



Environmental and Social Performance Report

Project Number: LN2612/EI7303
January to December 2011

PHI: Visayas Base-load Power Development Project

Prepared by
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Cebu City, Philippines

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Asian Development Bank

Annual Environmental & Social Performance Report

For

The 2x100 MW Cebu Power Plant

Reporting Period: January – December 2011
Completion Date: 08/23/2012

Prepared by KEPCO SPC Power Corporation



KEPCO SPC
POWER CORPORATION



2x100 MW
CEBU
POWERPLANT



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1. INTRODUCTION

1.1 Background

1. To address the looming power shortage in the Visayas region, KEPCO SPC Power Corporation (KSPC) undertook the construction of a 2 x 100 megawatts (MW) power plant project in Barangay Colon, City of Naga, Cebu. The project is standing in a 10-hectare land leased for 25 years from National Power Corporation (NPC). The power plant is utilizing imported sub-bituminous coal for its fuel at approximately 800,000 MT per year. The cooling system for condensers is once-through using the surrounding seawater, and the same is also used for the plant's demineralized and service water needs having its own seawater treatment plant. The facility has virtually no effluents as its wastewater treatment system recycles the treated wastewater for plant service use.

2. The Cebu Power Plant is a clean coal power plant that employs the Circulating Fluidized Bed Combustion (CFBC) technology. Clean in the sense that the system reduces Sulfur Dioxide (SO₂), Nitrogen Dioxide (NO₂), and Carbon Monoxide (CO) emissions due to the introduction of limestone in the fuel stream, staged combustion reducing operating temperatures, and fuel recirculation maximizing consumption respectively.

3. Construction of the project was commenced in 2008. Commercial operation of Unit 1 was achieved in February 2011 while that for Unit 2 was on May 2011. Power is delivered through 138-KV power lines to benefit the Visayas region directly.

4. The project involves 2 resettlement issues: a) in the leased property called Naga Land; and b) along the Transmission Line (T/L) Project. Prior to construction period, resettlement of some informal settlers families just outside the lease land have been carried out as a joint effort by Barangay Colon, Naga-LGU, NPC and KSPC. Out of 22 families, 17 have accepted financial assistance provided and voluntarily moved their houses in the same vicinity outside the plant's perimeter fence. Five families claim to have legal titles and partially encroached in the leased land. NPC filed a civil case for recovery of possession of the areas occupied by these 5 families.

5. Meanwhile, a social analysis conducted by Transco, now National Grid Corporation of the Philippines (NGCP), concluded that the proposed 138 KV T/L Project requires land acquisition and resettlement. The transmission line from KSPC's Cebu Power Plant Project to the New Naga Substation affected 11 landowners, 1 tenant, 13 structures owners and 10 relocatee-households.

6. Environmental issues of the project come in different scales but the only validated issue is that relating to coal and ash dust. With its area near the sea and the main road, and with a lot of residential houses around, the problem on dust is something that will persist every now and then. However, with its active Environmental and Community & Public Relations sector, KSPC has so far controlled the situation and developed long term plans to permanently avoid major pollution occurrences.

1.2 Objective

7. The purpose of this Annual Environmental and Social Performance Report (AESPR) is to report on KSPC's compliance with the agreed Environmental Management Plan and Social Management Plan including all other applicable environmental and social requirements of the power plant. The report shall also assess any preventive, control, or corrective actions

implemented/proposed. The scope and coverage of this report shall include all phases of the project. The following are included:

- Contact information for responsible individuals
- Compliance by KSPC with environmental and social requirements
- Environmental and social aspects of the project under implementation
- Occupational health and safety performance and significant incidents
- Sustainable development initiatives and community relations

2. ENVIRONMENTAL & SOCIAL MANAGEMENT

2.1 ESPR Preparer

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Report Date: September 2012

2.2 Environmental & Social Responsibility

8. The chart in Figure 1 describes the current organization of KSPC's environmental, social, occupational safety and health organization. Since KSPC contracted the services of an Operations and Maintenance (O&M) Operator, a dynamic approach is ideal in managing these aspects as well as facilitating a smooth flow in making decisions.

9. KSPC's Environmental/Community and Public Relations (Envi/C&PR) Office handles the social and environmental issues related to the project and implements the annual Social Development Plan (SDP), Corporate Social Responsibility Program (CSR), Environmental Management Plan (EMP), Environmental Monitoring Plan (EMoP), and other necessary conditions or requirements to ensure that the power plant is in compliance to all applicable laws and regulations including commitments made to the financial institutions involved. The office also serves as the front liner of the company in its interaction with the host communities, local government officials and other stakeholders of the project.

10. The Operator, being directly involved with the operation of on-site monitoring equipment, laboratory analyses, and on-site program implementation reports to and coordinates with the Envi/C&PR who oversees the related activities. Applicable reports are prepared by KSPC together with consolidated data from the Operator.

The following are the Company's Environment/C&PR personnel:

<u>Responsible Person</u>	<u>Contact Information</u>
1. Victorio B. Naval General Manager, C&PR/Environment	032 5054065/09173225929 vbnaval@spcpower.com
2. Jasmin G. Suma-oy Community Relations Officer	032 5054065/09176646495 jasmin.sumaoy@gmail.com
3. Neil Lawrence V. Miral Pollution Control & Ash Disposal Officer	032 5054065/09333626657 s3_ops@yahoo.com

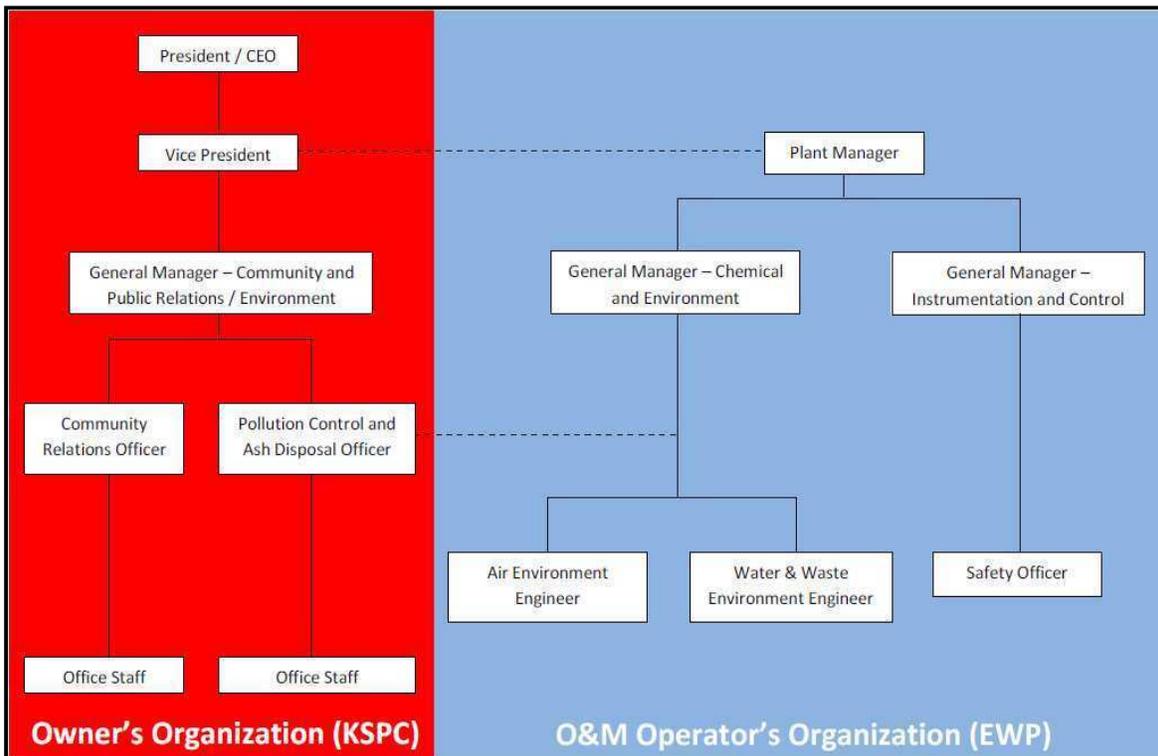


FIGURE 1. Cebu Power Plant Environmental, Social, Health, and Safety Organization

2.3 Environmental Management Plan (EMP), Social Development Plan (SDP), and Corporate Social Responsibilities (CSR) Implementation

11. Together with its Operator, KSPC's on-site team ensures that the EMP, SDP, and CSR are implemented and continuously improved. Since the Cebu Power Plant is still at its first year of operations, the organization is yet to perfect its current long-term procedures and management systems in handling the environmental, social, health, and safety aspects of the power plant including the setting up of performance indicators to ensure improvement. One important innovation would be to reorganize the table of organization and ensure that the designated officers of KSPC have direct control over the direct implementing employees of the Operator including the hiring of additional personnel. Reporting is also done properly and regularly in compliance with the different requirements.

12. Efforts have been exerted to formulate specific Health and Safety plans, and Emergency Response procedures and communicate such requirements to the Operator for implementation. Trainings and drills have been made on site to promote safety awareness. Workers are provided with the necessary health and insurance benefits including health monitoring programs.

13. At the beginning of each calendar year, C & PR prepares an updated Annual SDP and CSR Program. Regular consultations with the host community/recipients of the project are conducted to know their priority needs. Once a specific project is identified, an internal approval is processed for the implementation of the project. A regular report on the implemented projects is submitted to the External Affairs Department. The CRO is also coordinating with NGCP and NPC with regards to the monitoring of the status of the resettled families in the Naga Land and the status of the ROW cases for the T/L Project.

14. For the Environmental aspect, the EMP including the monitoring plan is continuously reviewed internally and by KSPC's Multi-Partite Monitoring Team (MMT). Improvements are decided and carried out as soon as internal management approval is achieved. On-site environmental monitoring are being made by the Operator. Third party environmental monitoring is also being conducted particularly on parameters that are outside of the power plant site. Results of all environmental monitoring are also reviewed by the MMT for further action or recommendations. Environment preservation activities such as tree planting and coastal cleanup are done every year. Long-term programs on both are yet to be established.

3. COMPLIANCE BY PROJECT WITH THE ENVIRONMENTAL AND SOCIAL REQUIREMENTS AS SPECIFIED IN THE LOAN AGREEMENT

3.1 Compliance with Country Requirements

15. KSPC together with the Operator is faithfully exerting efforts to effectively comply with and monitor applicable national and local environmental, social, occupational health and safety laws and regulations. This includes all the conditions in relevant permits / clearance documents issued by all concerned Governmental Authority handling the environmental and social aspect. In December 5, 2005, the project was granted its Environmental Compliance Certificate (ECC) by the Department of Environment and Natural Resources – Environmental Management Bureau (DENR-EMB). The conditions stated in this document are those that must be complied with, in consideration with the timing and related circumstances, by KSPC for the Cebu Power Plant project to be implemented. Aside from its ECC, the following are documents, laws, and/or regulations that KSPC must comply with:

- a. Environmental Impact Statement (EIS) [DENR-EMB]
- b. Certificate of Registration (COR) [Board of Investments, BOI]
- c. Permit to Operate (PTO) [DENR-EMB]
- d. Energy Relations 1-94 (ER 1-94) [Department of Energy, DOE]
- e. Toxic, Hazardous, and Nuclear Wastes Control Act (RA6969) [DENR-EMB]
- f. Clean Air Act (RA8749) [DENR-EMB]
- g. Clean Water Act (RA9275) [DENR-EMB]
- h. Ecological Solid Waste Management Act (RA9003) [DENR-EMB]
- i. All DENR Administrative Orders

16. The compliance status to the ECC, and EMP of the project summarizes KSPC's compliance to its environmental and social country requirements which is found in Annex 1.

Though there are no concrete conditions on the social aspect indicated in these documents, KSPC is actively implementing its SDP & CSR Program and other community outreach projects responsive to the needs of the host community. In 2011, the company spent approximately Php 2,180,000.00 for the implementation of its programs and projects for the community and its stakeholders. Annex 2 presents the details of the implementation.

17. Aside from its contribution under the SDP & CSR Program, KSPC is setting aside one centavo per kilowatt-hour of its electricity sales as financial benefits to the host communities in accordance with the Memorandum of Agreement it entered with the Department of Energy on October 7, 2007 pursuant to Energy Relations 1-94 as provided by the law. The Department of Energy conducts regular audit of the electricity sales of KSPC and coordinates with the company for the accrued financial benefits under the ER 1-94 Program that has to be remitted to the DOE for deposit in the established trust accounts as provided for in the approved MOA. In 2011, KSPC has contributed approximately Php 9,660,000.00 to benefit its host communities. This amount will still increase in the coming years as the Cebu Power Plant was not operating at full load throughout 2011.

18. DENR-EMB Region 7 as well as the Local Government Unit (LGU) of Naga City conduct surprise evaluations or inspections every now and then on the power plant's compliance. So far there were no such instances where in the project was reported to be non-compliant in which significant fines have been imposed or operations closed down. Although not all conditions are met at this moment, the company has provided valid justifications to the inspecting authority on the delay or inapplicability of such a condition.

19. There was however an instance wherein coal unloading operations were halted by the LGU due to coal dust. The problem however was remedied within a period of 3-5 days and operations resumed. Long-term solutions were also implemented and completed immediately which in effect proved to be very successful in controlling the coal dust. Annex 3 is a summary report on the issue.

20. A supposedly potential issue early in the year 2011 was that on ash disposal. But with the emerging proposals from large potential ash recyclers in the middle of 2011, KSPC's ash disposal problems are good as solved. Negotiations are yet to be finalized as well as the securing of court approval on the release of ash to the sites of the recyclers. This is with respect to the on-going Temporary Environmental Protection Order (TEPO) issued to all coal-fired power plants in Cebu preventing them to dispose the ash outside of the plant sites unless the specific destination is approved by the environmental court. KSPC is on the belief that court approval will soon be granted as ash recycling is the most environmentally sustainable option of disposing the ash.

3.2 Compliance with Safeguard Requirements

21. As a project financed by international lending institutions, KSPC sees to it that it is compliant to the Lenders' environmental & social policies and guidelines. Assessment for the coverage year provides that KSPC is exerting efforts to be in compliance with Lenders' recommendations to adhere with the established performance indicators by KSPC. Table 1 describes these indicators as well as the compliance status of each.

22. Recommendations for the year include: a) monitoring of the historical ash dump sites, b) concrete works at resettlement area to insulate informal settlers from the land composed of historical ash, and c) resolution of the coal yard dust issue.

Table 1. Safeguard Requirements Compliance Status (Key Indicators)

No.	Key Indicators	Status of Compliance	Remarks
ENVIRONMENTAL SAFEGUARDS			
1	Conduct of Environmental Impact Assessment	Complied.	Done at the development phase of the project.
2	Public Disclosure of Environmental Assessment	Complied.	Disclosure done through ADB's website.
3	Establishment and implementation of an EMP	Complied.	See Annex 2 for compliance status.
4	Establishment and implementation of an EMoP	Complied.	See Annex 2 for compliance status.
5	Environmental reporting	Complied.	Quarterly reports submitted.
6	Use of pollution prevention and control technologies	Complied.	See Annex 4 for the Cebu Power Plant's installed pollution control and monitoring equipment.
7	Provision of a safe and healthy working environment for workers	Complied.	See Table 6 for the Cebu Power Plant's 2011 Safety Report. Emergency preparedness and response measures are in place and imparted to workers.
8	Proper and sustainable solid waste disposal	Complied.	Solid wastes are segregated and withdrawn by the Naga City LGU for proper disposal while coal ash (stored and freshly generated) will be recycled to promote sustainability.
9	Conduct environmental preserving activities or programs	Complied.	See Annex 5 for the related activities conducted by KSPC in 2011. Long-term programs will soon be established such as tree planting programs and energy saving programs.
10	Conduct Information-Education and Communication (IEC) activities or programs	Complied.	See Annex 6 for IECs made in 2011.
11	Lenders' Recommendations (Adverse environmental impacts control, mitigation, and monitoring)	Complied.	a) Historical ash disposal sites are monitored and results are reported in the quarterly environmental reports. b) Concreting works completed. See Annex 7 for pictures (reported in quarterly reports). c) See Annex 3 for the measures made on the coal dust issue.
SOCIAL SAFEGUARDS (Involuntary Resettlement)			
12	Consultation with affected families, concerned communities and LGUs	Complied.	Consultations were made during the construction phase of the project. Site visits are conducted to monitor the families' conditions.
13	Improve and/or restore the affected families' livelihoods	Complied.	Monetary assistance and compensation were provided for the transfer of the relocated families to the designated sites.
14	Provision of physical or economical assistance to affected families	Complied.	a) Pathways in the area where the families were transferred were paved and the floors of some houses were cemented (See Annex 7). b) Affected families are recipients to the company's implemented SDP and CSR Programs. c) Improvement to the families' sanitary facilities were made.
15	Provision of avenues or opportunities for the affected families to be alleviated from their underdeveloped status	Complied.	a) Members of the affected families are recipients to free skills training seminars and programs b) Members of the affected families are intermittently hired as manual workers for contractual jobs.

23. ADB's Safeguard Policies on Involuntary Resettlement was complied with in the case of the resettled families in the Naga Land and the T/L Project. Proper compensation and assistance were provided to the concerned families to make sure they are in better condition before the project was carried out. These families continue to enjoy benefits from the company through the SDP & CSR Program and other community outreach program being implemented throughout the host community.

24. Environmental monitoring for the coverage period suggests that the project is generally compliant with the applicable standards. On air quality, a significant finding would be the occasional high levels of ambient particulate concentration. However this occurrence is not frequent and can be attributed to other factors such as dust from vehicles in the highway and dust from the old power plant right across the street. More often than not, the wind directions indicated during these said exceedances imply that the Cebu Power Plant is not a possible source. KSPC is in the process of seeking a capable contractor to conduct and validate the old air emission modeling and determine the cumulative effects of particulate emission sources which is useful for future observations (included in the ECC conditions).

25. No major issues are reported on the marine environment. Marine life monitoring will be started in 2012 and shall be reported in the next coverage period of this annual report. For ground water, most of the host communities' water resources, near the sea and up on the mountains, have high dissolved solids. This is consistent with the background values found during the assessment stages of the project (before construction). This is probably due to salt water intrusion or the natural earth composition in the area. Based on KSPC's monitoring, it is suggested that the ground water points monitored not be made for drinking as it has high bacterial activity probably due to domestic causes. It must be noted that the Cebu Power Plant's operations does not affect the ground water and depletion is not a concern as it uses sea water for its operations.

26. The Cebu Power Plant has also contributed in terms of labor influx for the local and host communities. In 2011, approximately 45% of the Cebu Power Plant's labor force is composed of locals from the host city. This is not yet including the manual laborers of the power plant's contractors in which the majority are locals.

27. KSPC has effectively organized a team where all grievances and complaints are brought for the company's attention, discussion, and resolution. The Multi-Partite Monitoring Team (MMT) is composed of all concerned stakeholders majority of which are leaders of the host communities and related sectors therein. The MMT acts as the contact point and information sources of the local populace. Improvements and expansion of the MMT are among the future plans of KSPC. The Community Relations Officer (CRO) also acts as the front line in responding to direct complaints and grievances forwarded to the management. The Pollution Control Officer (PCO) as well as the other technical officers, supervisors, and managers coordinate and support the CRO in this undertaking.

4. ENVIRONMENTAL AND SOCIAL PROGRESS OF THE PROJECT

28. The project is currently on-schedule and has successfully achieved commercial operation status on February 2011 for Unit 1 and May 2011 for Unit 2. Changes in the project design and concerns on the ECC from the start of the power plant's construction period up to the present are shown in Table 2. All of the project changes are properly assessed technically and environmentally, and communicated accordingly to DENR-EMB.

4.1 Environmental Progress

29. All environmental-related permits are properly applied for. Acquisition status is indicated in Table 3 and necessary renewals will be filed accordingly. Due environmental monitoring was also performed. Plant tours are continuously done to inform and responsibly educate the stakeholders surrounding the community on the whereabouts and updates of the power plant and its operation. Other activities such as tree planting are held to promote the company's advocacy on sustainable development and environmental protection. Table 4

shows a list of the environmental activities conducted for the power plant within the coverage period and the dates when it was being made.

Table 2. Project Design Changes/Concerns on the ECC Conditions and Status

	Project Design Change or ECC Concerns	Status
1	Jetty extension	The jetty extension design length was increased and DENR-EMB approved it on July 31, 2009.
2	Ash Pond C relocation	Ash Pond C was moved from the Lot 2 area (indicated in the EIS) to inside the Naga Power Plant Complex and was approved by DENR-EMB on March 16, 2010.
3	Reduction of Continuous Ambient Air Quality Monitoring Stations (AAQMS) from 4 to 2	Having assessed that the ECC condition on establishing four (4) AAQMS stations is an overdesign, DENR-EMB approved the reduction on November 3, 2010.
4	Extension coal yard at Lot 2	A plan was communicated to DENR-EMB on the construction of an extension coal yard at Lot 2. It was approved on April 20, 2011 but was not pushed through due to potential dust impacts.
5	Ash pond capacities deviation	The actual capacities of the ash ponds constructed are greater than the capacity reflected in the project's EIS. Approval was not obtained within the coverage period.

Table 3. Environmental Permits Acquisition Status

	Environmental Permit	Status
1	Environmental Compliance Certificate	Acquired on December 5, 2005
2	Permit to Operate (Air Pollution Sources and Control Devices)	Acquired temporary permit on May 8, 2011, permanent permit on November 11, 2011.
3	Hazardous Waste Generation Registration	Acquired on June 8, 2011.
4	Discharge Permit (Effluents)	Acquired on May 8, 2011.

Table 4. Environmental Monitoring, MMT, IEC, and Preservation Activities

	Activity	Date Accomplished
1	In-house effluent testing	Feb. 2, 2011
2	Water discharge temperature testing (at mixing zone)	Feb. 15, 2011
3	MMT Meeting - 1 st Quarter	Feb. 24, 2011
4	MMT Meeting – 2 nd Quarter (emergency – presentation to stakeholders on the coal dust issue solutions)	Apr. 15, 2011
5	Ambient air quality & noise testing (grab-sample) at 7 locations	Apr 28-29, 2011
6	Marine water quality sampling and testing at 5 locations	Apr 28, 2011
7	Ground water quality sampling and testing at 4 locations	Apr 28, 2011
8	Total suspended particulates testing at 4 locations in-site	April 29, 2011
9	Noise testing at 7 locations in-site	April 29, 2011

	Activity	Date Accomplished
10	MMT sludge testing activity	Apr. 29, 2011
11	In-house effluent testing (pH, COD, Res. Cl) at 3 locations	May 2011
12	Water discharge temperature testing (at mixing zone)	May 10, 2011
13	Barangay Colon plant tour	May 11, 2011
14	Barangay Tangke plant tour	May 12, 2011
15	Barangay North Poblacion plant tour	May 13, 2011
16	In-house effluent testing (pH, COD, Res. Cl) at 3 locations	June 2011
17	In-house effluent testing (pH, COD, Res. Cl) at 3 locations	July 2011
18	River water heavy metal content testing at Pangdan and Naalad	July 28, 2011
19	Seawater heavy metal content testing at the Resettlement Area	July 28, 2011
20	Ash heavy metal content testing at Resettlement Area	July 28, 2011
21	In-house effluent testing (pH, COD, Res. Cl) at 3 locations	Aug. 2011
22	Effluent testing at 3 locations	Aug. 9, 2011
23	Coal ash sampling and TCLP testing at ash pond	Aug. 9, 2011
24	Ground water quality sampling and testing at 4 locations	Aug. 9, 2011
25	Ambient air quality & noise testing (grab-sample) at 4 locations	Aug. 11, 2011
26	Marine water quality sampling and testing at 5 locations	Aug. 11, 2011
27	Water discharge temperature testing (at mixing zone)	Aug. 11, 2011
28	River water heavy metal content testing at Pangdan and Naalad	Aug. 31, 2011
29	In-house effluent testing (pH, COD, Res. Cl) at 3 locations	September 2011
30	Mindanao State University plant tour	Sep. 28, 2011
31	Ambient air quality & noise testing (grab-sample) at 4 locations	Sep. 29, 2011
32	River water heavy metal content testing at Pangdan and Naalad	Sep. 29, 2011
33	Ground water quality sampling and testing at 4 locations	Sep. 29, 2011
34	Effluent testing at 3 locations	Sep. 29, 2011
35	Water discharge temperature testing (at mixing zone)	Sep. 30, 2011
36	Marine water quality sampling and testing at 5 locations	Sep. 30, 2011
37	In-house effluent testing (pH, COD, Res. Cl) at 3 locations	October 2011
38	3 rd party emissions monitoring	Oct. 14, 2011
39	River water heavy metal content testing at Pangdan and Naalad	Oct. 28, 2011
40	In-house effluent testing (pH, COD, Res. Cl) at 3 locations	November 2011
41	River water heavy metal content testing at Pangdan and Naalad	November 29, 2011
42	In-house effluent testing (pH, COD, Res. Cl) at 3 locations	December 2011
43	Cebu Municipal Trial Judges League plant tour	Dec. 9, 2011
44	Ambient air quality & noise testing (grab-sample) at 4 locations	Dec. 21, 2011
45	River water heavy metal content testing at Pangdan and Naalad	Dec. 21, 2011
46	Ground water quality sampling and testing at 4 locations	Dec. 21, 2011
47	Tree planting activity	Dec. 28, 2011
48	Water discharge temperature testing (at mixing zone)	Dec. 28, 2011
49	Marine water quality sampling and testing at 5 locations	Dec. 28, 2011
50	Effluent testing at 3 locations	Dec. 28, 2011
51	Coal ash sampling and TCLP testing at ash pond	Dec. 28, 2011
52	Ambient air quality monitoring at North Poblacion and Colon	Real-time/Continuous
53	Perimeter noise measurement at guard houses 1 and 2	Real-time/Continuous
54	Emissions monitoring	Real-time/Continuous

30. Much of the complaints received against the power plant are those pertaining to dust emissions. Though there are other potential sources such as vehicle-based emissions, emissions from the nearby cement plant (4-km away), and emissions from the old Naga Power Plant right across the street, KSPC is continuously finding long-term solutions that shall ensure the public that the emissions are not from the power plant while implementing faithfully intermediate control measures such as water spraying and other material handling techniques. The company is also in close coordination with the affected communities regarding this intermittent issue and is always ready to extend any necessary help. The air quality modeling will be conducted within the next year to also provide inputs in developing the long-term solutions provided that capable contractors will be found.

4.2 Social Progress

31. Aside from addressing the impending power shortage, KSPC is also building a community and is helping create better lives for the residents. KSPC is implementing a Social Development Plan and Corporate Social Responsibilities (SDP and CSR) Program that is rooted from the principle of sustainable community development. This SDP & CSR Program is focused on Health, Education, Environment and Livelihood.

32. From 2009 and 2010, when the power plant is still under construction, the company spent almost P1 million for various community projects. Another P1 million was spent in 2011. These projects include the donation of equipment for the upgrading of the facilities of the city and barangay health centers. Medical and Dental Missions are also continually conducted to monitor the health of the community, especially of the children and elderly. To further address the health needs of the residents, feeding programs and provision of vitamins supplements, as well as distribution of toothpaste and toothbrushes to day care and elementary students are also being done.

33. Acknowledging the importance of education to nation-building, KSPC has been supporting the public school through donations of computer, dictionaries and other reference materials; donation of book shelves, tables and chairs for the school library; sponsorship of athletic activities. Skills development training for the out-of-school youth and unemployed women of the barangay were also conducted under the Alternative Learning System Program of the Department of Education.

34. The Korean expats wives, through their personal contributions, have been extending educational assistance to 3 Day Care Centers closest to the power plant. They entered into a Memorandum of Agreement with the LGU for the "Adopt-A-Day Care Program" in December 2009. Since then they have been providing funds for the improvement of school facilities. Among these are donations of karaoke system, cordless microphones & educational CDs; sponsorship of expenses for the graduation and participation in the celebration of Children's Month, repainting of classrooms and donation of other educational resources.

35. KSPC maintains good relations with its host communities by supporting and participating in community events such as basketball tournaments during summertime; supporting the activities of the senior citizens, hosting of Children's Party during Christmas and providing financial assistance for cultural activities for fiestas and foundation celebrations. On a regular basis, KSPC engage in productive conversations and interactions with the stakeholders that include the local community, to know their priority needs and to be able to better address these.

36. The SDP & CSR Program is not the only thing that the host communities are going to enjoy. There are greater things to come for the continuing development of the community under the Benefits to Host Communities provided for in the Energy Regulations (ER) 1-94.

37. The ER funds from KSPC's 200 megawatts or 200,000 kilowatt-hours generation facility is estimated to be at least 14 million pesos per year. Thus, for 25 years of operation, these benefits can electrify several barangays, pave so many roads, and construct many water systems and other basic facilities. And because of this, KSPC shall be recognized not only as a top provider of electric generation in the Visayas but also as a strong partner in the continuing growth and progress of the community.

Table 5. Summary of the Implemented Major Community Relations Activities

ACTIVITY	2009	2010	2011	TOTAL
Medical Mission	1	2	3	6
Feeding Program	1	1	1	3
Vitamins Supplementation	1	1	1	3
Distribution of Toothpaste & Toothbrush		1	1	2
Skills Training Program		3	1	4
Donation of equipment for the improvement of Rural Health Center	1	1	1	3
Donation of Materials for the improvement of school facilities	1	1	1	3
Tree Planting	1	1	1	3
Coastal Clean-Up		1		1

LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT – NAGA LAND

i. Progress on Case Filed in Court vs. 5 Illegal Dwellers within Naga Land

38. The Court has already resolved the case filed by NPC vs. the 5 Illegal Dwellers within Naga Land. Two of the defendants did not file answers to the complaint and were declared in default while the three others already entered into a Compromise Agreement with National Power Corporation (NPC).

39. The Court approved in an Order dated September 26, 2011 the Compromise Agreement that the 3 defendants entered into with plaintiff NPC. In that Order, the parties are enjoined to comply with the terms and conditions of the Compromise Agreement, among of which are the following:

- That the 3 defendants will voluntarily remove the portions of their respective houses that encroach on the NPC property; and

- NPC waives all its claims of damages and litigation expenses as stated in its complaint and likewise the other party waives their counterclaim of attorney's fees and damages.

40. On the other hand, in a decision dated October 7, 2011, the Court also already resolved the issue of the 2 other defendants, who were earlier declared in default for not filing an answer to the complaint.

41. In its Order, the Court declared NPC entitled to the possession of the property and ordered the 2 defendants to remove the improvements that they have introduced in the lot and to pay P5,000.00 to the plaintiff as litigation expense.

ii. Progress on living condition of 17 Resettlement Families

42. To date, there are no outstanding grievances from the 17 resettled families in the Naga Land. The families said they are satisfied with their present location because this is very accessible to their source of living.

43. The project for the concreting of the lot, where the houses of the residents are standing, the pathways and open spaces in the area was completed in November 2011 to protect the residents from direct contact with the land reclaimed with ash. The paving project included not just the 17 families relocated families but also all the houses of the now more than 40 families living in the area.

44. Over the years the number of families in the area is growing because the original residents allow their relatives to stay with them while others even constructed extensions, if not new structures.

45. For their own safety, the barangay officials have advised the residents not to allow anymore relatives to come to the area. The barangay officials are also now closely regulating the construction of the additional structures because of the limited space.

46. The families in the area are among the beneficiaries of projects under KSPC's Social Development Plan and Corporate Social Responsibilities (SDP and CSR) Program, among them the livelihood trainings of Structural Welding Fabrication for the out-of-school youth in October 2010 and the Food Preparation and Preservation for the unemployed women sector in November 2011.

LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT – 138 kV T/L PROJECT

i. Progress on the remaining ROW Issues

47. Out of the 11 affected lots, 6 were already acquired and paid by KSPC while 4 are under expropriation proceeding before the court. Out of this 4, 1 was already settled while the 3 cases have already been issued with Writ of Possession.

48. On the other hand, except for the property of the heirs of Eugenio Dela Corte, which are among the 4 subjects of expropriation cases, all the affected house/structure owners within the 30 meters right-of-way for KSPC's T/L Project already received the compensation/payments for their properties.

49. In an interview, Antonio Lapiz, whose old house that used to stand in a rented 50-square meters lot, said he is thankful for the T/L Project because he was able to acquire a new property with the compensation that he received. He spent P100,800.00 from the P161,000.00 payment for his affected property to buy a 144-sq. m. lot at P700.00 per sq. m. and in a staggered basis built a better house made of concrete on it using the remaining money and his personal savings. Like Lapiz, at least 3 other families affected by the project acquired better homes in adjacent lots outside the 30 meters right-of way using the compensation they received while the others bought new properties in other places.

SOCIAL DEVELOPMENT PLAN

i. Progress on Implementation of Livelihood and Community Development Programs for People Relocated from Naga Land and Project T/L

50. As part of the power plant's host community, the people relocated from Naga Land and Project T/L continue to enjoy community projects under the annual Social Development Plan and Corporate Social Responsibilities (SDP/CSR) Program that KSPC has been implementing. They will also enjoy projects to be derived from the financial benefits to be provided under Energy Regulations (ER) 1-94.

5. SUMMARY OF SAFETY PERFORMANCE AND ANY CORRECTIVE ACTIONS

51. An annual report is provided by the Operator on the safety performance of the project clocked around 264,738 man-hours. Assessment of the report indicates that the Cebu Power Plant is performing well in implementing safety performance guidelines as well as in inculcating safety awareness in the endeavors of personnel within the site. Table 6 shows a summary of the plant's safety performance indicators.

52. Fire drills and other emergency response procedures were performed within the year. These procedures are carefully reviewed every year for continuous improvement. The following are future plans in further developing the health and safety aspect of the power plant:

- Augmentation in the health and safety organization of the power plant including the recruitment of additional personnel.
- Improvement in the power plant's safety and emergency response trainings and increase in the frequency of conducting these trainings in a year.
- Establishment of a clinic and other necessary medical/first aid facilities in the power plant site.

6. SUSTAINABLE DEVELOPMENT INITIATIVES AND COMMUNITY RELATIONS

53. A regular tree planting activity and coastal clean up spearhead by the Environment Team is being conducted involving the members of the Multi-partite Monitoring Team. The community projects under the SDP and CSR Program are being implemented in partnership with the concerned government agencies and LGU officials, such as the Department of Education (DepEd) and the City Health Office. The annual livelihood training programs are tied up with DepEd's Alternative Learning System Program while the trainers are tapped from Technical Education & Skills Development Authority (TESDA).

54. KSPC's plan of recycling all of its ash material is one promising sustainable development initiative. By 2012, KSPC expects that agreements will be finalized and all its ash recycled to good use particularly in the construction and cement industries. Other future plans on sustainable development include programs on solid waste segregation and recycling, and development of a zero wastewater program.

Table 6. Safety Performance Metrics

Safety Performance Measurement		2011	2012 Target
1	Lost Time Accident (LTA) Occurrence which includes death, major injury or property damage that may result to loss of working hours. Count shall begin if the subject has not returned to work after 24 hours.	0	0
2	None Lost Time Accident (NLTA) Accidents that did not result to any lost time. Usually includes minor injuries or property damage.	0	0
3	Disabling Injury/Illness Frequency Rates The total number of deaths, permanent total, permanent partial and temporary total disabilities which occurred during the period covered within the work site.	0	0
4	Disabling Injury/Illness Severity Rates The total number of work days lost due to deaths, permanent total and permanent partial disabilities including those due to temporary total disabilities during the coverage period.	0	0