



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

Excerpts from the Minutes of the Eighteenth Regular Meeting of the Board held on 12 December 2013:

"Resolution No. 2013-129-RO

"WHEREAS, on 10 May 2013, Maynilad Water Services, Inc. (MWSI) informed the MWSS Regulatory Office (RO) that on 22 March 2013, it refinanced all outstanding loans, including the US Dollar loan with an outstanding balance of US\$121,250,000.00. The refinancing resulted in foreign exchange (forex) gains of PhP977,660,849.40, which MWSI proposed to refund over a 12-month period;

"WHEREAS, on 10 June 2013, MWSS-RO issued Resolution No. 13-008-CA recommending to the MWSS Board of Trustees (BOT) the approval of MWSI's FCDA equivalent to negative 11.47% of the 2013 Basic Charge of PhP33.97 per cubic meter on the average or a rebate of PhP3.90 per cubic meter effective 01 July 2013. This included the adjustment for the refinancing of MWSI's US Dollar-denominated loans that amounted to PhP3.69/cubic meter with the remaining PhP0.21/cubic meter pertaining to the regular FCDA items;

"WHEREAS, on 13 June 2013, MWSS BOT issued (a) Resolution No. 2013-078-RO, approving and confirming MWSI's 3rd quarter 2013 FCDA equivalent to negative 0.61% of the Basic Charge or negative PhP0.21/cubic meter, and (b) Resolution No. 2013-079-RO, approving and confirming MWSI's FCDA adjustment for 3rd quarter 2013 equivalent to negative 10.86% of the Basic Charge or negative PhP3.69/cubic meter. The latter represents the one-time forex gains from MWSI's loan refinancing;

"WHEREAS, MWSS-RO noted that the inflation rate for July 2013 is 2.50%, as officially published and released by the National Statistics Office;

"WHEREAS, on 12 September 2013, MWSS BOT issued Resolution No. 2013-100-RO approving, among others, a negative adjustment of 4.82% of MWSI's 2012 average basic water charge which is now the subject of its arbitration case against MWSS, docketed as UNC 141/ CYK;

"WHEREAS, in a letter to MWSS-RO dated 29 October 2013, MWSI communicated its position to continue implementing the Standard Rates, including the PhP1.00 Currency Exchange Rate Adjustment (CERA) until such time that the Appeals Panel has made a final determination of the Rebasing Adjustment;

"WHEREAS, in the same letter, MWSI also stated that it will continue to implement the FCDA of negative PhP3.90/cubic meter until such time that all of the foreign exchange gains that it has realized from having refinanced its US Dollar-denominated loans on 22 March 2013 (the "Forex Gains"), are refunded in full to Maynilad's customers. MWSI estimated that the Forex Gains will be fully refunded by January 2014. Attached to the letter was the computation supporting its estimates using 30 September 2013 as the cut-off date and the forex rates for the month of September 2013;

"WHEREAS, on 20 November 2013, MWSS-RO requested MWSI to submit an updated computation on its claims for FCDA with supporting documents and using the forex rates for the month of October 2013;

"WHEREAS, on 22 November 2013, MWSI submitted its revised computation supporting the refund of the Forex Gains until January 2014. Aside from the assumptions imposed by MWSS-RO in its 20 November 2013 letter, MWSI used the forex rates in the RO Rebasing Resolution No. 13-010-CA;

"WHEREAS, MWSS-RO verified the submission of MWSI and noted that the use of the forex rates was not uniform throughout 2013. For January 2013 to May 2013, MWSI used the 2008 Rate Rebasing forex rates while it used the 2013 Rate Rebasing forex rates for June 2013 to December 2013. Notwithstanding these findings and upon recalculation of MWSI's claims, MWSS-RO confirms the assertion that the Forex Gains shall be fully refunded to customers by January 2014.

"NOW, THEREFORE, BE IT RESOLVED, as it is hereby resolved:

1. To APPROVE the implementation of **STATUS QUO** for MWSI for the Standard Rates for any and all of its scheduled adjustments until such time that the Appeals Panel has issued the Final Award for the 2013 Rate Rebasing determination;
2. To APPROVE the proposal of MWSI to continue implementing the FCDA of negative PhP3.90/cubic meter until January 2014, at which time all of the foreign exchange gains realized by MWSI for having refinanced its US Dollar-denominated loans on 22 March 2013 are refunded in full to its customers, subject to a resolution on the issue of whether or not the entire negative PhP3.90/cubic meter FCDA shall be discontinued after January 2014; and
3. To APPROVE for MWSI the implementation of **STATUS QUO** for the FCDA starting February 2014 for any and all of its scheduled adjustments until such time that the Appeals Panel has issued the Final Award for the 2013 Rate Rebasing determination;

"RESOLVED, FURTHER, that the adjustment deferred resulting from the status quo for FCDA shall be reckoned upon resumption of said adjustments, subject to the principle of no over- or under-recovery of forex losses;

"RESOLVED, FINALLY, to cause the publication of the status quo order for Standard Rates and FCDA adjustment, in the interest of transparency."

I, the undersigned, hereby certify that the foregoing is a true copy of the resolution adopted by the Board of Trustees of the Metropolitan Waterworks and Sewerage System, and spread in the minutes of a duly constituted meeting of said Board held on 12 December 2013.

MA. LOURDES R. NAY
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Board Secretary VI

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