



National Transmission Corporation

**EXCERPTS FROM THE MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE NATIONAL
TRANSMISSION CORPORATION HELD ON 24 AUGUST 2005**

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RESOLUTION NO. TC 2005-036

*Submission to the Energy Regulatory Commission of the Requirements for the
Second Regulatory Period (2006-2010)*

"**WHEREAS**, the Transmission Wheeling Rate Guidelines (TWRG) and the Regulatory Reset Issues Paper issued by the Energy Regulatory Commission (ERC) require the National Transmission Corporation (TransCo) to submit an application for the determination of the price control arrangements that will apply to TransCo for the Second Regulatory Period which is from year 2006 up to year 2010 which will determine the maximum transmission wheeling rates that TransCo may charge for its regulated services.

WHEREAS, to comply with the reset requirements, TransCo must submit the following:

1. An independent expert's initial asset revaluation report, an optimized depreciated replacement cost (ODRC) valuation of the same, and the corresponding recommended economic lives of various asset categories;
2. An independent expert's report on TransCo's proposed capital expenditures and TransCo's proposed capital expenditures for the Second Regulatory Period;
3. A method for determining the working capital and an estimate of TransCo's working capital requirements for the Second Regulatory Period;
4. An independent expert's report on the weighted average cost of capital (WACC) for the Second Regulatory Period;
5. An independent expert's report on proposed operating and maintenance expenditure and TransCo's proposed operating and maintenance expenditure for the Second Regulatory Period;



6. A forecast of expected taxes payable for the Second Regulatory Period and information on historical tax payments by TransCo; and
7. A proposed performance incentive scheme and performance measures for the Second Regulatory Period.

WHEREAS, the TransCo Technical Working Group for the Second Regulatory Period presented to the Boards of Directors of TransCo and the Power Sector Assets and Liabilities Management Corporation (PSALM) its application for the Alternative Rate Setting Methodology for the Second Regulatory Period (2006-2010).

NOW THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the submission of the Independent Expert (Sinclair Knight Merz or SKM) Initial Asset Revaluation Report prepared is hereby approved and confirmed;

RESOLVED, that the adoption of the Optimized Depreciated Replacement Cost (ODRC) Valuation Methodology as well as the corresponding Recommended Economic Lives of Various Asset Categories in the Books of Accounts are hereby approved and confirmed;

RESOLVED, that TransCo's Proposed Capital Expenditures and the Independent Expert's (SKM) Report on TransCo's Proposed Capital Expenditures for the Second Regulatory Period are hereby approved and confirmed;

RESOLVED, that the method for determining the Working Capital and the estimate of TransCo's Working Capital Requirements for the Second Regulatory Period are hereby approved and confirmed;

RESOLVED, that the submission of the Independent Expert's (LECG) Report on the Weighted Averaged Cost of Capital (WACC) for the Second Regulatory Period is hereby approved and confirmed;

RESOLVED, that TransCo's Proposed Operating and Maintenance Expenditure and the submission of the Independent Expert's (SKM) report on the Proposed Operating and Maintenance Expenditure for the Second Regulatory Period are hereby approved and confirmed;



RESOLVED, that the submission of the Forecast of Expected Taxes Payable for the Second Regulatory Period and information on Historical Tax Payments by TransCo are hereby approved and confirmed;

RESOLVED, that the Proposed Performance Incentive Scheme and Performance Measures for the Second Regulatory Period are hereby approved and confirmed;

RESOLVED, that all annexed materials to this board resolution shall form an integral part thereof;

RESOLVED FINALLY, that this Board approval shall be subject to compliance with all relevant laws, rules and regulations and any violations thereof shall render this approval null and void.

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APPROVED AND CONFIRMED, August 24, 2005.

CERTIFIED TRUE AND CORRECT:


LUISITO A. TRINIDAD
Acting Corporate Secretary

