

LOAN NUMBER 3163 PH

NPC Loan Agreement

(Energy Sector Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

NATIONAL POWER CORPORATION

Dated March 16, 1990

LOAN NUMBER 3163 PH

NPC LOAN AGREEMENT

AGREEMENT, dated March 16, 1990, between
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(the Bank) and NATIONAL POWER CORPORATION (the Borrower).

WHEREAS (A) Republic of the Philippines (the
Guarantor) and the Borrower, having been satisfied as to
the feasibility and priority of the Project described in
Schedule 2 to this Agreement, have requested the Bank to
assist in the financing of Part B of the Project;

(B) "Part A" of the Project will be carried out by
Philippine National Oil Company (PNOC), PNOC-Energy
Development Corporation (PNOC-EDC) and PETRON Corporation
(PETRON), subsidiaries of Philippine National Oil Company
(PNOC), the Bank has agreed to make a loan (the PNOC
Loan) under a Loan Agreement of even date herewith
between the Bank and PNOC (the PNOC Loan Agreement) under
the terms and conditions therein set forth;

(C) "Part C" of the Project will be carried out by
the Guarantor, the Bank has agreed to make a loan under
a Loan Agreement of even date herewith between the
Guarantor and the Bank (the Loan Agreement) under the
terms and conditions therein set forth;

(D) the Borrower intends to contract from the
Export-Import Bank of Japan (EXIMBANK) a loan (the
EXIMBANK Loan) in an amount equivalent to \$150,000,000 to
assist in financing of Part B of the Project on the terms
and conditions set forth in an agreement (the EXIMBANK
Loan Agreement) to be entered into between the Borrower
and EXIMBANK;

(E) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan and to undertake such other obligations as set forth in the Guarantee Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "NPC" means the National Power Corporation, a state owned company duly authorized and operating under the laws of the Guarantor;

(c) "PNOC" means the Philippine National Oil Company, a state-owned company duly authorized and operating under the laws of the Guarantor;

(d) "PNOC-EDC" means PNOC Energy Development Corporation, a subsidiary of PNOC; and

(e) "PETRON" means PETRON Corporation, a subsidiary of PNOC.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of two hundred million dollars (\$200,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Part B of the Project described in

Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of Part B of the Project, open and maintain in dollars a special account in a bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1994 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower and the Guarantor of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

- (i) "Interest Periods means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower and the Guarantor of the Cost of Qualified Borrowings determined in respect of such Quarter."

(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

(e) Notwithstanding the provisions of paragraph (a) of this Section, the interest rate for the Interest Period commencing in the first Semester of 1989 shall be seven and sixty-five hundredths percent (7.65%).

Section 2.06. Interest and other charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for Part B of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Borrower shall take all action which may be required on its part to ensure the timely conclusion of a soundly based agreement between itself and PNOC-EDC for the supply of steam needed for the Project.

ARTICLE IV

Management and Operations of the Borrower

Section 4.01. The Borrower shall carry on its operations and conduct its affairs in accordance with

sound administrative, financial, engineering and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 4.02. The Borrower shall at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and public utilities practices.

Section 4.03. The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 4.04. The Borrower shall, by November 15 of each year, prepare its investment plan for the forthcoming year and for the following four years and furnish such plan to the Bank for its review and comment.

Section 4.05. The Borrower shall by December 31, 1990: (a) implement the first phase of a plan, agreed with the Bank, to introduce LRMC-based tariffs by correcting the misallocation between the capacity and energy charges from 1/99 to 30/70; and (b) discuss with the Bank an action plan for implementation of subsequent correction.

Section 4.06. The Borrower shall: (a) by June 30, 1990, prepare and thereafter implement a training program for its staff in engineering, operations, maintenance and management, and (b) furnish the results to the Bank for review and comment.

ARTICLE V

Financial Covenants

Section 5.01. (a) The Borrower shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of its financial statements for such year as so audited, and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

- (iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 5.02. (a) Except as the Bank shall otherwise agree, the Borrower shall earn, for each of its fiscal years after its fiscal year ending on December 31, 1990, an annual return of not less than 8% of the average current net value of the Borrower's fixed assets in operation.

(b) Before December 1 in each of its fiscal years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year and shall furnish to the Bank the results of such review upon its completion.

(c) If any such review shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower's fiscal years covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.

(d) For the purposes of this Section:

- (i) The annual return shall be calculated by dividing the Borrower's net operating income for the fiscal year in question by

one half of the sum of the current net value of the Borrower's fixed assets in operation at the beginning and at the end of that fiscal year.

- (ii) The term "net operating income" means total operating revenues less total operating expenses.
- (iii) The term "total operating revenues" means revenues from all sources related to operations.
- (iv) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision for depreciation in a manner consistent with the generally accepted accounting principles in the Philippines.
- (v) The average current gross value of the Borrower's fixed assets in operation shall be calculated as one half of the sum of the gross value of the Borrower's fixed assets in operation at the beginning and at the end of the fiscal year, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Bank.
- (vi) The term "current net value of the Borrower's fixed assets in operation" means the gross value of the Borrower's fixed assets in operation less the amount of accumulated depreciation, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Bank.

Section 5.03. (a) Except as the Bank shall otherwise agree, the Borrower shall not incur any debt unless a reasonable forecast of the revenues and expenditures of the Borrower shows that the estimated net revenues of the Borrower for each fiscal year during the term of the debt to be incurred shall be at least 1.3 times the estimated debt service requirements of the Borrower in such year on all debt of the Borrower including the debt to be incurred.

(b) For the purposes of this Section:

- (i) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee

has been entered into.

- (iii) The term "net revenues" means the difference between:
 - (A) the sum of revenues from all sources related to operations and net non-operating income; and
 - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
- (iv) The term "net non-operating income" means the difference between:
 - (A) revenues from all sources other than those related to operations; and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (vi) The term "reasonable forecast" means a forecast prepared by the Borrower not earlier than six months prior to the incurrence of the debt in question, which both the Bank and the Borrower accept as reasonable and as to which the Bank has notified the Borrower of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Borrower.
- (vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

ARTICLE VI

Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) A Governing Regulation or any provision thereof shall have been repealed, amended, suspended or waived, so as to affect adversely: (i) the carrying out of Part B of the Project; and (ii) the performance of NPC of any other of its obligations under this Agreement.

(b) The EXIMBANK Loan Agreement shall have failed to become effective by December 31, 1990, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for Part B of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(c) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of EXIMBANK loan made to the Borrower for the financing of Part B of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(B) the EXIMBANK loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for Part B of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 6.01 of this Agreement shall occur; and

(b) the event specified in paragraph (c) (i) (B) of Section 6.01 of this Agreement shall occur, subject to the proviso of paragraph (c) (ii) of that Section.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following events are specified as

additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) all conditions precedent to the effectiveness of the Loan Agreement between the Bank and the Guarantor of even date herewith (other than those related to the effectiveness of this Agreement) have been fulfilled; and

(b) all conditions precedent to the effectiveness of the PNOG Loan Agreement between the Bank and PNOG of even date herewith (other than those related to the effectiveness of this Agreement) have been fulfilled.

Section 7.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. The President of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:
INTBAFRAD	440098 (ITT)
Washington, D.C.	248423 (RCA) or
	64145 (WUI)

For the Borrower:

National Power Corporation
Quezon Avenue
East Triangle, Diliman
Quezon City, Philippines

Cable address:	Telex:
NAPOCOR	742-40120 PM
Manila	

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shinji Asanuma
Acting Regional Vice President
Asia

NATIONAL POWER CORPORATION

By /s/ Emmanuel Pelaez
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the NPC Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the NPC Loan, the allocation of the amounts of each of the Loans to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the NPC Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Works	56,000,000	70%
(2) Goods	108,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local ex- penditures for other items pro- cured locally
(3) Technical assistance and training	2,000,000	100%
(4) Fuel for power stations	14,000,000	50%
(5) Unallocated	20,000,000	
TOTAL	200,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor; and

(b) the term "local expenditures" means expenditures in the currency of the Guarantor or for goods or services supplied from the territory of the Guarantor.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made: (i) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$15,000,000, may be made on account of payments made for expenditures before that date but after April 30, 1989; and (ii) in respect of expenditures for fuel in an aggregate amount exceeding the equivalent of \$ 14,000,000.

SCHEDULE 2

Description of the Project

The objective of the Project is to orient the development strategy for the Philippines energy sector aimed at minimizing the cost of energy supply. The components of this strategy are: (a) a least-cost investment program which has been agreed upon by all participating agencies; (b) development of a sector-wide capability to plan and coordinate policy and project implementation in the energy sector; (c) encouraging private sector participation through joint-ventures, build-operate-and-transfer schemes, and other approaches; (d) consolidation of regulatory activities into an integrated system for monitoring the quality of service and consumer prices of petroleum, coal and electricity; (e) implementation of long-run marginal cost pricing for electricity; (f) development of technical capabilities to assess, manage and monitor the environmental impact of energy projects; and (g) implementation of measures to improve operational efficiency of the power sector by reducing electricity losses and rehabilitating aging plants.

The Project consists of the following parts, subject to such modifications thereof as the Bank and the Borrowers may agree upon from time to time, to achieve such objective:

Part A: PNOC, PNOC-EDC and PETRON

(1) Geothermal investments program which includes: completion of delineation drilling on prospective sites in Luzon and the Visayas; engineering, procurement, fabrication, installation and commissioning of steam gathering system at various sites for about 380 MW; drilling of additional production and reinjection wells; and technical assistance for geothermal reservoir assessment and engineering.

(2) Debottlenecking of processing refinery capability which includes: upgrading of facilities producing liquified petroleum gas (LPG), including a new LPG Merox unit, an additional Thermal Catalytic Cracker gas compressor and debottlenecking of fractionating absorber; and an additional diesel desulfurizer, including a new gas oil hydrofiner and additional rundown coolers.

(3) Institutional development of PNOC by strengthening its capabilities in system planning and project monitoring and management.

Part B: NPC

(1) Expansion of power generation capacity, including

the completion and construction of: (i) 300 MW coal-fired Calaca 11 unit; (ii) 700 MW of combustion turbine (open cycle) capacity in Luzon, 115 MW in Visayas and 150 MW in Mindanao; (iii) 110 MW geothermal unit at Bacon Manito; (iv) modular geothermal units of twelve 20 MW capacity in Luzon and four 20 MW in Visayas.

(2) Rehabilitation of generation plants including four generating units at the Sucat thermal power station and diesel power plants in the islands of Mindanao, Cebu, Negros, Panay and Bohol.

(3) Expansion and rehabilitation of transmission system including: (i) 500 kV, 82 km, San Jose-Kalayaan line; (ii) about 430 km of 230 kV lines; (iii) about 1,500 km of 115-138 kV lines; (iv) about 1,800 km of 69 kV lines; and (v) associated substations of about 4,000 MVA of transformer capacity and ancillary equipment.

(4) Institutional development of NPC by strengthening its training program for the efficient operation and maintenance of the diverse types of power stations.

Part C: The Republic of the Philippines

(1) National Electrification Administration (NEA) and Rural Electrification Cooperatives (REC's):

- (i) improving NEA's institutional capabilities through the provision of computers, professional and office equipment, communication equipment, vehicles and warehouse equipment;
- (ii) improving NEA's functional capacity through the establishment and provision of operational and maintenance equipment for its Regional field operation offices and zonal repair and maintenance facilities;
- (iii) upgrading and rehabilitation of distribution system at about 11 RECs;
- (iv) installing additional substations at about 8 RECs; and
- (v) training and technical assistance for NEA and RECs staff.

(2) Office of Energy Affairs (OEA):

(a) The carrying out of the following studies and training for OEA staff: (i) cost structures and transfer pricing in the petroleum industry; (ii) the non-power application of geothermal power plant effluents, hot water, etc.; (iii) the environmental impacts of accelerated geothermal energy development; (iv) development of a fuel contingency plan for a possible oil supply disruption; and (v) the feasibility of large-scale development of non-conventional energy resources.

(b) Institutional strengthening of OEA through provision of technical assistance, training, equipment, building expansion and supplies.

(3) Energy Regulatory Board (ERB):

The strengthening of ERB's monitoring and analysis capabilities through the implementation of a six-part program of institutional development which will include:

- (i) staff training;
- (ii) improvement of management information system and organizational structures;
- (iii) training in LRMC pricing methodology;
- (iv) petroleum product testing;
- (v) meter testing; and
- (vi) ERB's information system.

(4) Environmental Management Bureau (EMB)

- (i) Strengthening of EMB's operational capabilities;
- (ii) establishment of baseline sampling stations;
- (iii) strengthening of regional offices; and
- (iv) technical assistance.

* * *

The Project is expected to be completed by December 31, 1993.

SCHEDULE 3

Amortization Schedule

Date Payment Due dollars)*	Payment of Principal (expressed in
October 15, 1995	3,645,000
April 15, 1996	3,785,000
October 15, 1996	3,930,000
April 15, 1997	4,085,000
October 15, 1997	4,240,000
April 15, 1998	4,405,000
October 15, 1998	4,575,000
April 15, 1999	4,755,000
October 15, 1999	4,940,000
April 15, 2000	5,130,000
October 15, 2000	5,325,000
April 15, 2001	5,535,000
October 15, 2001	5,745,000
April 15, 2002	5,970,000
October 15, 2002	6,200,000
April 15, 2003	6,440,000
October 15, 2003	6,690,000
April 15, 2004	6,950,000
October 15, 2004	7,220,000
April 15, 2005	7,495,000

October 15, 2005	7,790,000
April 15, 2006	8,090,000
October 15, 2006	8,400,000
April 15, 2007	8,725,000
October 15, 2007	9,065,000
April 15, 2008	9,415,000
October 15, 2008	9,780,000
April 15, 2009	10,160,000
October 15, 2009	10,550,000
April 15, 2010	10,965,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance

with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the Republic of the Philippines may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Packages for equipment, materials and services may be procured under contracts awarded on the basis of either; (a) local competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank provided that said contracts shall not exceed \$200,000 per contract and up to an amount of \$5,000,000 in the aggregate, or (b) through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof), said contracts shall not exceed \$5,000,000 in the aggregate, or (c) on the basis of direct contracting for proprietary equipment not exceeding an amount of \$20,000,000 in the aggregate.

2. Packages of civil works not exceeding \$5,000,000 per contract may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

3. Subject to the prior approval of the Bank, fuel for power stations may be procured through organized international commodity markets or other channels of competitive procurement acceptable to the Bank, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$1,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be

modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out Part (B) of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Part (B) of the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$15,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special

Account at such intervals as the Bank shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories for Part B of the Project, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Part B of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories for Part B of the Project shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B)

deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

