

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)

AFFIDAVIT

I, **FILIPINA L. TUAZON** Filipino, of legal age, single and with business address at **21st Floor, 6788 Ayala Avenue, Oledan Square, Makati City**, after having been duly sworn to in accordance with law, hereby depose and state THAT:

1. I obtained my Bachelor of Science in Business Administration, major in Accounting, Cum Laude at University of the East in 1970, passed the government examinations for Certified Public Accountant in 1970 and Licensed Real Estate Appraiser in 1997;
2. I am the Director and Auditor of the Philippine Association of Realty Appraisers and affiliated with Philippine Institute of Certified Public Accountants and Institute of Management Consultants of the Philippines;
3. I am presently the Executive Vice President of Asian Appraisal Company, Inc. (AACI) and in-charge for the over-all operation of the Company;
4. I started employment with AACI in 1977 as Executive Assistant and rose to rank as Assistant Vice President, Vice President and to present position of Executive Vice President;
5. In the course of my employment at AACI, I was responsible with the supervision and review in the valuations of Public Utilities namely, National Power Corporation, Manila Electric Company (MERALCO), Philippine Long Distance Telephone Corporation, Smart Telecommunications, Inc., Globe Telecom. Panay Electric Corporation, Cabanatuan Electric Corporation, Dagupan Electric Corporation, Cagayan Electric Corporation, Ilocos Sur Electric Cooperative, Palawan Electric Cooperative, Ilocos Norte Electric Cooperative, Tarlac Electric Cooperative, Iloilo II Electric Cooperative, Pilipino Telephone Corporation, and National Transmission Corporation and others;
6. AACI has been engaged in property appraisal for 45 years and with head office at Ayala Avenue, Makati City and branches at Cebu, Bacolod and Davao. It is the largest professional valuation firm in Southeast Asia and has undertaken foreign projects for the power sector in the USA, Brazil, China and Singapore;
7. On January 18, 2006, PBA partnered with Asian Appraisal Company, Inc. (AACI) for the purpose of valuing distribution company assets in the Philippines. AACI has been rendering appraisal services for Philippine distribution companies since 1970;
8. On December 19, 2005, the Energy Regulatory Commission (ERC) published an invitation to respond to a Request for Proposal (RFP) for the appointment of a regulatory reset expert for the valuation of the regulatory base of the privately owned distribution utilities (DUs) operating under Performance Based Regulation (PBR);
9. On February 9, 2006, the ERC engaged the services of PBA/AACI to conduct an appraisal of the Transmission, Distribution and General Plant of Cagayan Electric Power and Light Company, Inc. (CEPALCO), Dagupan Electric Corporation (DECORP) and Manila Electric Company (MERALCO) at various locations in Luzon and Mindanao exclusive of materials on hand, any current and intangible assets existing as of June 30, 2006, for the purposes of arriving at the Fair Market Value of the land and transportation equipment and the ODRC of the other replaceable assets of these DUs;

10. The bases of values adopted are as follows:

a. For land and Transportation Equipment – Fair Market Value (FMV)

Fair Market Value defined as the amount in terms of money which a property bring in a competitive and open marked under all conditions requisite to a fair sale, the buyer and the seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

b. For Replaceable Assets – Optimized Depreciated Replacement Cost (ODRC)

ODRC is defined as the minimum cost of replacing or replicating the service potential embodied in the network with modern equivalent assets in the most efficient way possible from an engineering perspective, given the service requirements, the age and condition of the existing assets and replacement in the normal course of business.

11. The valuations were conducted in accordance with the Asset Valuation Guidelines promulgated by the ERC on August 9, 2006;

12. In going about the valuations, PBA and AACI agreed on the following delineation of duties:

System Fixed Asset Valuation	PBA with support of AACI for ocular inspections
Land and Building valuation	AACI
Non-System Fixed Asset Valuation	AACI
System Fixed Asset Replacement Costs	PBA
Asset Lives	PBA
Optimization	PBA
ODRC Register	PBA for System Fixed Assets; AACI for Non-System Fixed Assets, Land and Building
Reconciliation of June 30, 2006 valuation to previous valuation	PBA for System Fixed Assets; AACI for Non-System Fixed Assets, Land and Building

13. As a result of valuations conducted, PBA / AACI prepared formal valuation reports for MERALCO, CEPALCO and DECORP, hereto attached as Annex A, B, and C respectively;

14. Said valuation reports include the following:

- a. Executive Summary (Section 1.1 of the valuation report);
- b. Details of the approach taken for the valuation (Section 1.2 of the valuation report);
- c. Description of the sources of information relied upon in the valuation (Section 2 of the valuation report);
- d. Assumptions and limiting conditions which impact upon the valuation (Section 3 of the valuation report);
- e. Schedule of standard replacement cost and economic asset lives for fixed assets (Appendix B of the valuation report);
- f. Provision of detailed supporting asset schedules for all the DUs Fixed Assets (ODRC spreadsheet(s) for each DU);
- g. Details of the amount of depreciation charge, and the depreciated replacement cost (DRC) of the network (ODRC spreadsheet(s) for each DU);


- h. Details of the components at the network which were optimized and the ODRC as of June 30, 2006 (Appendix C of the valuation report); and
 - i. Reconciliation of any major variations between the ODRC asset valuation and previous valuations (Section 4 of the valuation report.).
15. For the land, building and non system fixed asset valuations of MERALCO, I performed the following functions:
- Briefed the valuation methodology which will be performed by the appraisal team;
 - Conducted inspection on selected sites;
 - Reviewed the results of the findings of the appraisal team before sending to PBA;
 - Coordinated with MERALCO's assigned group on the problems with the inspections, documentations and reconciliation with their Fixed Asset Register; and
 - Coordinated with PBA on required activities necessary for the valuation.
16. For the land, building and non-system fixed asset valuations of CEPALCO and DECORP, I performed the following functions:
- Briefed the valuation methodology which will be performed by the appraisal team;
 - Reviewed the results of the findings of the appraisal team before sending to PBA;
 - Coordinated with DECORP and CEPALCO on the reconciliations with their respective Fixed Asset Register; and
 - Coordinated with PBA on required activities necessary for the valuations.
17. The appraised asset values as contained in the valuation reports for MERALCO, CEPALCO and DECORP in connection with the ongoing distribution price reset were independently determined by PBA / AACI and only minor adjustments made as a result of formal and independent consultations with the DUs;
18. I am executing this Affidavit to prove the veracity of the foregoing.

Further, affiant sayeth naught.


FILIPINA I. TUAZON
 Affiant

SUBSCRIBED AND SWORN to before me this 6th day of October, 2006 at Makati City, Philippines. Affiant exhibited to me her community tax certificate No. 02121975 issued on January 19, 2006 at Manila.

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