWSS-RO is at the time this document is being developed. | No change in the CAAGs | | |
| 4.1.4.1 5.D.1 5.1.3.3 5.1.4.1 5.2.4.1 5.3.4.1 5.4.4.1 5.5.4.1 5.6.4.1 5.7.4.1 5.8.4.1 5.9.4.1 5.10.4.1 5.11.4.1 5.12.4.1 5.13.4.1 5.14.4.1 5.15.4.1 5.16.4.1 | <p>104. <u>Comment</u> <u>Proposed revision:</u> <i>use "For rate rebasing purposes, instead of for regulatory purposes"</i></p> | <p>The MWSS-RO TWG viewed that the CAAGs is not specifically for rate rebasing purposes only.</p> <p>Though, the CAAGs is to be used to facilitate the Rate Rebasing exercise, the regulatory reports, results of the regulatory audit and other information gathered through the use of this CAAGs may be use and useful for other regulatory monitoring functions.</p> <p>Thus, the MWSS-RO TWG uses "For regulatory purposes" instead rather "For Rate Rebasing"</p> | No change in the CAAGs. | | |

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|--|--|---|---|-----------------------------|--|
| 5.17.4.1 5.18.4.1 5.19.4.1 5.20.4.1 5.21.4.1 5.22.4.1 5.23.4.1 5.24.4.1 5.25.4.1 5.26.4.1 5.28.4.1 5.29.3.1 | | CAAGs is not viewed to be encompassing the Rate Rebasing exercise only. | | | |
| 5.1.4.1(1a;b;c) 5.10.4.1(1) | <p>105. <u>Comment:</u> Revisions are consistent with the Concessionaires' discussion with the RO</p> <p>1. For Rate Rebasing purposes, the following shall be reclassified as follows:</p> <p>a. as Salaries, Wages and Benefits:</p> <p>i. Fringe benefit tax, initially classified under Taxes, Licenses and Fees account;</p> <p>ii. Allocated portion of insurance premiums for cars assigned for executives' and managers' personal use, and cost incurred due to vehicular accidents involving such cars where the accident is due to the fault of such manager or executive, initially classified under Insurance account.</p> <p>iii. Foreign and local travel related to trainings, workshops and seminars for employee development, initially classified under Transportation and Travel account.</p> | The proposed revision relative to Items 1.a.i to 1.a.iii under 5.1 is essentially saying the same thing. | Adopted the proposed revision in the CAAGs. | | |
| 5.1.4.1(1d) | <p>106. <u>Comment:</u> This is already part of the definition of Salaries and Wages (i.e., representation and transportation allowance). <u>Proposed to delete</u></p> | The MWSS-RO TWG believes that there is nothing wrong with repeating provisions which are relevant to the sub-heading. This will aid future users of the CAAGs. For reclassifications, the items subject to the same shall be discussed from the account they were originally taken up and the account they will end up eventually. There is | No change in the CAAGs. | | |

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| | | no point in arguing against the provision if the Concessionaires is already reporting these transactions in accordance with the CAAGs. | | | |
| 5.1.4.1(1e) | <p>107. <u>Comment:</u> There is no need to provide for reclassification because this already reported as part of Salaries.</p> <p><u>Proposed to delete</u></p> | The MWSS-RO TWG believes that there is nothing wrong with repeating provisions which are relevant to the sub-heading. This will aid future users of the CAAGs. For reclassifications, the items subject to the same shall be discussed from the account they were originally taken up and the account they will end up eventually. There is no point in arguing against the provision if the Concessionaires is already reporting these transactions in accordance with the CAAGs. | No change in the CAAGs. | | |
| 5.1.4.1(1f) | <p>108. <u>Comment</u> <u>Proposed revision</u> <i>vi. Contracted Services involving purely manpower services initially classified under Contracted Service account.</i></p> | The proposed revision is essentially saying the same thing. | Adopted the proposed revision in the CAAGs | | |
| 5.1.4.1(2a) | <p>109. <u>Comment:</u> Under miscellaneous, the concessionaires' commented to clarify the intention of reclassification.</p> | MWSS-RO TWG is of the position that such activities are not Salaries as their payment is not based on the regular performance of duties of employees. These costs are based on activities or events. For these activities the Regulatory Account conforms with the PFRS. | No change in the CAAGs | | |
| 5.1.4.2 5.2.4.1 5.3.4.1(2) 5.4.4.1 5.5.4.1 5.6.4.1(3) 5.7.4.1 5.8.4.1 5.9.4.1 5.10.4.1(3) 5.11.4.1(2) 5.12.4.1(c) 5.13.4.1(2) | <p>110. <u>Comment:</u> Because this is a general guideline, this should be, and is already stated, in the Expenditures section.</p> <p><u>Proposed to delete</u></p> | This is a catch-all provision for those that are not explicitly identified in the CAAGs. MWSS-RO TWG deems it is better to retain this in order that the users of the CAAGs will be reminded that they should look into the proper classifications of Regulatory Accounts. | No change in the CAAGs | | |

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|--|---|---|-------------------------------|-----------------------------|--|
| 5.14.4.1(3) 5.15.4.1(2) 5.16.4.1 5.17.4.1(3) 5.18.4.1 5.19.4.1 5.20.4.1 5.21.4.1 5.22.4.1 5.23.4.1 5.24.4.1 5.25.4.1 5.26.4.1(2) 5.26.4.1(6) 5.29.4.1(3) | | | | | |
| 5.2.2.3 | <p>111. <u>Comment:</u> To make it the requested information more specific, and to include only that information available to the Concessionaires.</p> <p><u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaire shall provide the Schedule indicating the following:</i></p> <ol style="list-style-type: none"> 1. For Power <ol style="list-style-type: none"> a. Facility b. Location c. Total annual total consumption (in kwh); and d. Total annual total cost 2. Fuel for generator sets <ol style="list-style-type: none"> a. Total annual consumption; and b. Total annual cost | <p>MWSS-RO TWG sees that the details prescribed and proposed is not that different except for the name of the assigned facility and the location of the assigned facility.</p> <p>The MWSS-RO TWG believes that the information is available.</p> <p>Based on the foregoing MWSS-RO TWG retains the original provision.</p> | No change in the CAAGs. | | |
| 5.2.2.4 | <p><u>Proposed additional provision</u> <i>The Concessionaire shall provide justification for power costs under accounts that are not registered under the name of the Concessionaire.</i></p> | Noted | Adopted and revised the CAAGs | | |
| 5.3.1.1 5.3.1.2 5.3.1.3 | <p><u>Proposed revision</u> <i>Treatment shall include costs of chemicals used in the delivery of water and sewerage</i></p> | The proposed revision is essentially saying the same thing. | Adopted and revised the CAAGs | | |

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| | <p><i>services by the Concessionaires in their respective Specified Zones.</i></p> <p><i>For water treatment, these chemicals include, but are not limited to liquid chlorine, liquid aluminum sulfate, liquid poly aluminum chloride, polymer.</i></p> <p><i>For treatment of wastewater/used water, these chemicals, include, but not limited to, sodium hypochloride, polymer, and odor-control chemicals.</i></p> | | | | |
| 5.3.1.1 | <p>112. <u>Comment:</u></p> <p>For clarification. Treatment costs only refer to the chemicals.</p> | MWSS-RO TWG notes that some of the contracts for waste disposals may include treatment cost. It is anticipatory that a portion of the contract would be taken up as Treatment Cost. If not, MWSS-RO TWG sees no reason for the Concessionaire to argue against this specific provision in the CAAGs. | No change in the CAAGs. | | |
| 5.3.2.3 | <p>113. <u>Comment:</u></p> <p>No allocation process for chemicals.</p> <p><u>Proposed to delete</u></p> | MWSS-RO TWG includes this provision for the understanding of the process of the use of chemicals. A significant aspect of such process is the costing method, either FIFO, LIFO, weighted average, etc. This shall also ensure that the withdrawals of chemicals not for the use in the Specified Zone shall be captured by the system and reported appropriately. | No change in the CAAGs. | | |
| 5.3.2.4 | <p>114. <u>Comment:</u></p> <p>To make it the requested information more specific, and to include only that information available to the Concessionaires.</p> <p><u>Proposed revision:</u></p> <p><i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall also provide schedule with the following information:</i></p> <p><i>a. Chemical type</i></p> <p><i>b. Facilities / Catchment</i></p> | MWSS-RO TWG sees that the details prescribed and proposed is not that different. The type of service is obvious based on the facilities using the chemicals. Based on the foregoing MWSS-RO TWG retains the original provision. | No change in the CAAGs | | |

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| | <p>d. <i>Total annual volume</i></p> <p>e. <i>Total annual cost</i></p> | | | | |
| 5.3.4.1(1) | <p>115. <u>Comment:</u> Reclassification as chemicals is not possible given the structure of the contract fee. "if applicable" if the contract stated such provision.</p> | This provision contemplates the Response to comment No. 114. If the Concessionaires say that there is no transaction of this sort, MWSS-RO TWG sees no reason for the Concessionaire to argue against this specific provision in the CAAGs. | No change in the CAAGs. | | |
| 5.4.1.1 | <p>116. <u>Comment</u> <u>Proposed revision:</u> <i>Refers to expenses for materials, supplies, equipment and parts used by the Concessionaires in their administrative and office support activities. These include, but not limited to, expenses for office supplies, computer parts and supplies.</i></p> | The proposed revision is essentially saying the same thing. | Adopted the proposed revision in the CAAGs. | | |
| 5.4.2.1 | <p>117. <u>Comment:</u> To make it the requested information more specific, and to include only that information available to the Concessionaires. <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall provide a schedule indicating the following:</i></p> <p>a. <i>Major Categories of Material and Supplies;</i></p> <p>i. <i>Office Supplies</i></p> <p>ii. <i>Computer parts and supplies</i></p> <p>iii. <i>Electrical supplies and accessories</i></p> <p>iv. <i>Others</i></p> <p>b. <i>Total annual cost per category</i></p> | The Concessionaires omitted the Transactional Schedule. This is the movement of the Trial Balance account for the year. MWSS-RO TWG believes that this is readily available from their accounting system. | Retained the transactional schedule requirement, however, adopted the categories of Materials and Supplies as proposed in the CAAGs. | | |
| 5.5.1.1 | <p>118. <u>Comment</u> <u>Proposed revision:</u></p> | The proposed revision is essentially saying the same thing. | No change in the CAAGs | | |

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| | <i>Refers to expenditures for the repairs and maintenance of plants, facilities, transportation equipment, and other office and technical equipment.</i> | | | | |
| 5.5.2.1 | 119. <u>Comment:</u> For discussion with the RO to clarify the methodology for the audit of Repairs and Maintenance | Please see Aide-Memoire on the Relationship of Financial Audit and Technical Audit of CAPEX on page 126. | No change in the CAAGs. | | |
| 5.5.2.5. | 120. <u>Comment:</u> No allocation is done for Repairs and Maintenance <u>Proposed revision:</u> <i>The MWSS-RO shall examine billing statements, contracts and/or official receipts, and shall determine the nature of service rendered.</i> | Allocation of repairs and maintenance shall follow the asset subjected to such activities. When the use of the repaired is subject to allocation, the repair shall follow the allocation pertaining to the Specified Zone. Examples for these are repairs of assets utilized by general management personnel. The proposed revision is essentially speaking the same thing. | No change in the CAAGs. | | |
| 5.5.2.6 | 121. <u>Comment:</u> To make it the requested information more specific, and to include only that information available to the Concessionaires. This explanation applies to all revisions of schedules. <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall also submit a schedule that provides the total costs for each category for Repair and Maintenance</i> | MWSS RO TWG believes that the facilities should keep records of the repair activities performed. Thus the information required in the CAAGs provision is available. For general and administrative repairs, this could be supported by Transactional Schedules that are readily available in the Concessionaires' accounting systems. | No change in the CAAGs. | | |

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| 5.5.3.2(1) | <p>122. <u>Comment:</u> Concessionaire should be allowed to justify recoverability of expenses for recurring repairs.</p> <p><u>Proposed revision:</u> 2. Repairs and Maintenance shall exclude the following:</p> <p>a. Recurring repairs and maintenance of equipment that are considered as beyond economic repair as evidenced by frequent breakdowns, and non-use after repair, unless the repair and maintenance is justified.</p> | Noted | Adopted the concessionaires' proposed revision with appropriate justification. | | |
| 5.5.3.2(1) | <p>123. <u>Comment</u> <u>Proposed revision:</u> b. Repairs conducted outside the Concessionaire's Specified Zone should be recoverable, it is the use of equipment outside the Zone which should be excluded; and</p> | <p>Noted</p> <p>The MWSS-RO TWG viewed that the inclusion of said expenditure in the OCP shall be subject to appropriate justification.</p> | No change in the CAAGs | | |
| 5.5.3.2(3) | <p>124. <u>Comment</u> <u>Proposed revision:</u> c. Repairs of vehicles due to the fault of the Concessionaire and its assigns that are not covered by insurance</p> | <p>Noted</p> <p>The proposed provision is essentially saying the same thing.</p> | Adopted the concessionaires' proposed revision. | | |
| 5.6.1.1 | <p>125. <u>Comment</u> <u>Proposed revision:</u> Refer to costs incurred for outsourced services obtained for the provision of water and wastewater services, and performance of general and administrative functions. These services include, but are not limited to, meter-reading, bill-printing, customer services, fleet management, wastewater services and various administrative and technical functions.</p> | The proposed provision is essentially saying the same thing. | No change in the CAAGs | | |
| 5.6.4.1 | <p>126. <u>Comment:</u></p> | No. The schedules will differentiate Contracted Services attributable to | No change in the CAAGs. | | |

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| | For clarification with the RO. This is limited only to the services contracted to perform general and administrative functions. | CPF, water, wastewater and general and administrative functions. | | | |
| 5.6.2.4 | <p>127. <u>Comment</u> <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall provide the following during audit:</i></p> <ol style="list-style-type: none"> 1. <i>Schedule of Contracted Services indicating the following:</i> <ol style="list-style-type: none"> a. <i>Nature of Service Provided</i> b. <i>Provider</i> c. <i>Total annual cost</i> 2. <i>Relevant Agreements</i> | The main difference between the proposed provision and revision is that the nature of services is enumerated in the former. If the Concessionaires intend to indicate the specifics of this information, then both are essentially requiring the same information. | No change in the CAAGs. | | |
| 5.6.2.4(4) | <p>128. <u>Comment:</u> These can be obtained from the contracts.</p> | Yes, the contracts will provide that information but the same should be reported in a form of a schedule. The remark on comment No. 129 applies to this, as well. | No change in the CAAGs. | | |
| 5.6.2.4(5) | <p>129. <u>Comment:</u> Contracts to be provided only state the aggregate value of the services and not the unit cost of chemicals</p> | The unit cost of chemicals is only an example. If it is not available, in the contracts, it shall not be required. | No change in the CAAGs. | | |
| 5.6.4.1(1) | <p>130. <u>Comment</u> <u>Proposed revision:</u> 1. <i>Payments for outsourced manpower services whose fees are based on the number of personnel deployed to the Concessionaires shall be reclassified under Salaries, Wages and Benefits.</i></p> | The proposed provision and revision are essentially saying the same thing. | No change in the CAAGs. | | |
| 5.6.4.1(2) | <p>131. <u>Comment:</u> Nothing to reclassify For clarification. Treatment costs only refer to the chemicals. <u>Proposed to delete</u></p> | The reclassification of treatment cost is dependent on the terms of the contract. If the contract does not specify treatment costs, no reclassifications shall be made. MWSS RO TWG proposed to retain the original provision in order that users | No change in the CAAGs. | | |

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| | | of the CAAGs will be aware to look for items for reclassifications. | | | |
| 5.7.2.4 | <p>132. <u>Comment</u> <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall provide the following:</i></p> <ol style="list-style-type: none"> 1. Total annual number of new connections and 2. Total annual cost of installation | This requirement could be incorporated into Schedule of connection fees. | Adopted the proposed revision in the CAAGs. | We concur with the subsequent request of MWSS RO to separate the annual number of connections relating to OPEX and CAPEX to identify unit cost for revenue valuation and future cost estimation. | |
| 5.8.2.2 | <p>133. <u>Comment</u> <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaire shall provide the following during audit:</i></p> <ol style="list-style-type: none"> a. Schedule of Occupancy Cost indicating the total annual amount of cost per classification (i.e. rent, janitorial expense and security expense. b. Relevant Agreements | The proposed CAAGs provisions contain information requirements that are indicated in the contracts. MWSS-RO TWG sees no reason for the revision. | No change in the CAAGs. | | |
| 5.8.3.2(1) | <p>134. <u>Comment:</u> In what instances does the RO anticipate this from happening? <u>Proposed to delete</u></p> | The Concessionaires belong to a large group of companies and some of their officers perform concurrent functions in some of their affiliates. This provision is to ensure that expenses paid in behalf of other entities are not taken up as Concessionaires' expenses. | No change in the CAAGs. | | |
| 5.8.3.2(2) | <p>135. <u>Comment:</u> These expenses do not form part of occupancy costs. <u>Proposed to delete</u></p> | If the Concessionaires are certain that no such transaction exist, then there is no reason they would disagree on the provision. | No change in the CAAGs. | | |
| 5.9.2.3 | <p>136. <u>Comment:</u> <u>Proposed revision:</u></p> | The proposed provision and revision are essentially saying the same thing. | No change in the CAAGs. | | |

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| | <p><i>The MWSS-RO shall examine billing statements, contracts and/or official receipts, and shall determine the nature of service rendered.</i></p> <p><i>The MWSS-RO shall also review relevant agreements to determine the reasonableness of the rates.</i></p> | | | | |
| 5.9.2.4 | <p>137. <u>Comment:</u> This information is available from the signed agreements.</p> <p><u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaire shall provide the following during audit:</i></p> <p><i>a. List of collecting agents; and</i></p> <p><i>b. Signed agreements / contracts with the collecting agents.</i></p> | <p>If the information is available, MWSS-RO TWG sees no reason why the same could not be summarized in the schedule.</p> | No change in the CAAGs. | | |
| 5.10.1.1 | <p>138. <u>Comment:</u> We expanded the list</p> <p><u>Proposed revision:</u> <i>Taxes and licenses refer to taxes, licenses, levies, fees and charges, other than income tax, paid to the Bureau of Internal Revenue, Bureau of Customs, local government units, and other government agencies. These include, but are not limited to the following:</i></p> <ol style="list-style-type: none"> <i>1. Excavation permit</i> <i>2. Documentary stamps</i> <i>3. BIR registration</i> <i>4. Vehicle registration</i> <i>5. Discharge permit fee</i> <i>6. Real property tax</i> <i>7. Donor's tax</i> <i>8. Mayor's/business permit/local business tax</i> <i>9. Other fees imposed by government agencies</i> <i>10. Local business tax</i> <i>11. Water abstraction fees</i> <i>12. Capital gains tax</i> | <p>MWSS - RO TWG considers that Listing Fees and Donors Tax are excluded because this is not related to the provision of services.</p> <p>Vehicle registration shall refer to vehicles related to the provision of water and wastewater services and company operation.</p> | <p>Adopted the Concessionaires' proposed revision except for the Listing Fees and Donors tax.</p> | <p>We suggest to allow expenses incurred in relation to the Concessionaires' listing at the local stock exchange, such as but not limited to listing fees, annual stockholder's meeting and advertisement expenses related to said meeting but subjected to ring fencing. Setting a limit in the amount that can be recovered can also be considered.</p> | |

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| | <p>13. <i>Listing fees</i> 14. <i>Customs duties</i> 15. <i>Other taxes, fees, charges and license imposed by the government.</i></p> <p><i>Withholding tax paid for goods and services shall be part of the cost of such goods and services.</i></p> | | | | |
| 5.10.2.1 | <p>139. <u>Comment</u> <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall provide also a Schedule of Taxes, Licenses and Fees indicating the following during audit:</i> <i>a. Nature of tax/license and fees</i> <i>b. Total annual amount</i></p> | <p>For Transactional Schedule, MWSS-RO TWG sees no reason for the Concessionaires to disagree with providing this because this is readily available in their accounting system.</p> <p>For the Schedule details, the requested details are available at the face of the tax or permit forms.</p> | No change in the CAAGs. | | |
| 5.5.3.2 5.8.3.2 5.10.3.2 5.11.3.2 5.12.3.2 5.13.3.2 5.14.3.2 5.15.3.2 5.22.3.2 5.25.3.2 5.26.3.2 | <p>140. <u>Comment</u> <u>Proposed revision:</u> 2. <i>The following (name of expenditure) are non-recoverable:</i></p> | MWSS-RO TWG would rather use the term excluded. | No change in the CAAGs. | | |
| 5.10.3.2(1) | <p>141. <u>Comment</u> <u>Proposed revision:</u> <i>a. Penalties and surcharges unless justified</i></p> | No justification prescribed in the provision of the CA. Penalties and surcharges connote acts or omissions that violate rules. | No change in the CAAGs. | | |
| 5.10.3.2(2) | <p>142. <u>Comment</u> <u>Proposed revision:</u> <i>b. Mortgage and chattel mortgage fees</i></p> | Adopted | Adopted the proposed revision in the CAAGs. | | |
| 5.10.3.2(3) | <p>143. <u>Comment</u> The CA encouraged the Concessionaires to be a publicly listed company, thus this should be allowed.</p> | Being publicly listed has its own benefits. Those benefits should shoulder the cost. | No change in the CAAGs. | We suggest to allow expenses incurred in relation to the Concessionaires' listing at the local stock exchange, such as but not limited to listing fees, annual | |

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| | <u>Proposed to delete</u> | The provision in the CA is a condition that will have an impact on the requirements for ESOP shares. | | stockholder's meeting and advertisement expenses related to said meeting but subjected to ring fencing. Setting a limit in the amount that can be recovered can also be considered. | |
| 5.10.4.1(2) | | Additional: Vehicle registration assigned to executives for personal use shall be reclassified as Salaries, Wages and Benefits. | Revised the CAAGs. | | |
| 5.11.1.1 | 144. <u>Comment</u> <u>Proposed revision:</u> <i>Insurance refers to payments made by the Concessionaires for the management of risks. This includes, but shall not be limited to the following:</i> <i>1. Property insurance (e.g. to cover sabotage, business interruption risks)</i> <i>2. Third party liabilities (public and product liabilities)</i> <i>3. Directors' and officers' liabilities insurance</i> <i>4. Fleet/vehicle insurance</i> <i>5. Contractors' all risk insurance</i> <i>6. Equipment floater insurance; and</i> <i>7. Insurance Brokers Fee</i> | This is essentially saying the same thing as the originally proposed provision. | No change in the CAAGs | | |
| 5.11.2.1 | 145. <u>Comment</u> <u>Proposed revision:</u> <i>The MWSS-RO shall examine billing statements, contracts and/or official receipts, and shall determine the covered risks.</i> | This is essentially saying the same thing as the originally proposed provision. | No change in the CAAGs | | |
| 5.11.2.2 | 146. <u>Comment</u> <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall provide the following:</i> | The Concessionaires disagree with the preparation of the Schedule, the details of which are readily available to those familiar with the policies. | No change in the CAAGs | | |

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| | <p>a. List of insurance policies;</p> <p>b. Copies of Insurance policies;</p> <p>c. Total annual cost of insurance per category; and</p> <p>d. Copies of company policies, if available, relative to the use of insured covered service vehicle.</p> | | | | |
| | <p>147. <u>Comment</u></p> <p><u>Proposed revision:</u></p> <p>3. Insurance shall exclude the following:</p> | The proposed revision is essentially speaking the same thing. | No change in the CAAGs. | | |
| 5.11.3.2(1) | <p>148. <u>Comment:</u></p> <p>This should not be excluded, only subject to reclassification.</p> <p><u>Proposed to delete</u></p> | The reclassification covers those car plans for executives. If the Concessionaires are saying that there are no vehicles insured that are not under their name or is under a car plan for executives, MWSS-RO TWG sees no reason for them to disagree with this provision. | No change in the CAAGs | We concur with the RO. For clarity, we also suggest to include as example of exclusions in the CAAGs items such as those that are not under the name of the Company nor under a car plan for executives. | |
| 5.11.3.2(2) | <p>149. <u>Comment:</u></p> <p>To specify the exclusion to participation fee</p> <p>Normally cost refers to participation fees</p> <p><u>Proposed revision:</u></p> <p>a. Participation fees for repairs of vehicles arising from accidents due to the fault of the Concessionaires' employees;</p> | This is a case of specific cost versus general term "Cost." | No change in the CAAGs | | |
| 5.11.4.1(1) | <p>150. <u>Comment:</u></p> <p>This is the same</p> <p><u>Proposed revision:</u></p> <p>the allocated portion of insurance premiums for cars assigned to executives and managers for their personal and business use and costs incurred due to vehicular accidents involving such cars where the accident was due to the fault of such manager or executive (initially classified under Insurance account) shall be reclassified to Salaries, Wages and Benefits.</p> | The proposed revision is essentially saying the same thing. | No change in the CAAGs | | |

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| 5.12.1.2 | <p>151. <u>Comment</u> <u>Proposed revision:</u></p> <p>1. <i>Transportation and travel expenses are incurred to attend the following:</i></p> <ul style="list-style-type: none"> a. <i>product/services evaluation and orientation,</i> b. <i>twinning arrangements,</i> c. <i>best practices sharing,</i> d. <i>business conferences; and</i> e. <i>industry awards and recognition</i> f. <i>other events analogous to the foregoing, but excluding trainings and seminars for employee development which are reported under Salaries and Wages account.</i> | The proposed revision is essentially saying the same thing except that industry awards and recognition are the results of initiatives or activities that intends to benefit customers or promote efficiency. The recognition benefits the company. | Adopted item f of the proposed revision in the CAAGs. | | |
| 5.12.1.3 | <p>152. <u>Comment</u> <u>Proposed revision:</u></p> <p>2. <i>Expenses related to these local and foreign travels include the following:</i></p> <ul style="list-style-type: none"> a. <i>Airfare, travel tax, terminal fees;</i> b. <i>Visa application and processing fees;</i> c. <i>Travel insurance;</i> d. <i>Lodging, per diem, clothing allowance;</i> e. <i>Transport fares;</i> f. <i>Parking and toll fees;</i> g. <i>Fuel for vehicles; and</i> h. <i>Other expenses not incurred for employee development seminars and trainings.</i> | This revision is essentially saying the same thing. | Adopted the Concessionaires' proposed revision. | | |
| 5.12.2.2 | <p>153. <u>Comment</u> <u>Proposed revision:</u></p> <p><i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall also provide also the following:</i></p> | The additional details being requested by MWSS-RO TWG is available, but admittedly, it may not be compiled in such a manner. The requirements could be retained but the Concessionaires may be given time to comply. | The MWSS-RO includes the Transactional Schedule in the CAAGs. This is the movement of the Trial Balance account for the year. MWSS-RO believes that this is readily | | |

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| | <p><i>a. Schedule showing the total annual cost per category (i.e., local and foreign travel)</i></p> <p><i>b. Copies of company policy related to Transportation and Travel;</i></p> <p><i>c. Other documents evidencing purpose of travel</i></p> | | available from their accounting system. | | |
| 5.12.3.2(1) | <p>154. <u>Comment</u></p> <p><u>Proposed revision:</u></p> <p>2. Transportation and Travel shall exclude the following:</p> <p><i>a. Unjustified payment of fuel expenses and toll fees which are purchased outside the MWSS area.</i></p> | This revision is essentially saying the same thing. | No change in the CAAGs | | |
| 5.12.3.2(2) | <p>155. <u>Comment:</u></p> <p>Road shows are necessary activities for a publicly listed company.</p> <p><u>Proposed revision:</u></p> <p><i>b. Reimbursements related to road shows conducted by the Concessionaires in line with debt-issuance.</i></p> | <p>Being publicly listed has its own benefits. Those benefits should shoulder the cost.</p> <p>The provision in the CA is a condition that will have an impact on the requirements for ESOP shares.</p> | No change in the CAAGs | | |
| 5.12.3.2(3) | <p>156. <u>Comment</u></p> <p>No explanation provided</p> <p><u>Proposed to delete</u></p> | Noted | No change in the CAAGs | | |
| 5.12.3.2(4) | <p>157. <u>Comment:</u></p> <p>Please consider further revision. This will ultimately benefit the customers.</p> <p><u>Proposed revision:</u></p> <p><i>d. Transactions and travel expense incurred in the acceptance of industry awards, unless such awards are in recognition of new technologies by the Concessionaire, or continuous improvements in the Concessionaire's service levels and efficiency.</i></p> | Awards are the results of initiatives or activities that intends to benefit customers or promote efficiency. The recognition benefits the company. | No change in the CAAGs. | | |

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| 5.12.3.2(5) | 158. <u>Comment:</u> This is governed by the Concessionaire's policy on revolving fund. <u>Proposed to delete</u> | The provision discusses unsupported expenses. Unless, the Concessionaires will argue that unsupported expenses should be included. | No change in the CAAGs. | | |
| 5.14.4.1(a) | 159. <u>Comment:</u> To clarify the provision <u>Proposed revision:</u> <i>Payment of foreign/local travel expenses relative to trainings, conventions, and seminars intended for employees' development shall be reclassified as Salaries, Wages and Benefits.</i> | In case the travel expense is not related to personnel development, it shall be tested based on criteria for inclusion. | Adopted the proposed revision in the CAAGs. | | |
| 5.14.4.1(b) | 160. <u>Comment:</u> There is no need to reclassify as these are already reported under Salaries. <u>Proposed to delete</u> | This provision was based on RATA or equivalent, wherein the employees are required to submit receipts and the nature of those receipts govern where they are recorded. | No change in the CAAGs. | | |
| 5.13.2.1 | 161. <u>Comment</u> <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall provide copies of policies on reimbursement and liquidation of expenses and advances for business meetings and representation.</i> | The Concessionaires omitted the Transactional Schedule. This is the movement of the Trial Balance account for the year. MWSS-RO TWG believes that this is readily available from their accounting system. The MWSS-RO TWG believes that the major categories to be presented in the Schedule would primarily focus on "events" to which the Business Meeting and representation was incurred. | No change in the CAAGs. | | |

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| 5.13.3.2(1) | <p>162. <u>Comment</u> <u>Proposed revision:</u></p> <p>2. <i>Business Meetings and Representations shall exclude the following:</i></p> <p>a. <i>Unsupported business expenses and reimbursements (e.g. no official receipts or evidence of payment in the name of the Concessionaire);</i></p> | <p>The proposed revision omitted the approval and authorizations.</p> <p>Approvals and authorizations are reflected in reimbursement report / summary.</p> | Revised the proposed CAAGs to include signed attendance sheet. | | |
| 5.13.3.2(2) | <p>163. <u>Comment:</u> Consolidated in item (b).</p> <p><u>Proposed revision:</u></p> <p>b. <i>Appreciation meals, tokens, or gifts given to individuals, and other costs that are not necessary in the development, management, operation or conduct of the Concessionaire's business, or beneficial to its customers within its Specified Zone;</i></p> | This revision is essentially saying the same thing. | No change in the CAAGs. | | |
| 5.13.3.2(3) | <p>164. <u>Comment</u> <u>Proposed revision:</u></p> <p>c. <i>Cash advances with no specific stated purpose;</i></p> | Noted | Adopted the proposed revision in the CAAGs | | |
| 5.13.3.2(4) | <p>165. <u>Comment:</u> This is not for exclusion, but only subject to reclassification.</p> <p><u>Proposed to delete</u></p> | <p>These costs are not paid to employees.</p> <p>MWSS-RO TWG is of the position that such activities are not Salaries as their payment is not based on the regular performance of duties of employees. These costs are based on activities or events. For these activities the Regulatory Account conforms with the PFRS.</p> | No change in the CAAGs. | | |
| 5.13.3.2(5) | <p>166. <u>Comment</u> <u>Proposed revision:</u></p> <p>d. <i>Recognition events held for employees, or awards given to its employees, that are not related in the delivery of water and wastewater services;</i></p> | This revision is essentially saying the same thing. | No change in the CAAGs. | | |

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| 5.13.3.2(6) | 167. <u>Comment:</u> Consolidated in item (b). <u>Proposed to delete</u> | Item (b) pertains to tokens or gifts. Item (f) pertains to events. | No change in the CAAGs. | | |
| 5.13.4.1(1) | 168. <u>Comment</u> <u>Proposed revision:</u> 1. <i>Payments and reimbursements related to employee's compensation package (e.g. Business Expense Limit, Representation and Transportation Allowance) and other allowances, subject to liquidation, granted to Concessionaires' employees, shall be reclassified under Salaries, Wages and Benefits.</i> | This revision is essentially saying the same thing. | Adopted the proposed revision in the CAAGs. | | |
| 5.14.1.1 | 169. <u>Comment</u> <u>Proposed revision:</u> <i>Refer to amounts disbursed for placements and public notices in radio and television stations, yellow pages, and newspapers or magazines of general circulations, television appearances and media relations pertaining to water interruption, water rates, water quality monitoring, tariff advisories, invitations to prequalify/bid, company billboards and signage, tree plantings, other information and advocacy campaigns (e.g. Lakbayan, Daloy Dunong, Toka-toka), issuance and publication of annual reports, sustainability reports and Concessionaires' newsletter, promotional materials and sponsorships to LGUs, civic and religious organizations, government agencies, non-government organizations and other institutions.</i> | Noted The MWSS-RO TWG believes that activities that are outside the specified zone, those that do not relate to the provision of water and wastewater and those that build and enhance corporate image should be excluded. | Adopted some of the proposed revisions, however maintains that named expenditure will be subjected to the parameters set and be consistent with the exclusions identified in the CAAGs. | | |
| 5.14.2.1 | 170. <u>Comment</u> <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall provide also the following:</i> | The Concessionaires omitted the Transactional Schedule. This is the movement of the Trial Balance account for the year. MWSS-RO TWG believes that this is readily available from their accounting system. | No change in the CAAGs. | | |

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| | <p>a. <i>Relevant contracts</i></p> <p>b. <i>Total annual cost</i></p> | MWSS-RO needs to determine the content of information or publicity activities. This will govern the evaluation on inclusion of transactions. | | | |
| 5.14.3.2(1) | <p>171. <u>Comment:</u> The criteria "reasonable under the circumstances" should be sufficient test applicable to these types of expenses. These expenses should not be automatically disallowed.</p> <p><u>Proposed revision:</u> <i>Information and Publicity shall exclude the following:</i></p> <p>a. <i>Television appearances, media relations-related expenditures, and sponsorship to build and enhance corporate image;</i></p> | MWSS RO TWG believes that activities that build and enhance corporate image should be excluded. It is not related to the delivery of service. The values derived from such are more towards the company (in terms of awareness and goodwill) and the financial instruments the company. | Adopted the proposed revision in the CAAGs. | | |
| 5.14.3.2(2) | <p>172. <u>Comment:</u> We expanded the allowed expense based on the definition of Information and Publicity.</p> <p><u>Proposed revision:</u></p> <p>b. <i>Media advertisements which do not pertain to:</i></p> <ol style="list-style-type: none"> 1. <i>water interruption,</i> 2. <i>water rates,</i> 3. <i>water quality monitoring,</i> 4. <i>tariff advisories,</i> 5. <i>invitations to prequalify/bid,</i> 6. <i>company billboards and signage,</i> 7. <i>tree plantings,</i> 8. <i>other information and advocacy campaigns (e.g. Lakbayan, Daloy Dunong, Toka-toka),</i> 9. <i>issuance of annual reports, sustainability reports and Concessionaires' newsletter,</i> 10. <i>promotional materials and sponsorship to LGUs, civic and religious organizations, government agencies,</i> | <p>Noted.</p> <p>The MWSS-RO TWG believes that activities that is outside the specified zone, those that do not relate to the provision of water and wastewater and those that build and enhance corporate image should be excluded,</p> | <p>Adopted some of the proposed revisions, however maintains that named expenditure will be subjected to the parameters set and be consistent with the exclusions identified in the CAAGs.</p> <p><i>*The RO approved recovery of company billboards and tree planting activities.</i></p> | We further suggest that other information and advocacy campaigns (e.g. Lakayan, Daloy Dunong, Toka-toka); and issuance of annual reports and annual stockholders meeting are to be allowed for recovery in the OCP but subjected to ring fencing. | |

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| | <i>non-government organizations and other institutions.</i> | | | | |
| | <p>173. <u>Comment:</u> This is the same as item a. “Corporate brand/public image where expenditures included various expenses and giveaways to media personnel to build rapport and strong relationship” <u>Proposed to delete</u></p> | This was remove in the proposed CAAGs | Adopted the proposed revision in the CAAGs. | | |
| 5.14.3.2(3) | <p>174. <u>Comment:</u> Intended for clarification <u>Proposed revision:</u> <i>c. Donations and sponsorships to certain groups, such as professional or educational sponsorships, which are not necessary in the development, management, operation or conduct of the Concessionaire's business, or beneficial to its customers within its Specified Zone;</i></p> | These would cover the sponsorships paid to events of professional / educational groups, such as PICE conventions and the like. | Adopted the proposed revision in the CAAGs. | | |
| 5.14.4.1(2) | <p>175. <u>Comment</u> This is only for reclassification to Salaries, and should not be disallowed.</p> | Noted | Transferred the provision to Reclassification section. | | |
| 5.14.3.2(4) | <p>176. <u>Comment:</u> Gift items which are necessary for the development, management, operation or conduct of the Concessionaire's business, or beneficial to its customers within its Specified Zone should not be disallowed. <u>Proposed revision:</u> <i>d. Gift items, corporate giveaways and tokens distributed to individuals which are not necessary in the development, management, operation or conduct of the Concessionaire's business, or beneficial to its customers within its Specified Zone.</i></p> | MWSS RO TWG cannot foresee any GIFT as related to operation or beneficial to customers. | No change in the CAAGs. | | |

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| 5.14.3.2(5) | 177. <u>Comment:</u> Same comment on listing fees and roadshows above. | Being publicly listed has its own benefits. Those benefits should shoulder the cost. The provision in the CA is a condition that will have an impact on the requirements for ESOP shares. | No change in the CAAGs | | |
| 5.14.3.2(6) | 178. <u>Comment:</u> This mostly pertains to the Specified Zone. It is inefficient and insignificant in terms of amount if the Concessionaires will allocate the cost outside Specified Zone. <u>Proposed revision:</u> <i>e. Cost of publishing annual reports pertaining to activities outside of the concession.</i> | The proposed provision emphasizes on allocation of cost, which is useful for other users of the CAAGS, such as auditors. | No change in the CAAGs. | | |
| 5.14.3.2(7) | 179. <u>Comment:</u> This will ultimately benefit the customers. <u>Proposed revision:</u> <i>f. Costs incurred in the acceptance of industry awards, unless such awards are in recognition of new technologies by the Concessionaire, or improvements in the Concessionaire's service level and efficiency.</i> | Awards are the results of initiatives or activities that intends to benefit customers or promote efficiency. The recognition benefits the company. | No change in the CAAGs | | |
| 5.14.4.1(1) | 180. <u>Comment</u> <u>Proposed revision:</u> <i>Information dissemination activities about the Concessionaire's plans, programs, policies and developments, initially classified under Capital Expenditures, shall be reclassified as Information and Publicity;</i> | This revision is essentially saying the same thing. | No change in the CAAGs | | |
| 5.15.1.1 | 181. <u>Comment</u> <u>Proposed revision:</u> <i>Refer to postage costs, telecommunication costs, financial terminal fees, radio communications costs, and internet and intranet systems costs.</i> | The MWSS – RO TWG believes that payment of financial terminals is excluded. Financial Terminals are deemed to be useful in ADR determination for the development of Concessionaires' respective Business Plan. However, it is believed that the Concessionaires' can estimate its ADR | Adopted the proposed revision except for the financial terminal fees. | | |

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| | | but the MWSS-RO is bound by the estimate. | | | |
| 5.15.2.1 | <p>182. <u>Comment</u> <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall provide also the following during audit:</i></p> <p>a. <i>Subscription contracts.</i> b. <i>Schedule showing the total amount cost per category</i></p> | <p>The Concessionaires omitted the Transactional Schedule. This is the movement of the Trial Balance account for the year. MWSS-RO TWG believes that this is readily available from their accounting system.</p> <p>MWSS-RO TWG also believes that the details being required are available and easily reported.</p> | No change in the CAAGs | | |
| 5.15.3.2(1) | <p>183. <u>Comment:</u> This is only for reclassification to Salaries, not disallowance.</p> | This is deemed as excessive, which shall be excluded wherever it is classified. | | | |
| | <p>184. <u>Comment:</u> Postage charges incurred in relation to litigation proceedings cannot be disallowed as this is a prudent and necessary expense. Please clarify "administrative."</p> | Noted | Removed this specific condition for exclusion in the CAAGs. | | |
| 5.15.4.1(1) | <p>185. <u>Comment:</u> Okay to retain the provision.</p> | Noted | No change in the CAAGs | | |
| 5.16.2.1 | <p>186. <u>Comment</u> <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall provide a schedule with the following information:</i></p> <p>1. <i>Facility</i> 2. <i>Location</i> 3. <i>Total annual consumption of water; and</i> 4. <i>Total annual cost</i></p> | This revision is essentially saying the same thing. | Adopted the proposed revision in the CAAGs. | | |

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| 5.17.2.1 | 187. <u>Comment</u> <u>Proposed revision:</u> <i>Review of Regulatory Costs shall include the annual reconciliation of Concession Fee payments with the records of MWSS Corporate Office.</i> | This revision is essentially saying the same thing. | No change in the CAAGs. | | |
| 5.17.2.2 | 188. <u>Comment</u> <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaire shall provide a Regulatory Cost Schedule indicating the following:</i> <i>1. Date Paid</i> <i>2. Annual total cost per category (i.e. OPEX and CAPEX)</i> | It's acceptable not to require the Transactional Schedule as long as the total in the schedule of regulatory cost is equal to the balance of the Regulatory Account. | Adopted the proposed schedule details in the CAAGs. | | |
| 5.17.3.2 | 189. <u>Comment</u> <u>Proposed revision:</u> <i>2. Concession Fee payments pertaining to Regulatory Costs shall exclude amounts which could not be reconciled with the records of MWSS Corporate Office.</i> | This revision is essentially saying the same thing. | Adopted the proposed revision in the CAAGs. | | |
| 5.17.4.1(1) | 190. <u>Comment:</u> PFRS is not relevant. <u>Proposed to delete</u> | Noted | No change in the CAAGs | | |
| 5.17.4.1(2) | 191. <u>Comment</u> <u>Proposed revision:</u> <i>Payments to fund annual budget of MWSS and the MWSS-RO, initially classified as Concession Fee, shall be reclassified as Regulatory Cost.</i> | The proposed revision is essentially saying the same thing. Noted | Adopted the proposed revision in the CAAGs. | | |
| 5.18.2.3 | 192. <u>Comment</u> <u>Proposed revision:</u> <i>The Concessionaire shall provide documents / agreements and contracts entered into since the commencement date relative to</i> | The proposed revision is essentially saying the same thing. | No change in the CAAGs | | |

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| | <i>Systems Costs, including its amendments, if applicable.</i> | | | | |
| 5.19.1.1 | <p>193. <u>Comment</u> <u>Proposed revision:</u> <i>Refers to raw or treated water sourced outside the existing MWSS water sources, or cross border flows, for treatment and distribution to customers within the Specified Zones.</i></p> | This revision is essentially saying the same thing. | No change in the CAAGs | | |
| 5.19.2.3 | <p>194. <u>Comment</u> <u>Proposed revision:</u> <i>The Concessionaires shall provide:</i> <i>a. Schedule of Purchased Water indicating the following:</i> <i>i. Name of Supplier</i> <i>ii. Total annual Volume</i> <i>iii. Total annual cost</i> <i>b. The signed agreements / contracts related to the Purchased Water for the audit period.</i></p> | It's acceptable not to require the Transactional Schedule as long as the total in the schedule of purchased water is equal to the balance of the Regulatory Account. | No change in the CAAGs | | |
| 5.20.1.1 | <p>195. <u>Comment</u> <u>Proposed revision:</u> <i>Refer to funds contributed to the following:</i> <i>1. Government of the Philippines or any of its agencies or political subdivisions for public purposes;</i> <i>2. Accredited domestic corporation or association organized and operated for religious, medical, charitable, scientific, youth and sports development, cultural or educational purposes or for the rehabilitation of veterans;</i> <i>3. Social welfare institutions; and</i> <i>4. Non-government organizations.</i></p> | The Nature should define the recoverable Donation and contributions. The revision is the definition of regular donation. Regular donation is excluded. | No change in the CAAGs | | |
| 5.20.2.1 | <p>196. <u>Comment</u> <u>Proposed revision:</u></p> | The MWSS-RO TWG considers that it is necessary for the concessionaire to provide the purpose of the donations | No change in the CAAGs | | |

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| | <p><i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall provide the following:</i></p> <p><i>a. Schedule of Donations and Contributions indicating the following:</i></p> <p><i>i. Payee/Donee /Recipient /Beneficiary; and</i></p> <p><i>ii. Total annual donations and contributions</i></p> <p><i>b. Relevant contracts</i></p> | in assessing the recovery of said expenditures. | | | |
| 5.20.3.2 | <p>197. <u>Comment</u></p> <p><u>Proposed revision:</u></p> <p><i>Donations and contributions in excess of the amounts under the approved business plan, in current prices, with no appropriate justification are excluded.</i></p> | <p>Regular donations are not recoverable, regardless of amount included in the business plan.</p> <p>Donations defined under the CAAGs are recoverable, regardless whether no amount for donation is included in the business plan.</p> | No change in the CAAGs | | |
| 5.21.1.1 | <p>198. <u>Comment</u></p> <p><u>Proposed revision:</u></p> <p><i>Refer to fixtures, equipment, materials and supplies with useful life of not more than one year, and with acquisition costs within the prescribed limits under the Concessionaires' respective policies.</i></p> | Noted | Adopted the proposed revision in the CAAGs | | |
| 5.21.2 | <p>199. <u>Comment</u></p> <p><u>Proposed revision:</u></p> <p><i>The MWSS RO shall compare the actual amounts disbursed for Semi-Expendable items with the amounts, in current prices, under the approved business plan.</i></p> | This Regulatory Account shall be subject to detailed audit and not just comparing the business plan amounts. The revision limits the activity to this Regulatory Account. | No change in the CAAGs | | |
| 5.22.2 | <p>200. <u>Comment</u></p> <p><u>Proposed revision:</u></p> <p><i>The MWSS RO shall compare the actual amounts disbursed for Subscription and Periodicals with the amounts, in current prices, under the approved business plan.</i></p> | This Regulatory Account shall be subject to detailed audit and not just comparing the business plan amounts. The revision limits the activity to this Regulatory Account. | No change in the CAAGs | | |

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| 5.22.3.2(1) | <p>201. <u>Comment</u> <u>Proposed revision:</u></p> <p>2. <i>Subscription and Periodicals shall exclude the following:</i></p> <p><i>a. Payment for financial terminals that do not generate information relevant to the preparation of budgets and business plans for the provision of water and wastewater services in the Concessionaire's respective Specified Zones;</i></p> | <p>Noted</p> <p>The MWSS – RO TWG believes that payment of financial terminals is excluded. Financial Terminals are deemed to be useful in ADR determination for the development of Concessionaires' respective Business Plan.</p> <p>However, it is believed that the Concessionaires' can estimate its ADR but the MWSS-RO is bound by the estimate.</p> | Removed the condition on the exclusion relative to payment of financial terminals. | | |
| 5.22.3.2(2) | <p>202. <u>Comment</u> <u>Proposed revision:</u></p> <p><i>b. Subscriptions and Periodicals in excess of the amounts provided in the approved business plan, in current prices, with no appropriate justification.</i></p> | <p>This Regulatory Account shall be subject to detailed audit and not just comparing the business plan amounts. The revision limits the activity to this Regulatory Account.</p> | No change in the CAAGs | | |
| 5.23.1.1 | <p>203. <u>Comment</u> <u>Proposed revision:</u></p> <p><i>Refers to the premium paid for the performance bonds posted by the Concessionaire pursuant to Section 6.9 of the CAs.</i></p> | <p>This revision is essentially saying the same thing.</p> | No change in the CAAGs | | |
| 5.23.2.1 | <p>204. <u>Comment</u> <u>Proposed revision:</u></p> <p><i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall provide also the following:</i></p> <p><i>a. Schedule of Performance Bond indicating the following:</i></p> <p><i>i. Payment Dates; and</i></p> <p><i>ii. Annual amount of premium paid</i></p> <p><i>b. Copies of the performance bond certificates</i></p> | <p>It's acceptable not to require Transactional Schedule as long as the total in the schedule of performance bond is equal to the balance of the Regulatory Account.</p> | No change in the CAAGs | | |

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| 3.3 | <p>205. <u>Comment:</u> Let's delete this separate section for CPF. CPF expenses are included in OPEX and CAPEX accounts.</p> <p>CPF expenses are identified in the relevant project cost centers.</p> <p>The Concessionaire will provide appropriate schedule. The Concessionaire will provide appropriate schedule.</p> | Adopted. CPF is incorporated in the Schedules. | Deleted the section of CPF as provided in the initial draft CAAGs. However, classification of cash-flow shall include the CPF classification for purposes of determining the total expenditures relative to CPF. | If CPF expense account is deleted, transactions relative to this account should be reclassified to the related CAPEX and OPEX accounts. The impact on the guidelines of other accounts will have to be considered in the reclassification. | |
| 5.24.1.1 | <p>206. <u>Comment</u> <u>Proposed revision:</u> <i>Refer to rent of office machineries, vehicles and equipment used for the provision of water and wastewater services, and administrative and office support (e.g. rent of photocopying machines, digital imaging machine and leak detection equipment and vehicles).</i></p> | Noted | Adopted the proposed revision in the CAAGs. | | |
| 5.24.2.1 | <p>207. <u>Comment</u> <u>Proposed revision:</u> <i>The MWSS-RO shall examine billing statements, contracts and/or official receipts, and shall determine the nature of service rendered.</i></p> | The proposed provision omitted the emphasis on allocation of cost, which is useful for other users of the CAAGS, such as auditors. | No change in the CAAGs. | | |
| 5.24.2.2 | <p>208. <u>Comment</u> <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall provide the following:</i></p> <p><i>a. Schedule of Rental indicating total annual rent per category</i></p> <p><i>b. Relevant agreements</i></p> | <p>The Concessionaires omitted the Transactional Schedule. This is the movement of the Trial Balance account for the year. MWSS-RO TWG believes that this is readily available from their accounting system.</p> <p>MWSS-RO TWG also believes that the details being required are available</p> | No change in the CAAGs | | |
| 5.24.3.1 | <p>209. <u>Comment</u> No explanation provided <u>Proposed to delete</u></p> | The proposed provision refers the evaluation to the General Parameters. All OPEX refer to them. | No change in the CAAGs | | |

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| 5.24.3.2 | 210. <u>Comment</u> <u>Proposed addition:</u> 2. Rent in excess of the amounts provided in the approved business plan, in current prices, with no appropriate justification. | This Regulatory Account shall be subject to detailed audit and not just comparing the business plan amounts. The revision limits the activity to this Regulatory Account. | No change in the CAAGs | | |
| 5.25.1.1 | 211. <u>Comment</u> <u>Proposed revision:</u> Management and professional fees include (i) fees paid to consultants and professionals engaged by the Concessionaires to render legal, audit, technical, financial services, and (ii) board and committee remuneration. | Noted If the Concessionaire wins the legal case, the corresponding legal fees for said cases will be allowed for recovery. However, if the Concessionaire loses the legal case or settles with the opposing party, the legal fees and the settlement cost will be disallowed for recovery. | Adopted the proposed revision however, stress the state of services to be rendered. | We concur with the RO. Also, we suggest to include that legal fees for ongoing cases will be disallowed for recovery. However, should the Concessionaire subsequently win the legal case, the legal fees incurred for this legal case (including legal fees incurred in the previous period) will be allowed for recovery. | |
| 5.25.2.1 | 212. <u>Comment</u> <u>Proposed revision:</u> In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaires shall provide also the following during audit: a. Schedule of Management and Professional Fees indicating the following: i. Nature or background of services rendered ii. Provider/Consultant iii. Period covered of services rendered iv. Total annual cost b. Relevant agreements c. Schedule of Board and Committee Remuneration indicating the following for the reporting year: i. Total board remuneration/allowances ii. Number of Directors iii. Number of Meetings | The Concessionaires omitted the Transactional Schedule. This is the movement of the Trial Balance account for the year. MWSS-RO TWG believes that this is readily available from their accounting system. | No change in the CAAGs | | |
| 5.25.3.2(1) | 213. <u>Comment:</u> Please clarify "administrative in nature." <u>Proposed to delete:</u> | Examples of litigation proceedings that are essentially administrative in nature are unfair labor practice cases and SEC cases. | The clause was revised to be defined by examples. | | |
| 5.25.3.2(2) | 214. <u>Comment:</u> In what instances does the RO anticipate this from happening? | The instance is defined in the proposed provision. If the Concessionaires believe that this | No change in the CAAGs | | |

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| | <u>Proposed to delete</u> | situation does not exist, there is no reason for them to disagree with the provision for exclusion. | | | |
| 5.25.3.2(3) | 215. <u>Comment</u> <u>Proposed revision:</u> <i>a. Management fees which are not supported by contracts, and for services which can be obtained internally.</i> | The MWSS-RO TWG deemed it necessary to determine the purpose and scope of the services in hiring unique and complex expertise. | No change in the CAAGs | | |
| 5.25.3.2(4) | 216. <u>Comment:</u> Determination of industry or regulatory averages is subject to clarification and discussion with the RO. <u>Proposed revision:</u> <i>b. Excess of board and committee remuneration beyond industry averages or regulatory averages</i> | The independent auditor shall establish the industry averages. All audit findings are subject to discussions with Concessionaires. | No change in the CAAGs | | |
| 5.25.3.2(5) | 217. <u>Comment:</u> This is addressed in the Information and Publicity section. | MWSS RO TWG believes that activities that build and enhance corporate image should be excluded. It is not related to the delivery of service. The values derived from such are more towards the company (in terms of awareness and goodwill) and the financial instruments the company. | No change in the CAAGs | | |
| 5.25.3.2(6) | 218. <u>Comment:</u> Only penalties are excluded under the CA. <u>Proposed to delete</u> | The controlling circumstance in this case is the unfavorable decision against the Concessionaires. This connotes wrongdoing, which fails the efficient and prudence test. | No change in the CAAGs | | |
| 5.26.1.1 | 219. <u>Comment</u> <u>Proposed revision:</u> <i>Refers to other expenses that could not be classified under any of the existing expense accounts. This includes, but shall not be limited to, the following:</i> <i>1. Corporate membership dues;</i> | Noted The MWSS-RO TWG intent to address that water relief efforts shall be for the benefit of the customers within the specified zones. Membership dues relates to regular fees or charges paid to a professional organization. | Revised the CAAGs as follows: 1. Professional membership fees; 2. x x x 3. Relief efforts pertaining to water provision within the Specified Zone; | | |

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| | 2. <i>Water quality assurance fees;</i> 3. <i>Water relief efforts; and</i> 4. <i>Bank charges which are not related to financing.</i> | | 4. Bank charges which are not related to financing costs. | | |
| 5.26.2.1(1) | 220. <u>Comment</u> <u>Proposed revision:</u> 1. <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaire shall provide a schedule with a summary indicating the following:</i> a. <i>Major Categories of miscellaneous expenses incurred (i.e. corporate membership dues, water quality assurance fees, water relief efforts, banks charges, others); and</i> b. <i>Total annual cost per category</i> <u>Proposed to delete</u> "2. Foreign Currency Gains or Loss subjected to Recovery" Same treatment with FCDA." | Please see Aide Memoire - Foreign Currency Differential Adjustment in the Context for the Concession Accounting and Auditing Guidelines (CAAGs) on page 119. | No change in the CAAGs | | |
| 5.26.3.2(1) | 221. <u>Comment:</u> This should not be excluded, but only reclassified from Salaries. Open for inclusion in salaries. <u>Proposed to delete:</u> | These are not payments (or directly awarded) to employees for services rendered. Costs are based on events. Only payments to employees may be subjected to reclassification. MWSS RO TWG does not disagree with the holding of these events. It merely proposes that the Concessionaire shoulder the cost of such. | No change in the CAAGs. | | |
| 5.26.3.2(2) | 222. <u>Comment:</u> <u>Proposed revision:</u> a. <i>Costs with no supporting documents</i> | Noted This revision is essentially saying the same thing. | No change in the CAAGs | | |
| 5.26.3.2(3) | 223. <u>Comment:</u> This is covered by penalties and exclusion is subject to the CA. <u>Proposed to delete</u> | MWSS RO TWG agrees. It just want to be clear that for this Regulatory Account there may be these types of penalties. | No change in the CAAGs | | |

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| 5.26.3.2(4) | 224. <u>Comment:</u> This is for reclassification <i>Proposed to delete</i> | Regular donations are excluded. | No change in the CAAGs | | |
| 5.26.3.2(5) | | This is an additional specific exclusion, to address the recovery of water relief efforts. | Revised the CAAGs to include the additional specific exclusion. | | |
| 5.26.3.2(6) | 225. <u>Comment:</u> Ok for exclusion | Noted | No change in the CAAGs | | |
| 5.26.3.2(7) | 226. <u>Comment:</u> This is only for reclassification to Salaries. <i>Proposed to move to Reclassification section</i> | Club memberships for executives are deemed as excessive, regardless of the classification. | No change in the CAAGs. | | |
| 5.26.3.2(8) | 227. <u>Comment:</u> No explanation provided <i>Proposed to delete</i> | Same with insurance and repairs and maintenance. | No change in the CAAGs | | |
| 5.26.3.2(9) | 228. <u>Comment:</u> There must be a finding of bad faith or gross negligence on the part of the Concessionaire or its employees to merit disallowance. <i>Proposed revision:</i> <i>b. Payments to adverse parties pursuant to final judgments finding bad faith or gross negligence on the part of the Concessionaire or its employee (e.g. expenses incurred in accidents involving the Concessionaire or its employees where such accidents were due to the Concessionaire's or its employees' gross negligence).</i> | The bad faith or gross negligence shall be established by a competent court of justice or any government agency performing quasi-judicial functions. | Adopted in the CAAGs. | | |
| 5.26.4.1(1) | 229. <u>Comment:</u> Clarify intention of the reclassification | Only payments (or the benefit of such payment) to employees may be reclassified. MWSS-RO TWG is of the position that such activities are not Salaries as their payment is not based on the regular performance of duties of employees. | No change in the CAAGs. | | |

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| | | These costs are based on activities or events. For these activities the Regulatory Account conforms with the PFRS. | | | |
| 5.28.1.2 | | To provide the definition of CAPEX based on the CA provisions. | | | |
| 5.28.1.3 | 230. <u>Comment:</u> <u>No explanation provided</u> <u>Proposed to delete</u> | Noted This is to explain how the capital expenditures are classified under the statutory financial statement and to explain how the Service Concession Assets work in relation to CAPEX and Concession Fees for better understanding of the users of CAAGs. | No change in the CAAGs | | |
| 5.28 | 231. <u>Comment:</u> This section on PPE is for discussion with the RO to clarify that applicable methodology for the audit of PPE, and the scope of the technical and financial audit. The Concessionaires reserve its comments on PPE pending clarification with the RO] | Please see Aide Memoire Financial Audit in Relation to Technical Audit of CAPEX on page 126. | No change in the CAAGs. | | |
| 5.28.1.5 | 232. <u>Comment:</u> <u>Proposed revision:</u> <i>In accordance with IFRIC 12, Concessionaires' CAPEX reported in their respective financial statements are classified as follows:</i> | Noted | No change in the CAAGs | | |
| 5.28.1.6 | 233. <u>Comment:</u> <u>Proposed revision:</u> <i>a. Infrastructure Projects which refer to cost of construction of infrastructure, and upgrades/rehabilitation of existing infrastructure.</i> | Noted | No change in the CAAGs. | | |
| 5.28.1.12 | 234. <u>Comment:</u> For clarification with the RO <u>Proposed revision:</u> | Noted This is to explain how the Service Concession Assets work in relation to | No change in the CAAGs | | |

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| | <p><i>Subsequent costs and expenditures related to the concession agreements are recognized as additions to Service Concession Assets at fair value of obligations at drawdown date and Cost of rehabilitation works.</i></p> <p><i>The legal title to Service Concession Assets – Infrastructure Projects, and Plant, Property and Equipment, shall revert or be transferred to MWSS, as applicable, at the end of the concession period.</i></p> | CAPEX and Concession Fees for better understanding of the users of CAAGs. | | | |
| 5.28.1.15 | <p>235. <u>Comment:</u> <u>No explanation provided</u> <u>Proposed to delete</u></p> | Noted | No change in the CAAGs | | |
| 5.29.2.4 | <p>236. <u>Comment:</u> <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaire shall provide:</i></p> <p><i>For clarification:</i></p> <p>4. As used in the Schedule of Service Concession Assets pro forma under Section 7 of the CAAGs, the column of Concession Fee shall be stated at the present value.</p> | <p>Noted</p> <p>Stating the column of Concession Fees at present value is opted in order to account fully the statutory Service Concession Asset account for beginning balance to ending balance.</p> | No change in the CAAGs | | |
| 5.28.2.6(4) | <p>237. <u>Comment:</u> For Maynilad, this is accounted for as Advances to Customers, not PPE.</p> <p><u>Proposed revision:</u></p> <p>5. A Schedule relative to Subdivision Turnover indicating the following:</p> <ol style="list-style-type: none"> Name of Home Owners Association (HoA) Total cost of construction Total collections from HoA relative to payment of the construction; Total balance relative to Subdivision Turnover for the audit period. | <p>Noted</p> <p>The rationale of the Schedule relative to Subdivision Turnover is to ascertain that the expenditures relative to Subdivision Turnover are not taken up as CAPEX considering that they can be mingled with other CAPEX in the Construction in Progress (CIP) account.</p> | No change in the CAAGs. | | |

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| 5.28.3.2(2) | 238. <u>Comment:</u> No explanation provided <u>Proposed to delete</u> | No reason was stated on the proposal to delete. | No change in the CAAGs | | |
| 5.28.3.2(5) | 239. <u>Comment</u> Prospective application as agreed with technical team. <u>Proposed revision:</u> <i>d. Related projects disbursed that are not embodied in the latest approved Business Plan and lacks approval and consent of the MWSS-RO and MWSS Corporate Office and; (with prospective application)</i> | Agreed that this shall be discussed with the Technical Team. | Adopted the proposed revision in the CAAGs. | | |
| 5.28.3.2(6) | 240. <u>Comment:</u> <u>Proposed revision:</u> <i>f. Any variation in excess of 15% of the headline project's value under the Approved Business Plan, and incurred without the appropriate justification</i> | Agreed that this shall be discussed with the Technical Team. | Revised the CAAGs as follows: a. Unless approved by the MWSS-RO, any Headline and Key Investment Projects that exceeded the 15% cap of expenditures over the project cost shall be excluded. | | |
| 5.28.3.2(7) 5.28.3.3 | 241. <u>Comment:</u> <u>No explanation provided</u> <u>Proposed to delete</u> | Noted | No change in the CAAGs | | |
| 5.28.3.6 | 242. <u>Comment:</u> <u>Proposed revision:</u> <i>3. Transactions with related parties should be arm's length.</i> | Noted Under Article 1 of the CA, Cash Flows definition speaks of "... the best value available in the market ..." and not simply "arms-length" | No change in the CAAGs | | |
| 5.28.4.1(2) | 243. <u>Comment:</u> Clarify and ask for examples <u>Proposed revision:</u> <i>1. Costs relative to capitalized information and advocacy campaign that relates to inform and communicate with stakeholders (customer, government, etc.) about its plans, programs, policies and developments, whether day-to-day or</i> | This provision is based on previous audit findings that Information and publicity expenses are capitalized as part of the project. | No change in the CAAGs | | |

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| | <i>strategic are considered to be reclassified as Information and Publicity;</i> | | | | |
| 5.28.4.1(4) | <p>244. <u>Comment:</u> For clarification <u>Proposed revision:</u> 3. <i>Infrastructure projects under Service Concession Assets shall be reclassified as Capital Expenditure - Property, Plant and Equipment and depreciated using estimated useful life of the asset (Pre-IFRIC 12);</i></p> | This is to inform the users of the CAAGs on the process needed to be undertaken to arrive at the CAPEX. The process involves reclassification and changes in the depreciation. | Adopted the proposed revision in the CAAGs. | | |
| 5.28.4.1(5) | <p>245. <u>Comment:</u> Include in guidelines. Additional schedule <u>Proposed revision:</u> 4. <i>Construction in Progress account shall be reported based on the classification of CAPEX in the relevant Business Plan.</i></p> | <p>Noted Refer to Annex E of the Schedule Templates</p> | Revised the CAAGs to address the Classification code developed by the Technical Team. | | |
| 5.28.4.1(6) | <p>246. <u>Comment:</u> <u>Proposed revision:</u> 5. <i>Any expenditure that does not conform under the nature of Capital Expenditure – Property, Plant and Equipment shall be reclassified to its proper expenditure account.</i></p> | This revision is essentially saying the same thing. | No change in the CAAGs | | |
| 5.29.1.1 | <p>247. <u>Comment:</u> <u>Proposed revision:</u> <i>Refers to payments to service (i) MWSS Loans pursuant to Section 6.4 in relation to Schedule 8 of the CAs, and (ii) loans on existing and new MWSS projects for the Specified Zone.</i></p> | Noted | Adopted and revised the initial draft, however, indicated that the “MWSS is the primary obligor” | | |
| 5.29.2.3 | <p>248. <u>Comment:</u> This is covered by a separate section <u>Proposed revision:</u> <i>In addition to the schedules specified under Section 7 of the CAAGs, the Concessionaire shall provide:</i></p> | MWSS RO TWG believes that the details being required for the schedule of Concession Fee payments are readily available. | Revised the CAAGs to include a classification according to activity. | | |

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| | <p>a. <i>Schedule of Concession Fee payments indicating the following:</i></p> <p>i. <i>Loan reference;</i></p> <p>iii. <i>Date paid;</i></p> <p>iv. <i>MWSS official receipt numbers;</i></p> <p>v. <i>Amount Paid (i.e. Principal, Interest, Other Charges)</i></p> <p>vii. <i>Local component.</i></p> | | | | |
| 5.29.2.4 | <p>249. <u>Comment:</u></p> <p>When we include ConFee, the amount used is the amount actually disbursed.</p> <p>[Comment: This is for clarification with the RO.]</p> | Stating the column of Concession Fees at present value is opted in order to account fully the statutory Service Concession Asset account for beginning balance to ending balance. | No change in the CAAGs. | | |
| 5.29.2.6 | <p>250. <u>Comment:</u></p> <p>Please clarify the purpose of the reconciliation.</p> <p><u>Proposed revision:</u></p> <p><i>In the event that the Regulatory Account for Concession Fee Payments derived from the statutory account on do not reconcile with other regulatory reports such as Business Efficiency Measures (BEMs), the Concessionaire shall provide the reconciliation thereof.</i></p> | The reconciliation is to give assurance that the Regulatory Account balances are based on the audited financial statements. | No change in the CAAGs. | | |
| 5.29.3.1 | <p>251. <u>Comment:</u></p> <p><u>Proposed revision:</u></p> <p><i>Concession Fee payments shall exclude unreconciled amounts with the records of MWSS Corporate Office which amounts have no supporting documents.</i></p> | Noted | Adopted and revised the CAAGs, however, qualifies supporting document as adequate. | | |
| 5.29.4.1(1) | <p>252. <u>Comment:</u></p> <p><u>Comment:</u></p> <p>The amount should be consistent with the amount reported in the BEM.</p> <p><u>Proposed revision:</u></p> | Noted | Adopted and revised the CAAGs. | | |

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| | 1. <i>Concession Fees payments to fund the budget of MWSS and MWSS-RO shall be reclassified as Regulatory Cost; and</i> | | | | |
| 5.29.4.1(2) | 253. <u>Comment:</u> <u>Proposed revision:</u> 2. <i>Concession Fee payments shall be the actual amount paid by the Concessionaire to MWSS for debt service of MWSS Loans and local component costs of MWSS projects, regardless of the treatment of the transactions under PFRS.</i> | The proposed revision is essentially saying the same thing. | No change in the CAAGs | | |
| 6.1.1 | 254. <u>Comment:</u> <u>Proposed revision:</u> <i>Working capital refers to the difference in the amounts of the Concessionaire's relevant assets and liabilities accounts that are affected by Regulatory Accounts.</i> | Noted | No change in the CAAGs | | |
| 6.2.2 | 255. <u>Comment:</u> Please see attached additional annex. <u>Proposed revision:</u> <i>The Concessionaires shall submit a schedule to reconcile statutory accounts, net of adjustments, with their working capital balances. [comment: Please see attached additional annex.]</i> | The schedule provided can accommodate the details, the Concessionaires is proposing in the attached additional annex. | No change in the CAAGs | We concur with MWSS RO that the detailed transaction listing of working capital accounts should be provided. A schedule of the balances per account with corresponding document reference should also be provided. Suggested template for audit of working capital is Section 4.3 | |
| 6.3.1(2) | 256. <u>Comment:</u> Should not be excluded. This was included in the working capital computation as agreed with the RO in its evaluation of our rate rebasing model in 2013. Please refer to the attached word file "MWSI_gross up of allowance" for the methodology used in 2013. | Changes in working capital should have an income and expense account to adjust. Otherwise, that working capital item should be excluded. | No change in the CAAGs. | | |
| 6.3.1(3;4) | 257. <u>Comment:</u> <u>Proposed revision:</u> 2. <i>Receivables from subsidiaries and affiliates</i> | Noted | Adopted the proposed revision in the CAAGs | | |

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| | 3. <i>Receivables from Employees;</i> | | | | |
| 6.3.1(5) | <p>258. <u>Comment:</u> Should not be excluded. This was included in the working capital computation as agreed with the RO in its evaluation of our rate rebasing model in 2013. Please refer to the attached word file "MWSI_gross up of allowance" for the methodology used in 2013.</p> <p>For MWCI, after assessing the impact of written off accounts, it is appropriate to include allowance for bad debt so that written-off accounts would not be treated as collection.</p> | Changes in working capital should have an income and expense account to adjust. Otherwise, that working capital item should be excluded. | No change in the CAAGs. | | |
| 6.3.1(6) | <p>259. <u>Comment:</u> <u>Proposed revision:</u> 5. <i>Other assets with corresponding revenue accounts that are not related to the provision of water and wastewater services within the Specified Zone.</i></p> | Noted | Adopted the proposed revision in the CAAGs. | | |
| 6.3.2(6;7) | <p>260. <u>Comment:</u> No prepayments for these items <u>Proposed revision:</u> <i>This should be included in the CAPEX.</i></p> <p>5. <i>Advances to Contractors; (proposed to be deleted)</i></p> <p>6. <i>Advances to subsidiaries and affiliates</i></p> <p>7. <i>Service concession assets and liabilities relating to payments of Regulatory Cost and Concession Fees;</i></p> | <p>Noted Yes, Advance to Contractors is included in the CAPEX.</p> <p>If the Concessionaires believe that this situation does not exist, there is no reason for them to disagree with the provision for exclusion.</p> | Advance to contractor were removed | | |
| 6.3.2(8) | <p>261. <u>Comment:</u> <u>Proposed revision:</u> 8. <i>Other liabilities with corresponding expenditure accounts that are not related to</i></p> | <p>Noted To include other assets not related to the attainment of Service Obligations within the Specified Zone.</p> | No change in the CAAGs | | |

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| | <i>the provision of water and wastewater Services within the Specified Zone.</i> | | | | |
| 6.3.3 | 262. <u>Comment:</u> <u>No explanation provided</u> <u>Proposed to delete</u> | Noted | No change in the CAAGs | | |
| 7.1.2 | 263. <u>Comment:</u> We request clarification on the inclusion of this provision. This CA provision appears to apply to the Concessionaire's compliance with service obligations which are subject to "monitoring" by the RO. <u>Proposed revision:</u> 2. <i>The Concessionaire shall have a general duty to provide to the Regulatory Office all information that the latter may reasonably require to enable the office to monitor the Concessionaires' performance in relation to their obligations under this Agreement. (Article 13.1)</i> | Noted: Financial information was made as a sub-section of Article 13.1 of the CA. The MWSS-RO TWG quoted the exact wordings under the CA. | No change in the CAAGs | | |
| 7.1.3 | 264. <u>Comment:</u> <u>Comment:</u> Update annexes to include schedule 7 of the CA <u>Proposed revision:</u> 3. <i>The Concessionaire shall provide to the Regulatory Office not later than 60 days following the end of each calendar year a report of the financial performance of the Concession. Such report shall include (i) an analysis of revenue by source and revenue from other sources (ii) an analysis of operating costs which distinguishes between water supply, sewerage and other services, (iii) an analysis of capital expenditures and investments which distinguishes between water supply, sewerage and other services, and (iv) the other information in Annex (*). Article 13.1.2</i> | The requirement basically includes the classification of receipts and expenditures according to activities which are embodied in the Schedule Templates in Section 3 of the CAAGs Report. The MWSS-RO TWG quoted the exact wordings under the CA. | No change in the CAAGs | | |

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| 7.1.4 | <p>265. <u>Comment:</u> <u>Proposed revision:</u></p> <p>4. The Concessionaire's books and records shall be audited at least once a year by an independent auditor appointed by or acceptable to, the Regulatory Office, pursuant to internationally accepted accounting practices. In addition, the Regulatory Office may, upon giving not less than 15 days' prior written notice to the Concessionaire, require that the Concessionaire's books and records relating to the Concession be audited on an interim basis by the Regulatory Office or by an outside auditor. The Concessionaire shall cooperate fully with all such audits. (Article 13.2)</p> | <p>The proposed revision is essentially saying the same thing.</p> <p>The MWSS-RO TWG quoted the exact wordings under the CA.</p> | No change in the CAAGs | | |
| 7.2.1 | <p>266. <u>Comment:</u> <u>Proposed revision:</u></p> <p>The information to be provided by the Concessionaire to the MWSS RO to exercise its functions embodied in Exhibit A as follows:</p> | The proposed revision is essentially saying the same thing. | No change in the CAAGs | | |
| 7.2.2.1 | <p>267. <u>Comment:</u> <u>Proposed revision:</u></p> <p>1. Reconcile statutory financial statement and regulatory reports</p> | The proposed revision is essentially saying the same thing. | No change in the CAAGs | | |
| 7.2.2.2 | <p>268. <u>Comment:</u> <u>Proposed revision:</u></p> <p>2. Compare Expenditure and Receipts of the Concessionaire during the relevant regulatory period against forecasted expenditures and receipts embodied in the approval business plan; and</p> | The proposed revision is essentially saying the same thing. | No change in the CAAGs | | |
| 7.2.2.3 | <p>269. <u>Comment:</u> This is covered by item 2 or 1.2</p> | Noted | No change in the CAAGs | | |

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| 7.2.2.4 | 270. <u>Comment:</u> <u>Proposed revision:</u> 3. Conduct a financial audit to satisfy the objectives set in Section 1 of the CAAGs. | The proposed revision is essentially saying the same thing. | No change in the CAAGs | | |
| 7.2.3 | 271. <u>Comment:</u> KPI BEMs should be the monitoring tool of the RO. | Noted | | | |
| 7.3.2 | 272. <u>Comment:</u> Please clarify "other reports/schedules" Can we take this out as this is addressed already by reconciliation schedules? <u>Proposed revision:</u> 2. When required by other reports/schedules, the Concessionaire shall prepare explanatory notes which explain the basis of the information recorded in the regulatory accounting schedules. | Noted | Revised the CAAGs to address any explanatory note relevant to the information embodied in the regulatory accounting schedules. | | |
| 7.3.4 | 273. <u>Comment:</u> <u>Proposed revision:</u> 4. Concessionaires shall provide copies of supporting documents as identified in each Regulatory Account of the CAAGs. | The proposed revision is essentially saying the same thing. | No change in the CAAGs | | |
| 7.4.1 | 274. <u>Comment:</u> This is governed by the rules under each specific account and the schedules. | Noted | Revised the CAAGs to add the following: 1. Statutory Trial Balance; 2. Computation of the Net Cash flow for the year using the Regulatory account balances; 3. Schedule of Plant, Property and Equipment; 4. Schedule of transactions with Affiliates. | | |
| 7.5.1 | 275. <u>Comment:</u> <u>No explanation provided</u> | Noted To distinguish the submission of the General schedules identified in Section | No change in the CAAGs | | |

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| | <u>Proposed to delete</u> | 7 from the additional Schedules required in the course of audit. | | | |
| 7.5.1.1 | <p>276. <u>Comment:</u> Effectivity of the schedules required in these guidelines shall be prospectively applied.</p> <p><u>Proposed revision:</u> 1. The Concessionaires shall submit to the MWSS-RO not later than June 30 of the following year in audit, the schedules under 2.a to 2.d.</p> | <p>Noted</p> <p>The MWSS-RO and/or its auditors may resort to other auditing process and procedures, but still apply the parameters contained in the proposed CAAGs.</p> | No change in the CAAGs | | |
| 7.5.1.2 | <p>277. <u>Comment:</u> <u>No explanation provided</u> <u>Proposed to delete</u></p> | The MWSS-RO TWG finds it necessary to reconcile other regulatory accounts with other Regulatory reports submitted. | No change in the CAAGs | | |
| 8.2.1 | <p>278. <u>Comment:</u> <u>Proposed revision:</u> The primary objective of the audit is to ensure that the respective OCPs of the Concessionaires are in accordance with the CAAGs and the relevant provisions of the CAs.</p> | <p>Noted</p> <p>To reflect the objective of the CAAGs as indicated in Section 1.</p> | No change in the CAAGs | | |
| 8.3.2 | <p>279. <u>Comment:</u> <u>Proposed Revision:</u> Unless otherwise, stated, the audit encompasses all receipts and expenditures reflected in the OCP submitted by the Concessionaires.</p> | <p>The proposed revision speaks of the same thing except for the omission of the word "Financial"</p> <p>The audit being address in the CAAGs primarily concerns financial audit</p> | No change in the CAAGs | | |
| 8.3.1 | <p>280. <u>Comment:</u> This is included in the scope of work of the auditors <u>Proposed to delete</u></p> | Noted | No change in the CAAGs | | |
| 8.3.3 | <p>281. <u>Comment:</u> This provision is already discussed in each regulatory account.</p> | Noted | No change in the CAAGs | | |

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| 8.3.4 | <p>282. <u>Comment:</u> Please see our comments above on PPE.</p> <p><u>Proposed revision:</u> <i>Expenditures for Capex subjected to technical audit shall only be audited for the completeness of supporting documents and as specified under the CAAGs.</i></p> | Please see Aide Memoire Financial Audit in Relation to Technical Audit of CAPEX on page 126. | No change in the CAAGs | | |
| 8.3.5 | <p>283. <u>Comment:</u> Please clarify need to audit for completeness of working capital.</p> | Working capital with incomplete data would result to incorrect net cash flow for a particular year. | No change in the CAAGs | | |
| 8.4.1.2 | <p>284. <u>Comment:</u> <u>Proposed revision:</u> <i>2. Conduct of financial audit process, including scoping and sample selections, inspection and examination of supporting documents and summarizing results;</i></p> | Noted | Adopted the proposed revision in the CAAGs. | | |
| 8.4.1.4 | <p>285. <u>Comment:</u> <u>Proposed revision:</u> <i>4. Conduct conferences with the Concessionaires to discuss the adjustments and/or further exclusions from the submitted Regulatory Account balances, and obtain the official response of the Concessionaires to each of the audit findings; and</i></p> | <p>Noted</p> <p>MWSS-RO TWG believes that exit conference is the minimum requirement, as viewed in the previous item which considers the possibility of preliminary discussion with the Concessionaire relative to audit findings.</p> <p>However, included also "inclusions" which refers to possible inclusion on Receipts.</p> | Revised the CAAGs to include the word "inclusion" that pertains to receipts. | | |
| 8.5.1 | <p>286. <u>Comment:</u> <u>Proposed revision:</u> <i>The parameters that shall be used in the inclusion or exclusion of Regulatory Account items are embodied in Section 4 and 5 of this Guideline. In applying these parameters, the auditor is required to exercise its independent judgement, considering its discussion with the Regulatory Office and the Concessionaires.</i></p> | <p>Noted</p> <p>The proposed revision is essentially saying the same thing.</p> | Adopted the proposed revision in the CAAGs. | | |

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| 8.5.2 | <p>287. <u>Comment:</u> <u>Proposed revision:</u> <i>The auditors may adopt new parameters as it deems necessary, in accordance with regulatory best practices, subject to initial discussions with the Concessionaires and disclosure of the same in the earliest progress report to the Regulatory Office.</i></p> | The proposed revision is essentially saying the same thing. | No change in the CAAGs | | |
| 8.5.3 | <p>288. <u>Comment:</u> <u>Comment:</u> The audit findings of the auditor should bind the RO. <u>Proposed to delete</u></p> | <p>Noted</p> <p>The MWSS-RO's commissioned auditors are by nature a consultant who just express its opinion and recommend. It is the MWSS-RO's mandate that decides whether to adopt the recommendations made by its commissioned auditors.</p> | No change in the CAAGs | | |
| 8.6.1 8.6.2 | <p>289. <u>Comment:</u> <u>Proposed revision:</u> <i>For a more effective and efficient audit, an audit methodology is adopted. The audit methodology involves the following phases:</i></p> <ul style="list-style-type: none"> A. Planning B. Execution C. Conclusion and Reporting <p>A. Planning <i>The auditor shall develop the overall audit plan to meet the objectives of the CAAGs as discussed herein.</i> <i>During the planning phase the auditor shall:</i> <u>Proposed to delete the following:</u> <i>"In planning the audit, the auditor shall consider its misstatement of the Regulatory Accounts through understanding of the Concessionaires and their environment."</i></p> | <p>Noted</p> <p>MWSS-RO TWG believes that during the planning the auditor shall also consider its assessment on the risks of material misstatement of the Regulatory account.</p> | Added some of the proposed revision in the CAAGs, however retained the proposed deletion in the CAAGs. | | |
| 8.6.3 | <p>290. <u>Comment:</u> <u>Comment:</u></p> | <p>Noted</p> <p>The materiality level shall be determined during the conduct of the</p> | No change in the CAAGs. | | |

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| | Materiality level is for discussion with the MWSS-RO. | audit by the commissioned auditors. The materiality level shall be documented by the auditor/s. | | | |
| 8.6.4(1) | 291. <u>Comment:</u> <u>Proposed revision:</u> 1. obtain an understanding of the business and its environment - its industry, regulations, taxation and relevant accounting standards. The auditors shall be able to understand the CAs, IFRIC 12, among others; | Noted | Adopted the proposed revision in the CAAGs. | | |
| 8.6.4(2) | 292. <u>Comment:</u> <u>Proposed revision:</u> 2. obtain an understanding of the IT environment; | Noted | Adopted the proposed revision in the CAAGs. | | |
| 8.6.4(3) | 293. <u>Comment:</u> <u>Proposed revision:</u> 3. obtain an understanding of the Concessionaires' policies and procedures; and | Noted | Adopted the proposed revision in the CAAGs. | | |
| | 294. <u>Comment:</u> <u>Proposed revision:</u> 4. determine and assess the skills and requirements necessary to conduct the audit as bases for establishing the audit team. | Noted The determination and assessment of skills and requirements is the responsibility of the auditors commissioned by MWSS-RO. This is part of the procurement process to be provided by the auditor. | No change in the CAAGs | | |
| | 295. <u>Comment:</u> <u>Proposed revision:</u> The auditor shall document the foregoing. <u>Planning Materiality</u> The audit team shall set a materiality level. [Comment: Materiality level is for discussion with the MWSS-RO.] | Noted | No change in the CAAGs | | |
| 8.6.5 | 296. <u>Comment:</u> <u>Proposed revision:</u> | Noted | No change in the CAAGs | | |

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| | <p>B. Execution</p> <p><u>Audit Procedures</u></p> <p><i>In performing the audit procedures, the auditor shall conduct the audit in accordance with standard auditing procedures.</i></p> <p><i>For this purpose, the auditors may conduct the audit through the following:</i></p> | | | | |
| 8.6.5.2 | <p>297. <u>Comment:</u></p> <p><u>Proposed revision:</u></p> <p>1. <i>Substantive testing of transactions include</i></p> <p><i>(i) vouching of transactions to supporting documents such as billing statements, official receipts, purchase orders and vouchers, among others, to test the existence, occurrence and values of the account balances;</i></p> <p><i>(ii) tracing of transactions from the supporting documents to the reports to test the completeness and cut-off of account balances;</i></p> <p><i>(iii) review of contracts and agreement to check validity of certain account balances;</i></p> <p><i>(iv) testing of reasonableness; and</i></p> <p><i>(iv) re-performance and re-computation to check accuracy.</i></p> | <p>Noted</p> <p>MWSS-RO TWG perceived that the audit would be as extensive as possible however, cost and benefit shall be taken into account where the auditors may apply the principles of Materiality in the selection of the samples.</p> | <p>Adopted the proposed revision in the CAAGs except (iii), and added provision to address additional substantive test that may be required during the conduct audit.</p> | | |
| 8.6.5.3 | <p>298. <u>Comment:</u></p> <p><u>No explanation provided</u></p> <p><u>Proposed to delete</u></p> | <p>Noted</p> | <p>No change in the CAAGs</p> | | |
| 8.6.5.4 | <p>299. <u>Comment:</u></p> <p><u>Consolidated to section 8.6.5.2</u></p> <p><u>Proposed to delete</u></p> | <p>Noted</p> | <p>No change in the CAAGs</p> | | |
| 8.6.5.5 | <p>300. <u>Comment:</u></p> <p><u>Proposed revision:</u></p> | <p>Noted</p> <p>To address not only financial information but also non-financial</p> | <p>No change in the CAAGs</p> | | |

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| | 2. <i>Analytical procedures or evaluations of financial information</i> | data that may have an effect to the financial information. | | | | | |
| 8.6.6 | 301. <u>Comment:</u> <u>Proposed revision:</u> 3. <i>Communication</i> <u>Communication of Audit Findings</u> <i>The audit team shall communicate its audit findings to the Concessionaires' concerned personnel on a timely manner during the course of the audit execution to facilitate timely resolution. The audit team shall ensure that audit findings are factual and are properly supported.</i> | Noted | Adopted the proposed revisions in the CAAGs. | | | | |
| 8.6.7 8.6.8 | 302. <u>Comment:</u> <u>Proposed revision</u> 4. <i>Documentation</i> <i>The auditors shall document its procedures, findings, supporting documents and other communications and shall file them in working papers. The auditor shall ensure that the working papers are complete, properly archived and follow standard document retention policy.</i> | Noted Expanded the proposed CAAGs to include details of what to be documented. | Revised the CAAGs. | | | | |
| 8.6.10 8.6.11 | 303. <u>Comment:</u> <u>Proposed revision:</u> C. Conclusion and Reporting <i>The auditors shall communicate its recommendations and audit findings through audit memoranda with the Concessionaires.</i> <i>An exit conference shall be conducted to formally discuss audit memoranda, resolve issues and express commitments, if any, to justify and correct findings.</i> <i>The Parties shall set the timelines for the following activities:</i> <table><tr><td>Activity</td><td>Responsible Parties</td></tr></table> | Activity | Responsible Parties | Noted Expanded the proposed CAAGs to include details of what to be documented to include the responses of the Concessionaires to the auditor's findings and observations, issues resolved and expressed commitments. | In addition to the CAAGs wordings, adopted the proposed wordings, except for the table of activities. | | |
| Activity | Responsible Parties | | | | | | |

| Section No. | Concessionaires' Comments | | | MWSS RO TWG Responses | Effect on CAAGs | Consultant's Recommendation | |
|-------------|--|-------------------------|--|-----------------------|-----------------|-----------------------------|--|
| | Audit Team Planning Event | MWSS-RO | | | | | |
| | Kick-Off Meeting | MWSS-RO | | | | | |
| | Submission of Documentary Requirements | Concessionaire | | | | | |
| | Audit Fieldwork | MWSS-RO | | | | | |
| | Submission of Audit Memoranda | MWSS-RO | | | | | |
| | Exit Conference | MWSS-RO, Concessionaire | | | | | |
| | Issuance of Audit Report | MWSS-RO | | | | | |

3. AIDES MEMOIRE

| A. Foreign Currency Differential Adjustment in the Context for the Concession Accounting and Auditing Guidelines (CAAGs) | |
|--|--|
| BACKGROUND | <p>Amendment No. 1 for the Concession Agreement (CAs) provided for the implementation of the Foreign Currency Differential Adjustment (FCDA) to address the <i>“present and future FOREX losses or gains, including all accruals and carrying costs thereof from the period January 01, 2002 until the Expiration Date on a quarterly basis.”</i> As implemented, FCDA is expressed as a percentage of the Basic Charge on the customer bills.</p> <p>On the development of the Concession Accounting and Auditing Guidelines (CAAGs), the MWSS-RO Technical Working Group (TWG) considered FCDA as Receipt. Whereas, the Concessionaires commented to wit:</p> <p style="padding-left: 40px;">“This should be excluded because we have a separate mechanism for the FCDA which is being submitted by the Concessionaires and reviewed by the MWSS-RO every quarter.”</p> <p>Consequently, the Concessionaires also commented the same for the Forex Losses / Gains component of FCDA.</p> |
| ISSUE | <p>The issue faced in the development of the CAAGs is whether the Cash Flows resulting from the FCDA shall be considered in the Opening Cash Position (OCP) or not.</p> |
| COMMENTS | <p>a. The components of FCDA are as follows:</p> <ul style="list-style-type: none"> i. The FCDA revenues are considered Receipts; ii. The forex differential on Concession Fee payments; and iii. The forex differential on Concessionaire Loan Payments <p>b. Forex differential on Concession Fees and Concessionaire Loans should be differentiated because the former’s base rate is subject to the relevant Rate Rebasing assumptions, while the latter’s base forex rates remain to be based on the drawdown dates.</p> <p>c. The position taken by the MWSS-RO TWG was based on the definitions provided under the CAs. Receipts is defined to wit:</p> <p style="padding-left: 40px;">“Receipts means all cash receipts from Customers and grants from third parties (including from the Republic) to the Concessionaire, excluding any interest and dividends received by the Concessionaire.”</p> <p>FCDA revenues and Receipt, considering that it is a component of the customers’ bill, falls under the definition of Receipt. Thus,</p> |

A. Foreign Currency Differential Adjustment in the Context for the Concession Accounting and Auditing Guidelines (CAAGs)

FCDA Receipts is included in the Opening Cash Position (OCP) of the Concessionaires.

- d. For the forex differentials on Concession Fee payments, the provision on Article 6.4 of the CAs provides to wit:

“(a) Not later than 14 days prior to the date on which any scheduled payment of principal, interest, fees or other amount is due under an MWSS Loan, MWSS shall notify the Concessionaire in writing of the total amount due on that payment date and of the Peso equivalent thereof (the “Peso Equivalent”) calculated at the then prevailing exchange rate. Not later than one business day prior to each such payment date, the Concessionaire shall remit to such account as MWSS shall instruct an amount in Pesos, exclusive of any penalties or default interest charges not attributed to a late payment of the Concession Fee by the Concessionaires (each such payment being referred to herein as a “Concession Fee”), xxx”

Based on the above provision, Concession Fee shall be the amount actually or expected to be paid by the Concessionaires using the specific forex rates (i.e. actual rates for historical Cash Flows and projected rates for future Cash Flows). Thus, for the OCP, the amount of Concession Fee reflected thereon shall be the ACTUAL Concession Fee in Pesos paid by the Concessionaires.

- e. While, for the forex differentials on Concessionaire Loans, the CAs are not clear on its inclusion into the Rate Rebasing determination, as it does not fall under the definitions of Receipts and Expenditures nor was it included in Article 9.4 of the CAs. If such were not included, the equation where FCDA shall equal the amount of forex differential, to be recovered / rebated would not be maintained. In this case, the difference would be taken up in the Rebasing Convergence Adjustment (“R”).
- f. To maintain the neutrality of the FCDA mechanism, it is recommended that the forex differentials on Concessionaire Loans shall be included in the determination of the OCP preferably as offset to FCDA Receipts.

The argument of the Concessionaires against this treatment of the FCDA accounts is that this treatment is not exactly neutral to the Rate Rebasing determination. The timing differences between actual Receipt and the losses / gains incurred will impact the “R” to the extent of the inflation adjustment and the imputation of the Appropriate Discount Rate (“ADR”).

- g. The Concessionaires’ position is that FCDA is not treated as Receipts and the Concession Fees be carried to the OCP at the forex rate used in the previous approved Business Plan. According to

A. Foreign Currency Differential Adjustment in the Context for the Concession Accounting and Auditing Guidelines (CAAGs)

them, this would ensure the neutrality of the mechanism to the Rate Rebasing determination.

The argument against this is:

“Was FCDA intended to be a completely neutral to the Rate Rebasing determination, such that it merits changes in the definitions contained in the CAs?

The MWSS-RO TWG believes there is no indication from the words used in Amendment No. 1 for the CAs. Further, the origin of the FCDA, which was an Extraordinary Price Adjustment (EPA), is not neutral to the Rate Rebasing. In fact, the rates that were caused by the EPA or the non-implementation of EPA are subject to the “R”.

RECOMMENDATION

Based on the foregoing, the following are recommended that for the CAAGs:

- a. FCDA shall be treated as Receipts;
- b. Concession Fees shall be carried in the OCP as actual payments made by the Concessionaires; and
- c. Forex differential on Concessionaire Loans shall be included in the determination of the OCP, preferably as an offset to FCDA Receipts.

These recommendations are mainly to preserve the definitions and provisions of the CAs and maintaining the neutrality, at least at the nominal value level, of the FCDA mechanism. The impact of the timing difference of the Cash Flows pertaining to the FCDA is recognized. However, there are not prohibitions for them under the CAs.

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Acting DA – Financial Regulation Area

B. The Conduct of Financial Audit in Relation to the Implementation of the Rewards and Penalty Framework

BACKGROUND

Article 13.2 of the Concession Agreement (CA) provides the basis of the audit of the Concessionaires wit:

“Not less frequently than once a year, the Concessionaire’s books and records shall be audited by an independent auditor appointed by, or acceptable to, the Regulatory Office, pursuant to internationally accepted accounting practices. In addition, the Regulatory Office may, upon giving not less than 15 days’ prior written notice to the Concessionaire, require that the Concessionaire’s books and records relating to the Concession be audited on an interim basis by the Regulatory Office or by an outside auditor. The Concessionaire shall cooperate fully with all such audits.”

Article 9.4 of the CA provides the basis for the implementation of a Rewards and penalty framework, to wit:

“It is also the intention of the parties that rates be set in such a way as to provide appropriate efficiency incentives to the Concessionaire, with a view toward benefiting both the Customers and the Concessionaire.”

A Rewards and penalty framework was implemented for the second Rate Rebasing determination by MWSS RO for Manila Water. It could also be argued that the same was implemented in the first Rate Rebasing as there were adjustments to Receipts and Expenditures in reckoning the actual NRW and expense levels compared to the contents of the bid.

For the third Rate Rebasing determinations, Manila Water submitted a proposed reward on savings in Operating Expenditures. However, MWSS RO did not implement any Rewards and penalty framework on any of the Concessionaires.

It was also on the third Rate Rebasing determinations that MWSS RO conducted a detailed audit of the Cash Flows of the Concessionaires resulting in adjustments to their respective submitted Opening Cash Position (OCP).

In the conclusion of the third Rate Rebasing determinations, the consultants of the MWSS RO recommended a Rewards and penalty framework that relates certain Service Obligations (as conditions) to the computation of the reward or penalty that will be applied to the OCP. In the consultant’s presentation, the Financial Regulation Area asked the relationship of the Rewards and penalty framework and the

B. The Conduct of Financial Audit in Relation to the Implementation of the Rewards and Penalty Framework

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| | financial audit. The consultant answered that the two are independent from each other. The CAAGs MWSS-RO TWG believes otherwise. |
| ISSUE | The issue faced in the development of the CAAGs MWSS-RO TWG is to establish the interrelationship of the Financial Audit to be conducted and the implementation of the Rewards and penalty framework. |
| COMMENTS | <p>The CAAGs MWSS-RO TWG believes that both Financial Audit of the Regulatory Accounts and Rewards and penalty framework are tests of efficient and prudent Cash Flows. Thus, a natural overlap exists between the two.</p> <p>The Financial Audit is being conducted to address the risk that the financial information that will be used in the determination of the OCP is misstated. As a regulatory perspective, greater attention is devoted to the risks that Receipts that should be included are excluded and Expenditures that should be excluded are included in the OCP. Thus, the result of the audit is mostly additional Receipts despite the fact that the Concessionaires were not actually able to receive such Receipt or reduction in Expenditures despite the fact that the Concessionaires have actually spent such Expenditures.</p> <p>The effect of the adjustments resulting from Financial Audit is that these set the appropriate levels of Cash Flows that are necessary in the actual service levels delivered.</p> <p>The rewards and penalty framework, on the other hand, adjusts the actual levels of Cash Flows based on the evaluation of the level of services committed and attained in connection with the Cash Flows planned versus actual. Theoretically, with the OCP, the Concessionaires will earn only a return on their operation equivalent to the Appropriate Discount Rate (ADR). With a reward framework, the Concessionaires have an opportunity to earn more than the ADR. Penalties work the same way as the exclusions resulting from the Regulatory Financial Audit.</p> <p>The issue arises when these two frameworks are both implemented. The alternatives on dealing with the issue are as follows:</p> <ol style="list-style-type: none"> 1. Treat the two frameworks independently; 2. Use the audited balance as basis for Rewards and penalties framework; and 3. Identify Regulatory Accounts subject to Rewards and penalties framework and apply Financial Audit to rest of Regulatory Accounts. <p>Presented below are examples for the first two alternatives. The following illustrates the adjustments in a penalty scenario.</p> |

B. The Conduct of Financial Audit in Relation to the Implementation of the Rewards and Penalty Framework

In Billions

Unaudited OPEX (A) = Php5.00
 Audit Exclusions (B) = -Php0.50
 Audited OPEX (C=A - B) = Php4.50
 OPEX per Rewards and Penalty (D) = Php4.00

Independent Frameworks:

Total OPEX Adjustment = **-Php1.50** (-Php0.50 - Php1.00 [D - A])

Audited Balance as Basis for Rewards and Penalty:

Total OPEX Adjustment = **-Php1.00** (-Php0.50 - Php0.50 [D - C])

It may be noted that there seems to be double penalty if the frameworks are treated independently. For the second alternative, the audit findings were excluded in the computation of the penalty that eliminated the seeming double penalty.

Below is an illustration of a reward scenario:

In Billions

Unaudited OPEX (A) = Php5.00
 Audit Exclusions (B) = -Php0.50
 Audited OPEX (C=A - B) = Php4.50
 OPEX per Rewards and Penalty (D) = Php6.00

Independent Frameworks:

Total OPEX Adjustment = **Php0.50*** (-Php0.50 + Php1.00 [D - A])

Audited Balance as Basis for Rewards and Penalty:

Total OPEX Adjustment = **Php1.00*** (-Php0.50 + Php1.50 [D - C])

** to be shared 50-50 between Concessionaires and customers*

In both cases, the impact of audit exclusions was reversed through the reward. In effect, the amount excluded in the conduct of the Financial Audit was included after the reward. For the second alternative, it seems that the audit findings resulted in higher reward.

The third alternative in addressing the implementation of the two frameworks attempts to eliminate the overlaps. This alternative involves the segregation of the OPEX into those that are subjected to Rewards and penalties and those subjected to Financial Audit.

For OPEX subjected to Rewards and penalties, the scope of the audit is limited to completeness and proper classification of the account balances. If there are circumstances that merit the conduct of Financial

B. The Conduct of Financial Audit in Relation to the Implementation of the Rewards and Penalty Framework

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| | <p>Audit on those OPEX items, the balances after the audit shall be used in the determination of the reward or penalty. The OPEX subjected to rewards and penalties are those that directly result in the delivery of water and wastewater services.</p> <p>For OPEX subjected to Financial Audit, the parameters / criteria under the CAAGS shall be applied to the transactions under such OPEX. Thus, a detailed audit of the accounts shall be performed. These OPEX items are necessary expenses in the operations of the Concessionaires but do not directly result in the delivery of services.</p> |
| RECOMMENDATION | <p>Based on the foregoing, the following general principles are recommended for the CAAGS:</p> <ol style="list-style-type: none"> 1. Identify Regulatory Accounts subject to Rewards and penalties framework and apply Financial Audit to rest of Regulatory Accounts; 2. Regulatory Accounts that directly result to the delivery of service shall be subjected to the Rewards and penalty framework; 3. Regulatory Accounts that is not directly related to service delivery shall be subjected to Financial Audit. 4. If the Regulatory Accounts subject to Rewards and penalties are audited, the basis for computations shall be the balance <u>after the audit</u>; and 5. If no Rewards and penalties framework is implemented, all Regulatory Accounts shall be subjected to Financial Audit, except those subjected to Technical Audit, explicitly CAPEX. <p>The recommendations above are subject to adoption by the MWSS Regulatory Office.</p> |
| | <p>MARIA SHARLENE P. ZAUSA OIC – Financial Audit and Asset Monitoring Dept.</p> <p>CHRISTOPHER D. CHUEGAN Acting DA – Financial Regulation Area</p> |

C. Financial Audit in Relation to Technical Audit of CAPEX

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| BACKGROUND | <p>Article 13.2 of the Concession Agreement (CA) provides the basis of the audit of the Concessionaires wit:</p> <p>“Not less frequently than once a year, the Concessionaire’s books and records shall be audited by an independent auditor appointed by, or acceptable to, the Regulatory Office, pursuant to internationally accepted accounting practices. In addition, the Regulatory Office may, upon giving not less than 15 days’ prior written notice to the Concessionaire, require that the Concessionaire’s books and records relating to the Concession be audited on an interim basis by the Regulatory Office or by an outside auditor. The Concessionaire shall cooperate fully with all such audits”</p> <p>In 2013, the Technical Regulation Area initiated the technical audit of the Concessionaires’ CAPEX (CAPEX Audit). Such Audit involves the examination and evaluation of the Concessionaires’ CAPEX projects, applying the efficiency and prudence criteria, and recommending actions to be taken by the Regulatory Office (RO). The result of the audit, as adopted by the RO, was incorporated into the Opening Cash Position of the 2013 Rate Rebasing determination. This CAPEX Audit is intended to be conducted at strategic points within a Rate Rebasing period to reduce the coverage of the evaluations being evaluated at Rate Rebasing determinations.</p> <p>On the other hand, the Concession Accounting and Auditing Guidelines (CAAGs) is being developed primarily to establish the Cash Flows that will comprise the Opening Cash Position (OCP). The CAAGs also contain provisions for the Financial Audit of the Regulatory Accounts, which includes CAPEX transactions.</p> |
| ISSUE | <p>The issue faced in the development of the CAAGs how to harmonize the activities and results of the CAPEX Audit to the Financial Audit to avoid duplication of activities and regulatory action, if any, on the same transactions.</p> |
| COMMENTS | <p>The understanding of the CAAGs MWSS-RO TWG is that the CAPEX Audit primarily involves the examination and evaluation of documents pertaining to projects, from its inception to contract implementation to post-implementation activities. The results of the CAPEX Audit may include a recommendation to exclude certain cost items relative to the projects evaluated.</p> <p>If CAAGs will not consider the activities and results of the CAPEX Audit, the Financial Audit may look at the same transactions already evaluated by the Technical Team and may come up with a contrary regulatory action. For instance, a project was evaluated in the CAPEX Audit and considered as efficient and prudent. If the transactions under the project were subjected to Financial Audit, the Financial</p> |

C. Financial Audit in Relation to Technical Audit of CAPEX

Team may exclude certain expenditures of the project, which is contrary to a technical assessment of the entire project.

Thus, it could be concluded that the CAPEX Audit shall limit the scope of the Financial Audit in terms of the costs relative to contracts on CAPEX projects.

Also, in our assessment of Repairs and maintenance expenses, we noted that this could be related to the CAPEX Audit. Using accounting standards, the difference between CAPEX and Repairs and maintenance is that the latter is considered a period cost while the former is capitalized and its cost is allocated in future periods. However, under the CA, these two items may be considered as one. The definition of Expenditures under the CA is as follows:

“Expenditures means pre-operating and operating expenditures, capital maintenance and investment expenditures, concession Fees and Philippine business taxes of the Concessionaire (including the Concessionaire’s portion of any such items incurred by the Joint Venture), excluding penalties, interest charges on late payments, financing costs, bad debt provisions and depreciation provisions.”

It could be noted that Expenditures considered as CAPEX falls into two sub-categories, Capital investment and Capital maintenance. It is the position of the CAAGs MWSS-RO TWG is that the latter refers to activities that the Concessionaires perform on existing assets that ensure its proper functioning or prolongs its service life. In which case, Repairs and maintenance on infrastructure assets belong to such activities.

To illustrate, if a need for repairs and/or maintenance of an asset arises, the Concessionaires shall evaluate such activity based on their respective capitalization policies, which considers the magnitude of the cost involved and/or the result of extending the functional life of the asset. After such evaluation, the cost for the activity may either be capitalized (becomes CAPEX) or expensed outright (treated as operating expenses). Since, the CA prescribes the use of Cash Flows, the capitalization policy is rendered ineffective because regardless of the magnitude of the cost or its effect on functional life of the asset, the cost for the activity shall be recognized at the time it was actually disbursed or spent.

RECOMMENDATION

Based on the foregoing, the following general principles relating the Financial and Technical Audits are recommended for the CAAGS:

1. CAPEX under Regulatory Accounts shall classified under the following:
 - a. Infrastructure CAPEX based on projects initially recorded as either Concession assets or Property, plant and equipment;

C. Financial Audit in Relation to Technical Audit of CAPEX

- b. General and administrative CAPEX recorded as Property, plant and equipment;
 2. Repairs and maintenance shall also be classified under the following:
 - a. Repair and maintenance of Infrastructure assets;
 - b. Repair and maintenance of General and administrative assets;
 3. Infrastructure CAPEX and Repairs and maintenance of Infrastructure assets shall be subjected mainly to CAPEX Audit by the Technical Team;
 4. The scope of Financial Audit on Infrastructure CAPEX and Repairs and maintenance of Infrastructure assets shall be to ensure completeness of the amounts covered by the Technical Audit vis-à-vis the total CAPEX reported in the Regulatory Accounts; and
 5. Other CAPEX and Repairs and maintenance not subject to CAPEX Audit by the Technical Team shall be subject to Financial Audit.

The recommendations above are subject to adoption by the MWSS Regulatory Office and the Technical Team.

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Acting DA – Financial Regulation Area

4. MATRIX OF INTERACTIONS

| DATE | SUBJECT |
|--------------------|---|
| September 10, 2015 | Submission of Concessionaires' its additional comments and clarifications relative to their disputed provisions. |
| September 8, 2015 | MWSS-RO TWG reminder of the date of submission of Concessionaires' comments |
| August 26, 2015 | Presentation and discussion of the submitted comments. MWSS-RO TWG grants opportunity for the Concessionaires additional comments and relevant position papers relative to disputed provisions. |
| August 11, 2015 | MWSS-RO TWG acknowledgement of receipt of email re: submission of the Concessionaires' comments |
| August 6, 2015 | Submission of the Concessionaires' comments |
| August 3, 2015 | MWSS-RO TWG grants the request of extension of submission |
| | MWSS-RO TWG rescheduled a presentation/discussion of comments on August 26, 2015. |
| July 31, 2015 | Concessionaires request for a further extension in the submission of comments on August 6, 2015. |
| July 6, 2015 | Concessionaires request for extension in the submission of comments on July 31, 2015. |
| June 25, 2015 | <p>MWSS-RO TWG was given notice to forward the draft CAAGs to the Concessionaires.</p> <p>MWSS-RO TWG forwarded draft CAAGs to both Concessionaires for written comments. Submission of Concessionaire comments was set July 9, 2015.</p> <p>Presentation tentatively set on July 15, 2015.</p> |
| May 19, 2015 | MWSS-RO TWG submitted its draft CAAGs to the MWSS-RO Executive Committee for the review. |
| May 13, 2015 | Concessionaire's SGV partners-in charge presentation relative to recording of FCDA and CAPEX in relation to IFRIC 12. |
| April 6, 2015 | MWSS-RO TWG request for a presentation on the accounting and reporting process of the following: |

| DATE | SUBJECT |
|-------------------|--|
| | <ol style="list-style-type: none"> 1. Capital Expenditures and Concession Fee Payments in view of IFRIC 12; 2. Transactions related to FCDA <p>Presentation tentatively set within the period April 13-17, 2015.</p> |
| March 27, 2015 | MWSS-RO TWG presentation to the Execom Re: Update on the development of CAAGs and the concessionaires request for a break on the weekly meetings. |
| March 25, 2015 | Concessionaires request for a break from the weekly meetings, and focus on reviewing and updating the CAAGs document |
| March 6, 2015 | Forwarded to the Concessionaires the initial draft guideline as discussed in the weekly meeting for comment. |
| February 18, 2015 | Concessionaires forwarded the draft CAAGs |
| November 14, 2014 | Concessionaires forwarded the Regulatory Account Mapping |