

BOARD RESOLUTION No. 05-69

WHEREAS, pursuant to Section 43 (f) of R. A. 9136 otherwise known as the "Electric Power Industry Reform Act", the Energy Regulatory Commission (ERC) developed, approved and promulgated on May 29, 2003 the Transmission Wheeling Rates Guidelines (TWRG), a new methodology for setting the transmission wheeling rates of the National Transmission Corporation ("TransCo") based on the Maximum Annual Revenue (MAR) cap;

WHEREAS, under Article VII of the TWRG which sets forth the Regulatory Reset Process that the ERC will follow to determine the price control arrangements that are to be made applicable for the Second Regulatory Period, the ERC, pursuant to Section 7.1.2 of the TWRG, published on September 20, 2004 a Regulatory Reset Issues Paper which provide the ERC's initial views on the issues to be discussed during the Regulatory Reset Process and guide TransCo in preparing the information required to be provided to ERC for purposes of the Regulatory Reset Process and the time by which that information must be provided;

WHEREAS, the TWRG and the Regulatory Reset Issues Paper issued by the ERC require 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 2010 which will determine the maximum transmission wheeling rates that TransCo may charge for its regulated service;

WHEREAS, to comply with the reset requirements, TransCo must submit to the Energy Regulatory Commission 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

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MARIAL LUZ L. CAMINERO
Corporate Secretary

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 Board 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 (2206-2010).

NOW THEREFORE, BE IT RESOLVED, AS IT HEREBY RESOLVED, that, after careful consideration by the Board, the following reset requirements submitted by the TransCo Technical Working Group for the Second Regulatory Period are hereby **APPROVED** and **CONFIRMED**, as follows:

1. The submission of the Independent Expert's (Sinclair Knight Merz or SKM) Initial Asset Revaluation Report;
2. 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;
3. The TransCo's Proposed Capital Expenditures and the Independent Expert's (SKM) Report on TransCo's Proposed Capital Expenditures for the Second Regulatory Period;
4. The method for determining the Working Capital and the estimate of TransCo's Working Capital Requirements for the Second Regulatory Period;
5. The submission of the Independent Expert's (LECG) Report on the Weighted Average Cost of Capital (WACC) for the Second Regulatory Period;
6. The 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;
7. The submission of the Forecast of Expected Taxes Payable for the Second Regulatory Period and information on Historical Tax Payments by TransCo;
8. The Proposed Performance Incentive Scheme and Performance Measures for the Second Regulatory Period;

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

APPROVED AND CONFIRMED, August 24, 2005.

CERTIFIED TRUE AND CORRECT:


MARIAL LUZ L. CAMINERO
Corporate Secretary