



National Association of Electricity Consumers for Reforms
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HON. MA. MERCEDITAS N. GUTIERREZ
Ombudsman
Ombudsman Building
Agham Road, North Triangle
Diliman, Quezon City

Dear Madam Gutierrez,

Greetings!

This pertains to the sale of the Panay Diesel Power Plant (PDPP) and the Bohol Diesel Power Plant with a combined capacity of 168.7 megawatts (146.7 megawatts and 22 megawatts, respectively) by the Power Sector Assets and Liabilities Management Corporation (PSALM) to Salcon Power Company (Salcon) in April 2009 in the amount of **US\$5.86 Million**.

Considering that a new diesel plant costs between US\$2.5 Million-US\$3 Million per megawatt (MW), acquiring a diesel plant with a capacity of 168.70 MW at US\$2.5 Million per MW will cost about US\$421.75 Million. The salvage value of five percent (5%) of this amount will give us **US\$21.08 Million**.

It is worth stressing at this point that these plants were not junk or scrap metals at the time of its privatization but were being operated by NPC as base load plants to address the power supply shortage in Panay. In fact, NPC records will show that the transfer alone of Panay Diesel Power Plant from Batangas to Panay and its cost of rehabilitation was about Php One Billion Pesos (P1Billion) already.

As such, we believe that PDPP and BDPP should have been sold at no less than US\$21.08 Million. Thus, the sale to Salcon at US\$5.86 Million has put the government at a loss in the amount of **US\$15.4 Million** or P739 Million in violation of law.

Section 47 (a) of the Electric Power Industry Reform Act (EPIRA) specifically provides that the *“privatization value to the National Government of the NPC generation assets, real estate, other disposable assets as well as IPP contracts shall be **optimized**”* (emphasis supplied).

Believing that the net book value of PDPP and BDPP was higher than the amount of the proceeds of the sale to Salcon, we wrote PSALM on many occasions to request for documents relative to the sale of the said plants, specifically their net book value. However, our requests were met with evasive replies. (letters attached)

As of this writing, we have not been favored with any letter or information from PSALM indicating the net book value of the aforesaid power plants. However, sources at the National Power Corporation (NPC) who requested anonymity put the net book value at ₱1 Billion.

It is for this reason that we are respectfully requesting the Honorable Ombudsman to use its powers pursuant to the provisions of Section 13, Article XI of the Philippine Constitution and Section 15(8) of Republic Act No. 6770 (The Ombudsman Act of 1989) to direct PSALM to submit the **NET BOOK VALUE** of the Panay Diesel Power Plant (PDPP) and the Bohol Diesel Power Plant (BDPP) prior to their privatization in order to ferret out the truth surrounding the questionable sale of the said plants to Salcon Power Company.

Finally, may we request for the assignment of this request to Assistant Special Prosecutor Joseph F. Capistrano? He has assisted us in some concerns in the past and we have seen his dedication, integrity, and competence which we believe will see our request finding quick and positive results.

We look forward to the Honorable Ombudsman’s immediate and favorable response to our request.

Thank you and may the God Almighty continue to favor you with faith, strength, righteousness, and wisdom in the discharge of your duties.

Very truly yours,

PETE L. ILAGAN
President