

# Bulacan (Philippines): Return Angat Dam to the Filipino People

Tuesday 9 August 2016, by [FAUSTINO Rodelio](#) (Date first published: January 2016).

**Korean Water now owns Angat Hydro Electric Power Plant and it now controls water distribution for the Bulacan Bulk Water System.**

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More than four years after the filing of petitions before the Supreme Court in 2010, the Court decided in favor of the foreign-owned Korea Water Resources Corporation's (or K Water's) acquisition and control of Angat Hydro Electric Power Plant (AHEPP).

This sale completes the privatization of the operation of Angat Dam following the privatization of the operations of the Metropolitan Waterworks and Sewerage Systems (MWSS) in 1997.

The generation of energy in all dams in Luzon and in the entire country is now private except for the operation of the Agus-Pulangi Hydro Complex. The Electric Power Industry Reform Act (EPIRA) mandated the selling of government assets to big private local and foreign companies in 2001.

## Now owned by K Water

K Water bought AHEPP at \$441 million in a bidding administered by the Power Sector Assets and Liabilities Management (PSALM) Corporation on April 28, 2010. K Water beat First Gen Northern Energy Corporation (\$365 million), San Miguel Corporation (312.50 million), SN-Aboitiz Power Pangasinan, Inc. (\$256 million) Trans-Asia Oil & Energy Development Corporation (\$237 million) and DMCI Power Corporation (\$188.89 million).

The Supreme Court, however suspended the sale that should have taken effect on May 24, 2010. It issued a status quo ante order owing to a petition of the Freedom from Debt Coalition (FDC) and of other groups like the Initiatives for Dialogue and Empowerment through Alternative Legal Services (IDEALS) Inc., opposing the privatization of Angat Dam.

Petitioners questioned the constitutionality of the sale of power utilities, a basic public service, to a foreign entity.

In the end, the Court decided on 2012 October that the bidding and the giving of Notice of Award to

K Water were legal and valid. This Supreme Court decision became final on November 13, 2012, after throwing overboard the appeals of the petitioners.

Thus the PSALM issued K Water a Certificate of Effectivity of the Asset Purchase Agreement (APA) on September 2, 2013. K Water finally got Angat Dam at a discounted price of \$439 million, lower than the original \$441 million after considering the further deterioration of the dam from the time the turnover halted because of the petitions in the Supreme Court.

AHEPP got fully privatized in November 2014. Angat Hydropower Corporation, a corporation formed by the merger of K Water and SMC Global Power Holdings Corporation. Based on its contract with K Water, SMC Global Power got 60% of the company in accordance with the provision of the Constitution that corporations in strategic businesses should be 60% Filipino-owned.

After this, the San Miguel Corporation-Korea Water Resources Corporation (SMC-K) acquired the 32-year concession from MWSS for the Bulacan Bulk Water Supply. President B. S. Aquino witnessed the signing of the agreement in Malolos City, January 15, 2016.

The project is worth P17 billion. SMC-K beat the bids of their competitors like Prime Alloy Water Consortium and the Team Polaris-Manila Water Consortium.

SMC-K will fund the design and construction of facilities for distribution, water treatment and water impounding (in Angat Dam). It will supply water to 24 municipalities.

The government of South Korea established K-Water in 1967. It was instrumental in the improvement of water service and hydroelectric development in South Korea. It has invested in other countries from 1994. It accomplished 55 water-related contracts in 24 countries and it still has 20 projects in 13 countries. Among these are the service contracts for supervision and inspection of Doyang HydroElectric Project in India, and Erbil Water Supply Project for post-war restoration of Iraq and the contract for a drinking water development project in Mongolia.

SMC has long been active in buying generation assets. It controls or it has shares by virtue of a contract with PSALM in: the Sual Coal Power Plant in Sual, Pangasinan (2009), of which Marubeni Corporation and Tokyo Electric are shareholders with San Miguel Energy Corporation; the Ilijan Power Plant in Arenas Point, Ilijan, Batangas City (2010); and, the San Roque Hydro Electric Multipurpose Power Plant in San Miguel, Pangasinan, with Marubeni, Philippines Holding Inc. and Italian Thai Development Public Issuer Ltd.

### **Angat Dam is in Danger**

Angat Dam sits by the watershed of the Angat River in San Lorenzo, Norzagaray, Bulacan, 38 kilometers north of Metro Manila. Its construction started in 1964, finished in 1967 and it became operational in 1968.

Angat River flows from Sierra Madre. Three other big rivers, Talaguio, Catmon and Matulid, connect to it. Forests varying from thin to moderate serve as Angat Dam's watershed of 528 square kilometers.

The government decided to build Angat Dam in order to: first, supply the domestic and industrial water needs of Metro Manila; second, irrigate 31,000 hectares of farms in 20 towns of Pampanga and Bulacan; third, create hydroelectric power for the Luzon Grid (AHEPP's capacity is 218 megawatts); and fourth, prevent flooding in low-lying municipalities.

Angat Dam has three spillways and has a spilling level of 212 meters. It provides 97% of the water needs of Metro Manila. It has the capacity to store 850 million cubic meters of water. It can store Metro Manila's water requirement for 30 days.

The dam is almost five decades. Initial cracks are visible on its posts and these need immediate repair and fortification. Besides, the dam sits on the West Valley fault line. Dr. Renato Solidum warned that if the fault line moves, it could create an earthquake of 7.2 or 8.0 magnitude. Solidum also explained that the fault line moves once every 400–600 years and the last recorded movement was in 1648.

This situation pushed the MWSS in 2011 to lead the forming of a technical working group (TWG) along with stakeholders of Angat: NPC, PSALM (that funded the Feasibility Study), NIA, PAGASA, Phivolcs, Office of Civil Defense, and the provincial government of Bulacan, to study deeply the situation of the dam.

Tonkin and Taylor, the technical consultants contracted by the TWG, finished their study in 2012 (DEMAND AND SUPPLY, Boo Chanco (The Philippine Star) Setyembre 10, 2014). The Angat Dam and Dyke Strengthening (ADDS) Project took shape. President Aquino approved it in 2012 and the NEDA Board allocated P5.7 billion for its immediate implementation (Ron Lopez, MB, 2013 December).

It did not move forward, though. The sale of the AHEPP to a Korean company held at bay the immediate repair of the dam at bay because the Supreme Court has declared the sale legal and valid.

In a news item in Mabuhay, a local news outlet in Bulacan, PSALM President Emmanuel Ledesma said that in the operation and maintenance (O&M) agreement attached to the sale of AHEPP, it is K Water's responsibility to repair and fortify the dam. It did not oblige K Water, however, to implement the ADDS project immediately. It allowed the conduct of a separate and independent study for the repair and rehabilitation of the dam.

K Water promised that its laboratory in Korea will put up its scale model of Angat Dam in their laboratory in Korea before the end of December 2013. Until now, no news regarding this rehabilitation has come up though they promised that they will finish the repairs within two years until 2017.

### **Water Management before the privatization of Angat HEPP**

Under implementation are guidelines for the operation of Angat Dam based on the level of reserve water. Agencies directly involved in the services of dams (not only of Angat), e.g. Manila Waterworks and Sewerage Systems or MWSS for the management of water for Metro Manila, National Power Corporation or NPC, National Irrigation Administration or NIA and the National Water Resources Board (NWRB) that monitors water resources of the Philippines.

When water level is high (in accordance with what they call "water level above the upper rule curve"), all the demands are met, and consequently, electricity generation is at full capacity. Extra or unused water flows through the spillway.

When reserve water is "between upper and lower rule curves," the dams respond to all the demands for water and for irrigation. The release of water limits electricity generation: water may still be released for electricity generation although auxiliary units must first be maximized before using

main units.

When water level is “below lower rule curve,” water is for residential, industrial and irrigation. Release of water to generate electricity is limited. Additional release of water for power generation of up to five (5) megawatts is not allowed (jcquilala.wordpress.com, 2007).

## **EPIRA and the privatization of Hydroelectric Power Plants**

Republic Act NO 9173 or the Electric Power Industry Reform Act (EPIRA) of 2001 mandates the deregulation and privatization of government’s energy assets that are primarily under NPC’s management. This opened the energy sector, from power generation to distribution, to private control. President Gloria Macapagal Arroyo signed the EPIRA, June 8, 2001.

Along this mandate, the EPIRA created the Power Sector Assets and Liabilities Management (PSALM) Corporation to perform the following:

First, have possession of all generation assets, independent power producer (IPP) contracts, real estates and other disposable assets, assume all liabilities and obligations of NPC and administer the orderly sale, disposition and privatization of assets of the NPC;

Second, assume all the outstanding obligations of electric cooperatives (EC) to the National Electric Administration (NEA) and other government agencies that they used for the Rural Electrification Program (REP);

And third, collect and administer the NPC’s part in the universal charge that end users of electricity pay for monthly to distribution facilities.

Given the neoliberal policies that EPIRA upholds, it will be dependent on the private sector even in the harnessing of different forms of energy sources. The supposed development of renewable energy that in the long term will be beneficial for the people and society will be secondary to aiming for profits.

Until 2013, only around 30% of the energy needs of the Philippines came from renewable energy: 20% from hydropower and 10% from geothermal. Wind and biomass contributed less than 1%. While a solar power generation facility operates in Mindanao, and another has recently been finished in Palo, Leyte and in Batangas this March 2016, solar power cannot be considered yet as a dependable source, according to the Department of Energy [1].

In Mindanao where energy shortage is worst, PSALM has set the transfer of management of Mt. Apo Geothermal Power Plants 1&2 to FDC Misamis Power Corporation of the Filinvest Group. It has also set the sale to private companies of seven plants of the Agus-Pulangi Hydropower plants with 983 megawatts of combined installed capacity.

The Mindanao Electricity Cooperatives Inc, which has 34 member-cooperatives, and other organizations oppose these privatizations. The Misamis Oriental provincial board has passed a resolution opposing this plan.

## **Privatization of Services of Angat Dam Completed**

At the start of the implementation of neoliberal policies in the Philippines in 1990, the government

immediately planned the privatization of government assets in water, energy and transportation. The Congress enacted laws to speed up deregulation and eliminate state control over these.

The Fidel Ramos government privatized the Metropolitan Waterworks and Sewerage System (MWSS), the government agency that administers water supply and sanitation services for the almost 10 million population of Metro Manila.

The International Finance Corporation (IFC), the World Bank's agency for private financing has an important role in this privatization. It describes this program as the "world's biggest water privatization."

The government implemented privatization by auctioning two 25-year concessions that will give the winning companies the responsibility to conduct water treatment, distribution, tariff collection, facility improvement and over-all administration. Big foreign companies in the global water industry like Vivendi, Ondeo, Anglian and United Utilities and leading conglomerates in the Philippines like Ayala Corporation, Metro Pacific Corporation, Aboitiz Corporation and Benpres Holdings of the Lopez Group joined the bidding.

The Ayala-led Manila Water Company and the Lopez-led Maynilad Water Services won in the bidding. Total operation and maintenance of the MWSS have been in their hands starting August 1, 1997.

Since then, privatization has drowned MWSS consumers in endless rising prices of services along with poor service and water rationing from time to time.

### **Patrimony and People's Right**

Article XII, Section 2 of the Philippine Constitution states, "The exploration, development, and utilization of natural resources shall be under the full control and supervision of the State."

Selling to the private sector, most especially to foreign companies, natural resources that the Filipino people have a right to benefit from and the government has the responsibility to protect and develop, is a violation of the Constitution.

The government has sold almost all its energy generation assets by virtue of the neoliberal EPIRA law. Laws like this, like the Mining Act of 1995, have become the vehicles of giant foreign corporations, in collaboration with their local agents, in plundering the Philippines' mineral resources and in destroying nature and entire communities.

Along with these, the government has privatized social services, which are, supposedly, a responsibility of the government, like hospitals, public schools, roads and bridges, water, market places and transportation.

This is why the plan to amend the Constitution to open lands in the Philippines for sale to foreigners goes on.

### **Give Angat Dam Back to the Filipino People**

With the entry of private interests in the Angat Hydroelectric Power Plant, insuring the profits of private corporations that bought it is immediately a concern. Even though the government says that it is "not the dam that it sold but the electric plant only," the private company that bought the plant has the immediate advantage of control.

Hence, the long standing demand of the people of Bulacan for water from Angat Dam has instead resulted in the SMC-K Water taking control and having the consession. Despite Bulacan Bulk Water System's promise to give services at low prices, in the end, the people will drown in monopoly prices, the way consumers of the MWSS did. Local water utilities companies will surely be privatized in municipalities covered by SMC-K Water.

And so, the farmers in 23 municipalities in Bulacan and Pampanga ask: Can irrigation for farms be insured, for a little amount if not for free?

NIA, in meetings it held with farmers in different towns of Bulacan several years ago insinuated that a metered sale of water to farmers is possible in the future. Will a rise in the prices of services follow?

No option is left for the people except to assert the scrapping of EPIRA and other similar laws and win public control, control by the Filipino people, of all the social/public services that the government privatized and insure enough budget allocation for this.

Fight to revert to the Filipino people control and sovereignty over Angat Dam, and along with this, for the government to immediately assume its repair and rehabilitation.

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## **Footnotes**

[1] <http://www.ac3s.org/list-of-power-plants-in-the-philippines-renewable-vs-fossil-fuels>; INQ, Marso 17, 2016