



# ***BENECO HYMN***

This blessed song of gratefulness  
For radiance thou hast given  
Providing light and services  
Through every home attend  
To thee we lift our voices  
For this our anthems ring  
For thou commit faithfully serve  
That none can intervene.

Now rings our praise, dear BENECO  
Thy service we delight  
Through thee our homes  
And our pathways glow  
Thou hast given us the light  
Thou hast commit thyself to do  
What's best with all thy might  
In sunshine or in shadow  
Thou hast made our lives so bright.

Refrain:

**BENECO HERE WE STAND  
IN SERVICE LEND A HAND  
TO ALL MEN AND TO OUR GOD  
WE COMMIT TO LIGHT THE SOD... (2x)**



# ***BENECO***

**BENGUET ELECTRIC COOPERATIVE, INC.**

## ***YEAR 2011 ANNUAL REPORT***

# ***32<sup>nd</sup> Annual General Membership Assembly***

***December 1, 2012,  
Tuba Municipal Hall  
Tuba, Benguet***



**“Strengthening Member-Consumers' Participation through the Multi-Sectoral Electrification Advisory Council”**



## OUR VISION

BENECO shall be a model electric cooperative, delivering quality service in order to sustain a progressive and ecologically sound community.

## OUR MISSION

We commit to extend our lines and services to all areas of Baguio City and Benguet Province. We continuously engage in the development of our resources in consonance with and in adherence to standards.

## OUR CORPORATE CREED

I believe in the BENECO vision and mission and its level of attainment is in my hands, and its success is measured by the satisfaction expressed by our stakeholders.

I believe that to better serve the stakeholders, I have to uphold the corporate values And live up to the noble cause of BENECO.

I will continue to develop my personal capability To sustain my community.

I will do my best to live up with BENECO's philosophy:

**“Quality Service is our Way of Life”**

So help me God.

**Dir. Joey J. L. Marrero**  
Board President



**Dir. Jerry A. Marave**  
Vice President



**Dir. Peter B. Busaing**  
Treasurer



**Dir. Benny O. Bomogao**  
PRO



**Dir. Virgilio D. Orca Jr.**  
Member



**Dir. Alfredo B. Santos, Jr.**  
Member



## The BENECO Board of Directors

**Dir. Rocky M. Aliping**  
Board Secretary



**Dir. Michael L. Lawana**  
Auditor



**Dir. Ferdy K. Bayasen**  
Member



**Dir. Gaspar Leung**  
Member



**Dir. Erminio D. Suclad**  
Member



**Mr. Gerardo P. Verzosa**  
Ex-Officio Member/  
General Manager



**32<sup>nd</sup> Annual General Membership Meeting  
01 December 2012, Poblacion, Tuba, Benguet**

*“Strengthening Member Consumers' Participation through the  
Multi Sectoral Electrification Advisory Council (MSEAC)”*

***PROGRAMME***

8:00 a. m. – 10:00 a. m. -----	Registration by District
10:00 a. m. – 11:00 a. m. -----	Program Proper
Invocation -----	Rev. Father Mark Batolne MSEAC 8, Itogon, Benguet
National Anthem -----	Engr. Olive Bete Engineering Department
Welcome Address -----	Hon. Florencio V. Bentrez Mayor - Tuba, Benguet
Introduction of Guest of Honor and Speaker --	Atty. Alfredo Santos Jr. Director, District 9 (Tuba-Sablan)
Message - Guest of Honor and Speaker -----	Prof. Rowaldo “Wally” Del Mundo UP-National Engineering Center UP Diliman
Intermission Number -----	Northern Sub-Area Department
Awarding of Plaque of Appreciation -----	Engr. Joey J. L. Marrero Board President
	Mr. Gerardo P. Verzosa General Manager
Induction of Newly Elected MSEAC ----- Federation Officers	Engr. Joey J. L. Marrero
11:00 a. m. – 4:00 p. m.-----	BUSINESS MEETING
	(12:00 noon – 1:00 p. m. - Lunch Break)
4:00 p. m. – 5:00 p. m. -----	R A F F L E
CLOSING REMARKS -----	Atty. Jerry A. Marave Vice President, BOD

*Mr. Edison P. De Guzman*

*Master of Ceremonies:*

*Ms. Jennifer A. Afable*

## ORDER OF BUSINESS:

- I. Report on the number of members present to determine the quorum;
- II. Reading of the notice of meeting and proof of publication or mailing thereof, or the waiver or waivers or notice of meeting, should there be any;
- III. Reading and approval of the minutes of the previous general membership assembly;
- IV. Matters arising from the minutes of the previous general membership meeting;
- V. Presentation and consideration of the President and General Manager's Report;
- VI. Unfinished Business;
- VII. New Business:
  1. Proposed AGMA Resolution requesting the National Electrification Administration (NEA) to appoint four (4) independent members of the Board of Directors to fill up the vacant positions per BENECO By Laws. (Proponent: BARP Multi-Purpose Cooperative contained in its Resolution No. 61, Series of 2012)
  2. Update on the status of the Man-asok Mini-hydro Project (Proponent: BENECO Board)
    - 2a. Proposed AGMA Resolution for BENECO to form a separate corporation for its mini-hydro projects and open to member-consumers for the purchase of shares of stocks. (Proponent: Mr. Jack I. Dulnuan, District 7)
  3. Decision of the BENECO to stop buying power from the Asin Mini-hydro (Proponent: BENECO Board)
  4. Proposed AGMA Resolution to register BENECO with the Cooperative Development Authority by following the EPIRA guidelines through the initiative of the BENECO Board. (Proponent: Mr. Catalino Panganiban and Mr. Peter Dumaguing, Members, Board of Trustees, NASECORE Cordillera)
  5. Presentation of the position to split BENECO management (rationale, merits and demerits, advantages and disadvantages; the points of action and AGMA decision). (Proponent: Mr. Bial Palaez, District 7)
  6. Proposed amendment of Section 1, Article IV of BENECO By-Laws. (Proponent: Atty. Rocky Tomas Balisong)

### Existing Provision:

Section I. GENERAL POWERS. The business and affairs of the Cooperative shall be the responsibility of the Board, including the General Manager sitting as an ex-officio member of such body, without voting power, which shall formulate and adopt policies and plans, promulgate rules and regulations for the Cooperative, except such as By-Laws, Articles of Incorporation, or this By-Laws conferred upon or reserved to the members of the Cooperative, or reserved by the National Electrification Administration.

### Proposed Amendment:

Section I. GENERAL POWERS. The business and affairs of the Cooperative shall be the responsibility of the Board, ***in consultation with the management***, which shall formulate and adopt policies and plans, promulgate rules and regulations for the management, operations and conduct of the Cooperative, except such as By-Laws, Articles of Incorporation, or this By-Laws conferred upon or reserved to the members of the Cooperative, or reserved by the National Electrification Administration.

Powers of the Board shall be exercised only by actions and determinations shall be recorded in the official minutes of Board meetings. The authority of any individual member of the Board may be exercised only as a participant in a regularly called and legal meeting of the Board.

### Explanation:

What is proposed to be amended in the original provision is the removal of the phrase "***including the General Manager sitting as an ex-officio member of such body, without voting power***" (emphasis ours) to be substituted by the amendatory phrase "***in consultation with management***".

- VIII. Adjournment



Republic of the Philippines  
OFFICE OF THE PRESIDENT  
Malacañan



My warmest greetings to Benguet Electric Cooperative Inc. (BENECO) as you hold your 32<sup>nd</sup> Annual General Membership Assembly.

We are at the cusp of our national transformation and the solidarity of our local and rural partners, such as electric cooperatives, accelerates our onward march towards an equitably progressive Philippines. Your enterprise is vital in ensuring that every locality is empowered to optimize its socio-economic potential by providing electricity. You drive businesses and industries towards stability and prosperity and allow our citizenry to lead dignified lives. May this gathering further galvanize your collectives' efforts towards realizing our 100% Sitio Electrification Program and illuminating the straight and righteous path towards a brighter future.

We all have a role in the holistic success that we seek as a nation. Let us demonstrate the daylight principles of accountability, transparency, and integrity in our undertakings and fulfill our duties to our country.

I wish you a successful and productive assembly.



BENIGNO S. AQUINO III



Republic of the Philippines  
DEPARTMENT OF ENERGY  
Energy Center, Fort Bonifacio, Taguig

Felicitations to the General Manager, the Board President, Board Members, Officers, Employees, and Member-Consumers of the Benguet Electric Cooperative, Inc. (BENECO) on its 32<sup>nd</sup> Annual General Membership Assembly (AGMA) on December 1, 2012.

BENECO has indeed improved the rural living standards and have provided a great leeway of introducing employment through the facilitation of providing reasonably-priced and quality electricity. The electric cooperative has helped in promoting the economic health and strength of the country by fortifying the provinces' development infrastructures.

The impact of access to modern energy has led to the ability of the marginalized to use their labor resources for market production; energy infrastructure has likely expanded providing important lessons in the changing nature of developing country labor markets.

We laud the collective efforts of the men and women of BENECO for making this cooperative productive under a liberal power sector. Its efforts to provide a clear and strategic direction will allow the cooperative to become resilient in the face of different challenges. May BENECO continue to build stronger and more solid ties with its members as it goes forward in pursuit of its objectives in empowering Benguet.

Mabuhay and more power!

JOSE RENE D. ALMENDRAS  
Secretary



Republic of the Philippines  
NATIONAL ELECTRIFICATION ADMINISTRATION  
Quezon City, Metro Manila

Our warmest greetings to the Member-Consumers, Board of Directors, Officers and Employees of the Benguet Electric Cooperative, Inc. (BENECO) on your 32<sup>nd</sup> Annual General Membership Meeting on December 1, 2012.

I commend the men and women of BENECO for four decades of dedicated efforts to the noble goals of the Rural Electrification Program through the energization of 269 barangays, 1,978 sitios in your coverage area benefitting 147,243 consumer connections. As the government pursues the electrification of all sitios in the country by 2015 and 90% household electrification by 2017, I trust that the same committed efforts will be demonstrated in bringing light to the people of Benguet for their enhanced way of living.

This yearly gathering is a good opportunity to showcase what you have done and assess what still needs to be done. I enjoin all of you to strengthen the ties you have established with your member-consumers and other stakeholders and continue working hand in hand to address vital issues and concerns in order to maintain your operational efficiency.

NEA will always be behind on all your noble undertakings.

Mabuhay and more power!

EDITA S. BUENO  
Administrator



Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
1-CARE

My warmest greetings to the Member-Consumers, Board of Directors, Officials and Employees of **BENGUET ELECTRIC COOPERATIVE, INC. (BENECO)** on your 32<sup>nd</sup> Annual General Membership Assembly (AGMA) on December 1, 2012.

May this occasion be the chance to map out plans and programs that will respond to our government's call for a new vision to keep rural electrification alive and face the challenge through competition. It is also an opportune time to affirm the Rural Electrification Program achievements with emphasis on the competitive advantage and value of the NEA-BENECO partnership.

As your Party List Representative in Congress, I surely acknowledge that leaders come and go but rural electrification remains to be a vital program that contributes to the development of the countryside. That your cooperative has a major role in the implementation of rural development programs.

Rest assured that I will remain to be your strong partner in serving the member-consumers of BENECO. I laud the efforts of BENECO through its General Manager Gerry P. Verzosa, and President Joey Jovencio L. Marrero as they steer BENECO and its member-consumers to its achievement-filled 32<sup>nd</sup> year. Let us push forward the rural electrification program of the national government and create a better and brighter Philippines for our people.

Mabuhay and more power!

**HON. MICHAEL ANGELO C. RIVERA**  
Representative  
1-CARE Party List



Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City, Metro Manila

IN BEHALF OF the city officialdom, and on my own, I take pride in felicitating and congratulating the Benguet Electric Cooperative, Inc. (BENECO) on the occasion of its 32<sup>nd</sup> Annual General Membership Assembly, a yearly gathering that strengthens the partnership its management has cultivated with its member-subscribers.

You have been in the forefront of serving the energy needs of our constituents these past many decades now, not only throughout Baguio but also Benguet. By your dedicated efforts to democratize urban and rural electrification, you have stood proudly on the side of service in this part of the country. By your noteworthy achievements, you have truly empowered our people in doing their household, commercial and industrial endeavors well and right.

To be sure, as the people's voice in Congress, I remain reliant on BENECO's participation to make our city well lighted and our citizenry well-served. I am confident that as you come to the threshold of another milestone year, you will be more sensitive to the needs of our constituents, ensuring that their welfare is served to the utmost. Do continue to strive for greater competence, drawing on the character that has made Baguio a proud place for sustainable growth and development. Make BENECO ride on the tide of Baguio's future.

Again, my felicitations and best wishes! May BENECO continue to serve Baguio in more ways than one!

**BERNARDO M. VERGARA**  
Lone District, Baguio City



Republic of the Philippines

**HOUSE OF REPRESENTATIVES**

Quezon City, Metro Manila

Allow me to extend my warmest greetings and congratulations to the Directors, Employees and Consumer-Members of the Benguet Electric Cooperative on its 32<sup>nd</sup> Annual General Membership Assembly (AGMA).

All year round, the BENECO is dedicatedly illuminating the communities they are destined to serve. Such dedication significantly challenged and encouraged this representation so that I humbly initiated and facilitated the release of additional funds from the National Electrification Administration (NEA) in order for the remaining unenergized sitios especially those located in the remotest part of the Province of Benguet will be included in the exceptionally advantageous Sitio Electrification and Barangay Line Enhancement Programs. The continuous growth of the population logically suggests the increase of power consumption which composes the main driving force for the BENECO to competently manage and resourcefully accumulate more electricity for wider distribution.

In our utmost desire to deliver readily available and reasonably affordable electricity to all the households of this constituency, the cautious conservation of this kind of energy is also very much encouraged in order for us to save and prolong the period of its existence and probably expand the area of coverage.

Again to the BENECO family, keep the switch ON!!!

**RONALD M. COSALAN**  
Representative  
Lone District of Benguet



Republic of the Philippines

**OFFICE OF THE GOVERNOR**

Province of Benguet

On the occasion of Benguet Electric Cooperative's 32<sup>nd</sup> Annual General Assembly on December 1, 2012 to be held at Poblacion, Tuba , Benguet, we extend our warmest greetings to all the member-consumers as they come together to dialogue with management on how they can work together to improve the services of BENECO.

This 32<sup>nd</sup> General Assembly is indeed very significant because during this particular occasion, there will be exchanges of opinions and ideas both from management and member-consumers geared towards the improvement of our Electric Cooperative. We are very optimistic that all members will be taking an active part in the proceedings as the role of each member is very much indispensable.

To the BENECO Management, we express our appreciation for the delivery of satisfactory service to our member-consumers. We hope that BENECO will continue to do so. With the growing complexity of our society, the demand for electricity is continuously rising and we expect some difficulties ahead of us. We are confident, however, that we can always surmount such hardships because of the cooperation and unity which management and member-consumers have demonstrated through the years. To our Electric Cooperative's rank- and- file employees, we salute you for your dedication and commitment to work with BENECO. Indeed, it is through your collective efforts that the turbines of BENECO keep turning. You are the backbone of our Cooperative and it is important that you be given the priority in the granting of benefits by management as required or provided by law.

We also urge member-consumers to continue patronizing our Electric Cooperative by regularly paying our dues, reporting to management any observation which we believe may not be in accordance with good practices and any incidents which if left unchecked may have negative effect to our Electric Cooperative. Time and again, we, member-consumers have been informed of the truth that we will be the ones to shoulder the cost of any and all losses attributed to negative practices, thus vigilance and diligence of every member is earnestly solicited for the good of all concerned

Thank you.

**NESTOR B. FONGWAN**  
Provincial Governor





Republic of the Philippines

OFFICE OF THE VICE GOVERNOR

Province of Benguet

Our warmest greetings to all members, directors officers and personnel of the Benguet Electric Cooperative (BENECO) on the occasion of the 32<sup>nd</sup> Annual General Membership Assembly (AGMA) this December 1, 2012.

Once again, the members will take time to come together to be appraised of the performance of their cooperative for the past year. To be informed not only of the gains but also of the problems and difficulty besetting the coop. Management must present the true picture of the state of affairs of the coop and if necessary, allow the members to decide and approve future plans and programs for implementation.

On the lighter side, the province of Benguet has been spared of harmful typhoons for the past year thereby relieving BENECO of the arduous task of maintaining or restoring power during these difficult times and making expansion projects and major repairs very manageable.

We have attended many of the sitio energization activities of BENECO in the different Barangays of this province and we have seen the joy in the eyes of the beneficiaries who never imagined that electric power will be lighting their homes. It will be a bright Christmas for them this year. On behalf of our constituents we thank all those responsible for the realization of their dreams.

Congratulations to the management, personnel and the coop officers and board members for ably steering BENECO during the past year.

MABUHAY BENECO! MABUHAY BENGUET!

CRESCENCIO C. PACALSO  
Provincial Vice Governor and  
Presiding Officer, Sangguniang Panlalawigan



Republic of the Philippines

OFFICE OF THE CITY MAYOR

Baguio City

In behalf of my family, the people and officialdom of Baguio City, we would like to extend our gratitude to the officials and members of the Benguet Electric Cooperative (BENECO) on the occasion of our 32<sup>nd</sup> Annual General Membership Assembly (AGMA) on December 1, 2012 at the Covered Court, Poblacion, Tuba, Benguet.

The conduct of the annual gathering is truly a good practice of electric cooperatives to allow us to be appropriately informed on the accomplishments of the utility firm. Moreover, the gathering also serves as a venue for us to raise various issues and concerns affecting the cooperative's operations and to be informed of future plans and programs that will be beneficial to us.

Despite several misunderstandings on various aspects of your operation, we believe the way to go is to continue consulting with each other in order to come up with acceptable solutions to our problems, We want to develop a good working relationship with everyone in our city through constant dialogues and consultations because no one has the monopoly of knowledge.

May this year's assembly bear the fruits of growth and development through the effective and efficient service of the utility company amidst the various issues and concerns surrounding its operations. May the members be empowered to be vigilant on the issues and concerns affecting its operations so that we will continue to enjoy the benefits of reliable and quality power through the years.

Again, our warmest greetings and congratulations to one and all.

Mabuhay tayong lahat!

MAURICIO G. DOMOGAN  
City Mayor



Republic of the Philippines  
**OFFICE OF THE MUNICIPAL MAYOR**  
**MUNICIPALITY OF ATOK**  
Province of Benguet

Greetings from the people of Atok!

As you gather together on your 32<sup>nd</sup> Annual General second assembly, I wish to express my warmest words of gratitude for your commitment in providing electricity to the Municipality of Atok and its outskirts, barangays and sitios.

Indeed, with your patience and generosity, the technologies which we basically use in sustaining our endeavor of service are all becoming helpful. It remains a fact that without such electricity they shall remain unused.

With prayer and love in our hearts, the officialdom, Atok urge you then to continue to radiate the maxim we ought to live "TO SERVE AND NOT TO BE SERVED".

May God bless and keep you as you continue to serve the people of Benguet.

**PETER B. ALOS**  
Municipal Mayor



Republic of the Philippines  
**OFFICE OF THE MUNICIPAL MAYOR**  
**MUNICIPALITY OF BAKUN**  
Province of Benguet

In behalf of the whole officialdom and constituency of the Municipality of Bakun, I would like to take this opportunity to express our warmest wishes to the management and staff board of directors, and the consumer-members of Benguet Electric Cooperative (BENECO), Inc. on the occasion of your 32<sup>nd</sup> Annual General Membership Assembly (AGMA) slated to be held this December 01, 2012 at Poblacion, Tuba, Benguet. Your concerted efforts will surely make this Assembly meaningful and a very fruitful one.

It is to my observation that this annual staging of your general membership assembly is one of the best ways conceptualized to gather all concerned to celebrate the admirable performance of BENECO for the previous year. It is an appropriate venue to report to these people the accomplishments and the shortcomings, if there be any, of the cooperative for the past year. These achievements/accomplishments will definitely provide a good vibe for the cooperative to function more positively in the years to come and any shortcomings that may surface will appeal to the cooperative's sense of improvement. This assembly shall likewise be a good setting to plan the activities for the year ahead and to recommit to the cooperative's mission and vision.

May the goal of this Assembly be met eventually and will serve as a source of inspiration to the people behind BENECO for re-enactment in the coming years. And we look forward to BENECO remaining as one of the partners of this LGU in bringing development to our community.

Congratulations and Godspeed!

**MARCELO B. CONTADA**  
Municipal Mayor



Republic of the Philippines

**OFFICE OF THE MUNICIPAL MAYOR**

**MUNICIPALITY OF BOKOD**

Province of Benguet

The Bokodian Members - Consumers and I, greet the men and women of the Benguet Electric Cooperative, Inc. (BENECO) on its 32<sup>nd</sup> Annual General Membership Assembly (AGMA) today. As this Cooperative strives to provide efficient and responsive energy services to the community, it must also sustain and ensure affordable and reasonable electric power rates to all its members – consumers Benguet wide.

BENECO Rural Electrification Program requires sustainable implementation of its cognate component activities such as Environmental Rehabilitation, protection and advocacy to Educational Assistance Program, peace and order through partnership with law enforcement agencies, health care concerns, community development, quality service, upgrading power distribution and many others.

Satisfying the felt needs of every BENECO member - consumer is a difficult undertaking much as addressing the recurrent complaints seem incessant but solvable just the same.

We then look forward to a continuing partnership targeting the community to a greater development.

Again, we express our pleasurable hope for improved services through zero brown - outs as expected accordingly.

  
**MAURICIO T. MACAY**  
Municipal Mayor



Republic of the Philippines

**OFFICE OF THE MUNICIPAL MAYOR**


**MUNICIPALITY OF BUGUIAS**

Province of Benguet

On behalf of the officialdom and member - consumers of Buguias, I wish to extend my warm greetings to the Board of Officials and employees of Beneco on their 32<sup>nd</sup> annual membership assembly on December 1, 2012.

The Benguet Electric Cooperative is a nonprofit, non-government entity that plays an important role in nation building. My hometown Buguias, for example used pine firewood taken from the environment as their fuel. Now after its energization in 1990 brought about change and improvement of their livelihood and with convenience as the city people do which is to say that electricity brings development, besides environment friendly.

Mabuhay Beneco!

  
**MELCHOR D. DICLAS**  
Municipal Mayor



Republic of the Philippines

OFFICE OF THE MUNICIPAL MAYOR

MUNICIPALITY OF ITOGON

Province of Benguet

Throughout the years, the Benguet Electric Cooperative, Inc. (BENECO) has been instrumental in the electrification program of the province of Benguet and constantly assures that such basic and vital service will reach even the far flung areas deprived of road access. This noble task is indeed crucial as it directly affects and contributes to the development of an area where beneficiaries would be able to understand the contemporary world which is more identified with technology. Common knowledge would deduce that without electricity, Technological advancement would be to no avail.

With this, Consumers/members are encouraged to have a broader understanding on the importance of Electric Cooperatives. Members are encouraged to actively participate for the continuous growth of the cooperative and to understand the various undertakings of the same in order to assure quality service and member satisfaction.

This 32<sup>nd</sup> Annual General Membership Assembly (AGMA) is also an opportune time to give credit to those behind the "quality service is our way of life" shared and rendered by BENECO to all members. Without the dedication and expertise of the management and the efficiency of employees in the different areas of operation, the advancement of the electrification program affecting the thirteen (13) Municipalities of the province of Benguet and the City of Baguio could have never been achieved. Though, issues and concerns continuously challenge the Cooperative, all stakeholders are encouraged to cooperate and exuberantly work together in the fulfillment of the mission commended towards an envisioned brighter Benguet.

From this Land of Golden Opportunities, Congratulations to each and every one and may we have a fruitful General Assembly.

OSCAR M. CAMANTILES  
Municipal Mayor



Republic of the Philippines

OFFICE OF THE MUNICIPAL MAYOR

MUNICIPALITY OF KABAYAN

Province of Benguet

Mystical Kabayan extends its warmest greetings to the officials, employees and member-consumers of the Benguet Electric Cooperative (BENECO) on the celebration of its 32<sup>nd</sup> Annual General Membership Assembly.

The BENECO has always been a vital partner in all our undertakings for the benefit of the general public. They are on call 24 hours a day, 7 days a week. At times, when we experience power interruptions in the midst of typhoons and calamities, we bombard them with calls and text messages for immediate power restoration not considering the situation and when the power is restored not even a text of appreciation or thank you is sent back. We must remember that the BENECO officials and employees are also human beings like us who need reinforcement to keep them going. As member-consumers of the BENECO, let us also do our part to maintain a sound partnership. With regards to the ongoing Sitio Electrification Program, the soon to be member-consumers of the BENECO should not solely rely on the funds being given by the national government and BENECO. Each must at least apportion an amount from their income as their counterpart to let power supply reach their own residences. In addition hereto, each must learn the responsibility connected to experiencing the convenience of having electricity.

In our little town in Mystical Kabayan, we always offer our full support to the programs and activities of Beneco. We are one with you in the delivery of quality public service.

May this occasion usher in more years of success and continuous upholding of BENECO's philosophy, "Quality Service is our Way of Life".

FAUSTINO MINAS AQUISAN  
Municipal Mayor



Republic of the Philippines

OFFICE OF THE MUNICIPAL MAYOR

MUNICIPALITY OF KAPANGAN

Province of Benguet

My warmest felicitation to the Benguet Electric Cooperative, Inc. (BENECO) on their 32<sup>nd</sup> Annual General Membership Assembly (AGMA).

For the past years, you have been steadfast in accomplishing your goal of Rural Electrification that resulted to the illumination of the far-flung sitios. I commend the BENECO family for this because despite the absence of access roads leading to some sitios in our municipality, you were able to bring light to the people. Truly, you have shown devotion and commitment that deserves recognition by the member-consumers.

As you continue your service to our people, may you be guided by the virtues of loyalty and dedication.

**ROBERTO K. CANUTO**  
Municipal Mayor



Republic of the Philippines

OFFICE OF THE MUNICIPAL MAYOR

MUNICIPALITY OF KIBUNGAN

Province of Benguet

On behalf of the officials and people of the Municipality of Kibungan, I would like to extend our greetings to BENECO for reaching its 32<sup>nd</sup> Annual General Membership, as well as our heartfelt gratitude for its unending support to the development of our town especially on the energization of our barangays and sitios.

Early this year, we have formally switched on and witnessed the energization of two of our far-flung barangays. Energization has been a long dream of our elders in these two places and BENECO's tenacity and endless effort to realize this, despite the difficult and risky terrains of Badeo and Tacadang, is a true manifestation of service to the people. Expansion projects in some of our sitios are also underway and we look forward to the completion of these.

May our municipality and BENECO strengthen further their partnerships in the coming years in bringing development to Kibungan.

Congratulations BENECO for having reached 32 years of strong leadership. May many more years come along your way.

**BENITO D. SIADTO**  
Municipal Mayor



Republic of the Philippines  
**OFFICE OF THE MUNICIPAL MAYOR**  
**MUNICIPALITY OF LA TRINIDAD**  
Province of Benguet

Warmest greetings to the BENGUET ELECTRIC COOPERATIVE (BENECO) on the occasion of its 32<sup>nd</sup> Annual General Membership Assembly.

As BENECO moves towards the advancement of important innovations in the delivery of its services, may it continue to be beacon of corporate social responsibility in this part of the country.

May we be continuing partners in our quest to develop all communities in our beloved Municipality of La Trinidad.

Congratulations and Mabuhay po kayo!

**GREGORIO T. ABALOS JR.**  
Municipal Mayor



Republic of the Philippines  
**OFFICE OF THE MUNICIPAL MAYOR**  
**MUNICIPALITY OF MANKAYAN**  
Province of Benguet

On behalf of the people of Mankayan, I am happy to extend our greetings to the Officials and staff of the Benguet Electric Cooperative (BENECO) during its 32<sup>nd</sup> Annual General Membership Assembly (AGMA) held at the historic town of Poblacion, Tuba, Benguet.

Indeed, Benguet Electric Cooperative (BENECO) has every reason to be proud of. Having existed for Thirty Two (32) years characterized by successful achievements in the energization of practically all the barangays within its coverage, speaks well of BENECO maxim, "Quality Service is Our Way of Life". As members, we look forward with trust and confidence that BENECO will continue to attain successfully its objectives and goals.

To the members, I have this brief message to all. As you converge for the 32<sup>nd</sup> Annual General Membership Assembly, remember that it was your support that enable BENECO to reach this far. Continue extending that support and surely BENECO will be inviting you once again in the years ahead.

Thank you and God speed.

  
**Atty. MATERNO R. LUSPIAN**  
Municipal Mayor



Republic of the Philippines

OFFICE OF THE MUNICIPAL MAYOR

MUNICIPALITY OF SABLAN

Province of Benguet

The officialdom of Sablan wishes to convey our warmest greetings and Congratulations to the member-consumers, Honorable Members of the BENECO Board of Directors, Management and Staff of the Benguet Electric Cooperative, Inc. (BENECO) on the occasion of its 32<sup>nd</sup> Annual General Membership Assembly (AGMA).

Through the years, BENECO has remarkably strived to provide efficient, reliable and affordable service to serve its member-consumers. We are very grateful that BENECO has accomplished the energization of various sitios in our Municipality as part of their mandate of rural electrification. For an improved service, you have provided a dedicated maintenance crew to attend to power outages and consumers' requests or complaints in our area. May your accomplishments serve to inspire you to continue to bring electricity into every home for them to enjoy the amenities of modern living.

On this occasion of the 32<sup>nd</sup> Annual General Membership Assembly, we look forward to an active participation of the member-consumers towards further development to transform our cooperative as one of the most reliable distribution utility in the country today.

More power to BENECO!

ARTHUR C. BALDO  
Municipal Mayor



Republic of the Philippines

OFFICE OF THE MUNICIPAL MAYOR

MUNICIPALITY OF TUBA

Province of Benguet

In behalf of all the constituents, I sincerely welcome all participants of the 32<sup>nd</sup> General Assembly of BENECO on the 1st of December here at the town hall premises. The Municipality of Tuba is honoured to be this year's host of BENECO's Annual General Assembly for its dutiful members coming from all over Baguio and Benguet.

BENECO has become an important part of people's lives here in Tuba. We are thankful for the sincere efforts of BENECO in delivering our basic need for electricity despite all constraints. Without doubt, BENECO will continue to step up to the challenges that this age brings.

As Tuba looks forward to its next century of progress and unity, we are assured that BENECO stays as a steady partner in the sustainable development of the Municipality.

MORE POWER and GODSPEED!

FLORENCIO V. BENTREZ  
Municipal Mayor



Republic of the Philippines

**OFFICE OF THE MUNICIPAL MAYOR  
MUNICIPALITY OF TUBLAY**

Province of Benguet

In behalf of the people of our municipality that I represent, my greetings to the member-consumers on the occasion of this 32<sup>nd</sup> Annual General assembly of the cooperative.

Like any other organization, the cooperative will continue to grow and attain its mission if its members remain steadfast in the vigilance in the affairs of the cooperative. While every three [3] years, the consumers express their will by electing the board of directors whom they entrust the management of the affairs of the cooperative, this alone is not enough; the consumers must always keep themselves fully inform of the vital issues affecting the cooperative and take an active part in crystallizing those issues. Passivity is equivalent to negligence. The beginning of the downfall of any cooperative or any organization is when the members composing it start become passive-unmindful and apathetic to the affairs of the cooperative. Thus, the creation of the Multi-Sectoral Electrification Advisory Council is timely serving as an avenue for bridging the gap between the management and the consumer-members. It empowers the consumer-members to become more participative in the cooperative's operation and endeavors.

The general assembly is one of the avenues through which the consumers can be informed of what is happening to the cooperative and also for the consumers to be able to reach out to those managing the cooperative and be able to provide inputs on its improvement.

In government, the quality of service those entrusted with the responsibility provide to their constituent is equivalent to the vigilance of the people themselves in the affairs of the government. I firmly believe that this formula equally applies to the cooperative. How satisfactory the service we are receiving from the cooperative is equivalent to the concern that we likewise give to the affairs of the cooperative.

The cooperative is our cooperative. Our foremost responsibility is to be concern with its affairs. The people of Tublay salute those who are performing their responsibility. Thank you and God Bless!

**Atty. Ruben E. Paoad**  
Municipal Mayor



**OFFICE OF THE BOARD OF DIRECTORS  
Benguet Electric Cooperative, Inc.**

As we celebrate our 32<sup>nd</sup> Annual General Membership Assembly, I would like to congratulate each and every one for being here especially our constituents and consumers who came from far flung areas. Your presence is always considered as a show of support and your willingness to share your precious time to meet with others and to be updated with the present status of our electric cooperative, the Benguet Electric Cooperative, Inc. (BENECO).

On the other hand, I take this opportunity to solicit still for your active participation in all concerns or issues that we face at this time. Standing firm and strong, let us move forward in a proactive approach and realize our programs with great anticipation of success.

Our gathering is based on the theme “Strengthening Members-Consumers Participation through the Multiple-Sectoral Electrification Advisory Council (MSEAC)” that endeavors to empower the consumers to partake in educating others and to be aware of programs where you can actually speak or help on how to improve and implement such objectives.

Rest assured that our main concern is focused on the welfare of all the consumers and on how to deliver service that will be to your satisfaction. Let us continue to work together for the betterment and success of our electric cooperative, the BENECO.

On behalf of the Board of Directors and as the President, a warm greetings and happy AGMA to one and all.

**Joey J.L. Marrero**  
BOD President  
District 7, La Trinidad Benguet





OFFICE OF THE GENERAL MANAGER

Benguet Electric Cooperative, Inc.

We take note of this year's theme of saluting the members of the MSEAC whose undying commitment to be of help to BENECO has indeed become another source of inspiration for the cooperative.

While we continue to do our best to achieve key performance indicators for the welfare of our member consumers, we are not neglectful of the fact that the MSEAC has continued to grow and prove itself that it has become a pillar in the desire of the cooperative to procure for its consumers power that is affordable, reliable and readily available. The industry continues to be confronted with the growing complication of regulation amid an impending regime of open access and renewed devotion to rural electrification via the current administration's flagship project to energize every sitio in the country by 2016. These challenges could not be hurdled with pronounced success if the cooperative would not include into the mainstream a potent human resource which the MSEAC can provide. Another difficult year has passed and it is high time that the different MSEAC districts in Baguio City and Benguet be consolidated to rally for the very purpose of their creation and that is to play its role as the vital link between those of us who run the cooperative and the member consumers we seek to serve.

The tasks that we seek to achieve are still far from over. Tops among them is the cooperative's dream of acquiring its own mini hydro power plant and the acquisition of top of the equipment and substations to meet the expected load growth of the franchise in the next 20 years. The technical details of our Manasok project are about to be completed and we are in the process of looking for financial support to jump start the project. The other mandates remain daunting – cheaper generation rates through WESM trading, increase of capacity through systems upgrading and lower system loss through the reduction of the gap between volume of power ordered and volume of power sold. Yet in all these endeavors, it cannot be denied that human resource, with its vast human energy, is



a vital cog in the attainment of quality service. Here, the MSEAC becomes a key player and we should never doubt or underestimate the contribution it could give us.

Of course, this does not mean that we have relegated to the background you, our member consumers, in all these endeavors. From the time that the electric cooperative was founded until those years of tumult when we struggled to overcome our technical and operational woes and until today that we have become a benchmark for cooperative performance in the country, you were always there. And we will remain forever grateful.

We have eleven districts but we have already established 17 MSEAC chapters in Baguio City and Benguet. Five comes from Baguio City and the rest come from Benguet with some towns, originally clustered as one district, opting to form separate MSEACs on a per municipality basis. We were witness to the First BENECO MSEAC General Assembly held on Nov. 9 at the BSU Root Crops Center and we were elated over the group's enthusiasm and conviction to be of help to BENECO. The year 2010 saw them come in renewed spirit. The year 2011 saw them grow with more flesh and commitment. By 2012, they shall be a force to reckon with.

We are proud to report the cooperative's achievement for the year 2011 with the assurance that you and the MSEAC are behind us.

Greetings to our member consumers on BENECO's 32<sup>nd</sup> Foundation Anniversary.

Gerardo P. Verzosa  
General Manager



EXPANSION PROJECTS															
100 MILLION NEA LOAN															
ITEM	SITIO / BARANGAY	POLE REQUIREMENT				KILOMETERS OF LINES					XFRMR RQMT QTY	FUND UTILIZATION			
		STEEL		CONCRETE		3-P	2-P	1-P	U. B.	O.S.					
		30	35	50/55	30								35	40	45
<b>ACCOMPLISHED LINE EXPANSION PROJECTS UNDER P100M NEA LOAN FOR THE MONTHS OF JANUARY - SEPTEMBER 2011</b>															
1	BALLAYAN, CAMP 3	9	20					1.265			0.180	0.490	1	1,211,624.72	
2	TIE LINE CAMP 6-CAMP 5, KENNON RD.					54		3.825			1.190	0.555	3	1,551,481.28	
3	KM. 40 HALSEMA-TICKEY(TIE-LINE)				129	2		9.600	0.410		7.510			5,109,956.53	
<b>TOTAL</b>		<b>9</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>129</b>	<b>56</b>	<b>0</b>	<b>13.43</b>	<b>1.68</b>	<b>-</b>	<b>8.88</b>	<b>1.05</b>	<b>4</b>	<b>7,873,062.53</b>

Total accomplished projects in 2008	31,670,393.05	2008 % ACCOMPLISHED	31.27%
Total accomplished projects in 2009	36,535,699.43	2009 % ACCOMPLISHED	36.08%
Total accomplished projects in 2010 including IGF	25,188,806.93	2010 % ACCOMPLISHED	24.87%
Total accomplished projects in 2011 including IGF	7,873,062.53	2011 % ACCOMPLISHED	7.77%
<b>TOTAL</b>	<b>101,267,961.94</b>	<b>OVERALL ACCOMPLISHMENT</b>	<b>100%</b>

**SUBSIDY PROJECTS FUNDED BY NATIONAL ELECTRIFICATION ADMINISTRATION UNDER SITIO ELECTRIFICATION PROJECT (SEP)**

ITEM	MUNICIPALITY	POLE REQUIREMENT				KILOMETERS OF LINES					XFRMR RQMT QTY	FUND UTILIZATION		
		STEEL		CONCRETE		3-P	2-P	1-P	U. B.	O.S.				
		30	35	50/55	30								35	40
<b>BUGUIAS</b>														
1	Upper Buas, Bangao	38	11						1.945	0.150	3.815	2	1,547,941.89	
2	Libeng, Bangao	6	6						0.495	0.425	0.400	1		
3	Gaangbala, Bac. Norte	17	17						3.500	2.725	1.285	2	1,168,115.53	
<b>ITOGON</b>														
1	Matae, Ampucao	1	17						1.065		0.210	0.700	1	911,391.56
2	Saybuan, Tinongdan	9									1.200			327,825.85
2	Gold River, Loacan	8									0.553			310,182.07
<b>KABAYAN</b>														
1	Timbac Proper, Pacso	6	30						3.215	1.155	0.713	2	1,320,690.58	
2	Pes-igan, Pacso	10	7						0.560		0.690	1	588,459.84	
3	Takap, Kabayan Barrio	3									0.240			95,709.55
4	Alakak, Kabayan Barrio	2	3									1	245,460.97	



5	Saway, Kabayan Barrio	4												0.260		137,803.96			
<b>KAPANGAN</b>																			
1	Embangol, Boklaoan	21	5											0.650	1.920	1	873,889.94		
2	Beling, Sagubo	16	1											1.031	0.345	1.058	1	757,052.07	
<b>KIBUNGAN</b>																			
1	Nalusbo, Madaymen	9												0.620			104,199.06		
<b>MANKAYAN</b>																			
1	Lower Palasa-an, Suyoc	3												0.280	1		231,158.52		
2	Panat, Suyoc	5												0.200			151,014.11		
<b>SABLAN</b>																			
1	Calamay, Bayabas	11	13											2.020	1.100	1	996,200.34		
2	Batawel, Bayabas	11	12													1	1,019,615.62		
3	Lower Peday, Kamog	9	11											0.735	0.500	0.530	1	699,934.47	
4	Pasweck, Banangan	5												0.595			214,398.39		
<b>TUBA</b>																			
1	Upper Lasilas, Nangalisan	5												0.890			159,009.17		
<b>TUBLAY</b>																			
1	Shontog, Basi	11	1											1.145			393,195.15		
2	Togoy, Ba-ayan	8												0.690			229,835.70		
3	Bendi-an, Basil	9												0.760			212,344.44		
4	Pinaljok, Ba-ayan,	7												0.680			189,247.84		
<b>TOTAL</b>		<b>234</b>	<b>134</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1.07</b>	<b>14.15</b>	<b>5.51</b>	<b>20.32</b>	<b>15</b>	<b>12,884,676.62</b>



INTERNALLY GENERATED FUND PROJECTS																
ITEM	DISTRICT/SITIO/BARANGAY/MUNICIPALITY	POLE REQUIREMENT							KILOMETERS OF LINES					XFRMR RQMT	FUND UTILIZATION	
		STEEL			CONCRETE				3-P	2-P	1-P	U. B.	O. S.			QTY
		30	35	50/55	30	35	40	45								
1	DISTRICT I (SALUD MITRA, CABINET HILL-TEACHERS CAMP, MARCOVILLE, ENGINEERS HILL, DPS CMPD., SOUTH DRIVE, GREENWATER VILLAGE, MILITARY CUT-OFF, HILLSIDE, STA. ESCOLASTICA, SCOUT BARRIO, UPPER DAGSIAN, LOWER DAGSIAN, GABRIELA SILANG, ATOK TRAIL, LOAKAN-APUGAN, CAMP 8, BAGUIO COUNTRY CLUB, HAPPY HALLOW, OUTLOOK DRIVE, LUCNAB, MINES VIEW, PUCSUSAN, GIBRALTAR, LUALHATI, PACDAL AND ST. JOSEPH VILLAGE)		1			2	8	1.813	0.100		0.500	0.090	1	860,117.42		
2	DISTRICT II (PMA FORT DEL PILAR, KIAS, LOAKAN-LIWANAG, LOAKAN PROPER, CAMP 7, POLIWES, SAN VICENTE, BGH CMPD., PHIL-AM, IMELDA MARCOS, BALSIGAN, SLU-SVP, BAKAKENG NORTE/SUR, BAKAKENG CENTRAL, STO. TOMAS PROPER, DONTOGAN AND STO. TOMAS SCHOOL AREA)	13	0	0	14	0	5	0.220	0.000	0.000	0.000	1.827		647,925.13		
3	DISTRICT III (RIZAL MONUMENT, BURNHAM-LEGARDA, AZCKO, KAYANG EXTENSION, PALMA-URBANO, MRR-QUEEN OF PEACE, LOURDES EXTENSION, LOWER LOURDES SUBD., LOURDES PROPER, DOMINICAN-MIRADOR, SAN ROQUE, SAN LUIS, UPPER ROCK QUARRY, MIDDLE ROCK QUARRY, LOWER ROCK QUARRY, CITY CAMP CENTRAL, CITY CAMP PROPER, LOWER QM SUBD., UPPER QM SUBD., FERDINAND AND STO. ROSARIO VILLAGE)	4	0	0	0	0	0	0.000	0.000	0.000	0.000	0.135		62,086.41		
4	DISTRICT IV (CAMP ALLEN, CRESENCIA VILLAGE, ANDRES BONIFACIO, GUIPAD CENTRAL, GUIPAD SURONG, PINGET, PINSAO PILOT PROJECT, PINSAO PROPER, FAIRVIEW, QUEZON HILL PROPER, MIDDLE QUEZON HILL, VICTORIA VILLAGE AND CAMPO FILIPINO)	11	5						0.215		0.278	0.419	3	409,393.34		
5	DISTRICT V (KAGITINGAN, T. ALONZO, NEW LUCBAN, ABCR, P. ZAMORA, KAYANG HILLTOP, UPPER CITY MARKET, P. BURGOS, UPPER MAGSAYSAY, STO. NINO-SLAUGHTERHOUSE, MAGSAYSAY PRIVATE ROAD, LOWER MAGSAYSAY, ANTONIO TABORA, HAPPY HOMES-LUCBAN, DIZON SUBD., CAMDAS SUBD., LOWER QUIRINO HILL, MIDDLE QUIRINO HILL, WEST QUIRINO HILL AND EAST QUIRINO HILL)	4	0								0.150			68,633.86		
6	DISTRICT VI (TRANCOVILLE, SOUTH SANITARY CAMP, NORTH SANITARY CAMP, LOPEZ JAENA, AURORA HILL PROPER, NORTH CENTRAL AURORA HILL, SOUTH AURORA HILL, BAYAN PARK VILLAGE, SAN ANTONIO VILLAGE, AMBIONG, BROOKSPPOINT, WEST BAYAN PARK, EAST BAYAN PARK, WEST MODERNSITE, EAST MODERNSITE, BROOKSIDE, IMELDA VILLAGE, M. ROXAS-TEACHERS CAMP, HOLYHOST PROPER, HONEYMOON-HOLYHOST, HOLYHOST EXT., UPPER GENERAL LUNA, LOWER GENERAL LUNA, KABAYANIHAN, SESSION RD., HARRISON-CARANTES AND MALCOLM SQUARE)							0.409	0.105	0.060	0.539	0.125		425,566.70		
7	DISTRICT VII (LA TRINIDAD)	21	17		1					0.888	0.280	1.346		723,123.50		
8	DISTRICT VIII (BOKOD, ITOGON AND KABAYAN)	36	4		4					3.657	3.536			1,236,397.75		
9	DISTRICT IX (ASIN ROAD, IRISAN, SABLAN AND TUBA)	21			3	8				0.495	2.110			647,679.67		
	<b>TOTAL</b>	110	27	0	22	10	0	22	2.44	0.42	0.95	5.75	9.74	4	5,080,923.78	
	<b>TOTAL FOR 2011 EXPANSION PROJECTS</b>	353	181	0	22	139	56	22	15.87	3.16	15.10	20.14	31.11	23	25,838,662.93	



REHABILITATION AND UPGRADING OF LINES																		
UPGRADING OF PRIMARY, SECONDARY AND SERVICE DROP LINES																		
ITEM	DISTRICT/SITIO/BARANGAY/MUNICIPALITY	POLE REQUIREMENT							KILOMETERS OF LINES					XFRMR RQMT	FUND UTILIZATION			
		STEEL			CONCRETE				3-P	2-P	1-P	U. B.	O. S.			QTY		
		30	35	50/55	30	35	40	45										
1	DISTRICT I (SALUD MITRA, CABINET HILL-TEACHERS CAMP, MARCOVILLE, ENGINEERS HILL, DPS CMPD., SOUTH DRIVE, GREENWATER VILLAGE, MILITARY CUT-OFF, HILLSIDE, STA. ESCOLASTICA, SCOUT BARRIO, UPPER DAGSIAN, LOWER DAGSIAN, GABRIELA SILANG, ATOK TRAIL, LOAKAN-APUGAN, CAMP 8, BAGUIO COUNTRY CLUB, HAPPY HALLOW, OUTLOOK DRIVE, LUCNAB, MINES VIEW, PUCSUSAN, GIBRALTAR, LUALHATI, PACDAL AND ST. JOSEPH VILLAGE)	17	3			35	40	45							0.603	0.891		535,005.38
2	DISTRICT II (PMA FORT DEL PILAR, KIAS, LOAKAN-LIWANAG, LOAKAN PROPER, CAMP 7, POLIWES, SAN VICENTE, BGH CMPD., PHIL-AM, IMELDA MARCOS, BALSIGAN, SLU-SVP, BAKAKENG NORTE/SUR, BAKAKENG CENTRAL, STO. TOMAS PROPER, DONTOGAN AND STO. TOMAS SCHOOL AREA)	8	3		2	5	5	1							0.228	4.053	2.425	1,233,273.69
3	DISTRICT III (RIZAL MONUMENT, BURNHAM-LEGARDA, AZCKO, KAYANG EXTENSION, PALMA-URBANO, MRR-QUEEN OF PEACE, LOURDES EXTENSION, LOWER LOURDES SUBD., LOURDES PROPER, DOMINICAN-MIRADOR, SAN ROQUE, SAN LUIS, UPPER ROCK QUARRY, MIDDLE ROCK QUARRY, LOWER ROCK QUARRY, CITY CAMP CENTRAL, CITY CAMP PROPER, LOWER QM SUBD., UPPER QM SUBD., FERDINAND AND STO. ROSARIO VILLAGE)	8	1			1									0.296	0.256		470,112.82
4	DISTRICT IV (CAMP ALLEN, CRESENCIA VILLAGE, ANDRES BONIFACIO, GUIPAD CENTRAL, GUIPAD SURONG, PINGET, PINSAO PILOT PROJECT, PINSAO PROPER, FAIRVIEW, QUEZON HILL PROPER, MIDDLE QUEZON HILL, VICTORIA VILLAGE AND CAMPO FILIPINO)	3													0.649	0.192		173,553.27
5	DISTRICT V (KAGITINGAN, T. ALONZO, NEW LUCBAN, ABCR, P. ZAMORA, KAYANG HILLTOP, UPPER CITY MARKET, P. BURGOS, UPPER MAGSAYSAY, STO. NINO-SLAUGHTERHOUSE, MAGSAYSAY PRIVATE ROAD, LOWER MAGSAYSAY, ANTONIO TABORA, HAPPY HOMES-LUCBAN, DIZON SUBD., CAMDAS SUBD., LOWER QUIRINO HILL, MIDDLE QUIRINO HILL, WEST QUIRINO HILL AND EAST QUIRINO HILL)	1	1				1								0.670	0.392	1	312,504.36
6	DISTRICT VI (TRANCOVILLE, SOUTH SANITARY CAMP, NORTH SANITARY CAMP, LOPEZ JAENA, AURORA HILL PROPER, NORTH CENTRAL AURORA HILL, SOUTH AURORA HILL, BAYAN PARK VILLAGE, SAN ANTONIO VILLAGE, AMBIONG, BROOKSPPOINT, WEST BAYAN PARK, EAST BAYAN PARK, WEST MODERNSITE, EAST MODERNSITE, BROOKSIDE, IMELDA VILLAGE, M. ROXAS-TEACHERS CAMP, HOLYHOST PROPER, HONEYMOON-HOLYHOST, HOLYHOST EXT., UPPER GENERAL LUNA, LOWER GENERAL LUNA, KABAYANIHAN, SESSION RD., HARRISON-CARANTES AND MALCOLM SQUARE)														0.581	1.069		452,074.95
7	DISTRICT VII (LA TRINIDAD)	27	8	2	1	2	1	5	1.120						0.894	2.935		1,476,472.67
8	DISTRICT VIII (BOKOD, ITOGON AND KABAYAN)	15	5			8									0.669	1		594,293.00
9	DISTRICT IX (ASIN ROAD, IRISAN, SABLAN AND TUBA)	26	9			3	2		0.210						0.210	1.429		1,080,015.66
10	DISTRICT X (ATOK, TUBLAY, KAPANGAN AND KIBUNGAN)	20	10			1	2	1.590							0.935	1.215	1.886	1,568,205.36
	<b>TOTAL</b>	125	40	2	3	47	56	54	2.71	0.21	1.16	9.17	12.14	2	7,895,511.17			



TRANSFORMER OPTIMIZATION AND LINE MAINTENANCE																
ITEM	DISTRICT/SITIO/BARANGAY/MUNICIPALITY	POLE REQUIREMENT								KILOMETERS OF LINES					XFRMR RQMT	FUND UTILIZATION
		STEEL				CONCRETE				3-P	2-P	1-P	U. B.	O.S.		
		30	35	50/55	30	35	40	45								
1	DISTRICT I (SALUD MITRA, CABINET HILL-TEACHERS CAMP, MARCOVILLE, ENGINEERS HILL, DPS CMPD., SOUTH DRIVE, GREENWATER VILLAGE, MILITARY CUT-OFF, HILLSIDE, STA. ESCOLASTICA, SCOUT BARRIO, UPPER DAGSIAN, LOWER DAGSIAN, GABRIELA SILANG, ATOK TRAIL, LOAKAN-APUGAN, CAMP 8, BAGUIO COUNTRY CLUB, HAPPY HOLLOW, OUTLOOK DRIVE, LUCNAB, MINES VIEW, PUCSUSAN, GIBRALTAR, LUALHATI, PACDAL AND ST. JOSEPH VILLAGE)														53	1,647,037.46
2	DISTRICT II (PMA FORT DEL PILAR, KIAS, LOAKAN-LIWANAG, LOAKAN PROPER, CAMP 7, POLIWES, SAN VICENTE, BGH CMPD., PHIL-AM, IMELDA MARCOS, BALSIGAN, SLU-SVP, BAKAKENG NORTE/SUR, BAKAKENG CENTRAL, STO. TOMAS PROPER, DONTOGAN AND STO. TOMAS SCHOOL AREA)														49	1,785,342.91
3	DISTRICT III (RIZAL MONUMENT, BURNHAM-LEGARDA, AZCKO, KAYANG EXTENSION, PALMA-URBANO, MRR-QUEEN OF PEACE, LOURDES EXTENSION, LOWER LOURDES SUBD., LOURDES PROPER, DOMINICAN-MIRADOR, SAN ROQUE, SAN LUIS, UPPER ROCK QUARRY, MIDDLE ROCK QUARRY, LOWER ROCK QUARRY, CITY CAMP CENTRAL, CITY CAMP PROPER, LOWER QM SUBD., UPPER QM SUBD., FERDINAND AND STO. ROSARIO VILLAGE)														17	675,408.54
4	DISTRICT IV (CAMP ALLEN, CRESENCIA VILLAGE, ANDRES BONIFACIO, GUIPAD CENTRAL, GUIPAD SURONG, PINGET, PINSAO PILOT PROJECT, PINSAO PROPER, FAIRVIEW, QUEZON HILL PROPER, MIDDLE QUEZON HILL, VICTORIA VILLAGE AND CAMPO FILIPINO)														8	304,626.83
5	DISTRICT V (KAGITINGAN, T. ALONZO, NEW LUCBAN, ABCR, P. ZAMORA, KAYANG HILLTOP, UPPER CITY MARKET, P. BURGOS, UPPER MAGSAYSAY, STO. NINO-SLAUGHTERHOUSE, MAGSAYSAY PRIVATE ROAD, LOWER MAGSAYSAY, ANTONIO TABORA, HAPPY HOMES-LUCBAN, DIZON SUBD., CAMDAS SUBD., LOWER QUIRINO HILL, MIDDLE QUIRINO HILL, WEST QUIRINO HILL AND EAST QUIRINO HILL)														33	746,295.54
6	DISTRICT VI (TRANCOVILLE, SOUTH SANITARY CAMP, NORTH SANITARY CAMP, LOPEZ JAENA, AURORA HILL PROPER, NORTH CENTRAL AURORA HILL, SOUTH AURORA HILL, BAYAN PARK VILLAGE, SAN ANTONIO VILLAGE, AMBIONG, BROOKSPPOINT, WEST BAYAN PARK, EAST BAYAN PARK, WEST MODERNSITE, EAST MODERNSITE, BROOKSIDE, IMELDA VILLAGE, M. ROXAS-TEACHERS CAMP, HOLYGHOST PROPER, HONEYMOON-HOLYGHOST, HOLYGHOST EXT., UPPER GENERAL LUNA, LOWER GENERAL LUNA, KABAYANIHAN, SESSION RD., HARRISON-CARANTES AND MALCOLM SQUARE)														53	3,158,462.86
7	DISTRICT VII (LA TRINIDAD)														161	5,902,460.98
8	DISTRICT VIII (BOKOD, ITOGON AND KABAYAN)														47	2,462,521.15
9	DISTRICT IX (ASIN ROAD, IRISAN, SABLAN AND TUBA)														80	1,927,896.51
10	DISTRICT X (ATOK, TUBLAY, KAPANGAN AND KIBUNGAN)														14	298,835.05
<b>TOTAL</b>													<b>133</b>	<b>18,908,887.83</b>		



PRIMARY BACKBONE UPRATING																	
ITEM	DISTRICT/SITIO / BARANGAY/MUNICIPALITY	POLE REQUIREMENT								KILOMETERS OF LINES					XFRMR RQMT	FUND UTILIZATION	
		STEEL				CONCRETE				3-P	2-P	1-P	U. B.	O.S.			QTY
		30	35	50/55	30	35	40	45									
1	DISTRICT I (SALUD MITRA, CABINET HILL-TEACHERS CAMP, MARCOVILLE, ENGINEERS HILL, DPS CMPD., SOUTH DRIVE, GREENWATER VILLAGE, MILITARY CUT-OFF, HILLSIDE, STA. ESCOLASTICA, SCOUT BARRIO, UPPER DAGSIAN, LOWER DAGSIAN, GABRIELA SILANG, ATOK TRAIL, LOAKAN-APUGAN, CAMP 8, BAGUIO COUNTRY CLUB, HAPPY HOLLOW, OUTLOOK DRIVE, LUCNAB, MINES VIEW, PUCSUSAN, GIBRALTAR, LUALHATI, PACDAL AND ST. JOSEPH VILLAGE)															5.374	3,416,479.32
2	DISTRICT V (KAGITINGAN, T. ALONZO, NEW LUCBAN, ABCR, P. ZAMORA, KAYANG HILLTOP, UPPER CITY MARKET, P. BURGOS, UPPER MAGSAYSAY, STO. NINO-SLAUGHTERHOUSE, MAGSAYSAY PRIVATE ROAD, LOWER MAGSAYSAY, ANTONIO TABORA, HAPPY HOMES-LUCBAN, DIZON SUBD., CAMDAS SUBD., LOWER QUIRINO HILL, MIDDLE QUIRINO HILL, WEST QUIRINO HILL AND EAST QUIRINO HILL)															1.000	409,036.14
3	DISTRICT VI (TRANCOVILLE, SOUTH SANITARY CAMP, NORTH SANITARY CAMP, LOPEZ JAENA, AURORA HILL PROPER, NORTH CENTRAL AURORA HILL, SOUTH AURORA HILL, BAYAN PARK VILLAGE, SAN ANTONIO VILLAGE, AMBIONG, BROOKSPPOINT, WEST BAYAN PARK, EAST BAYAN PARK, WEST MODERNSITE, EAST MODERNSITE, BROOKSIDE, IMELDA VILLAGE, M. ROXAS-TEACHERS CAMP, HOLYGHOST PROPER, HONEYMOON-HOLYGHOST, HOLYGHOST EXT., UPPER GENERAL LUNA, LOWER GENERAL LUNA, KABAYANIHAN, SESSION RD., HARRISON-CARANTES AND MALCOLM SQUARE)															0.440	317,698.14
4	DISTRICT VII (LA TRINIDAD)															1.812	1,288,537.92
5	DISTRICT VIII (BOKOD, ITOGON AND KABAYAN)															0.500	326,894.32
6	DISTRICT IX (ASIN ROAD, IRISAN, SABLAN AND TUBA)															0.697	630,361.25
<b>TOTAL</b>													<b>9.823</b>	<b>6,389,007.089</b>			
<b>TOTAL FOR 2011 REHABILITATION AND UPGRADING OF LINES</b>		<b>125</b>	<b>40</b>	<b>2</b>	<b>3</b>	<b>47</b>	<b>56</b>	<b>54</b>	<b>12.53</b>	<b>0.21</b>	<b>1.16</b>	<b>9.17</b>	<b>12.14</b>	<b>135</b>	<b>33,193,406.09</b>		

MISCELLANEOUS PROJECTS (SOLE USE DISTRIBUTION TRANSFORMERS AND LINES)																	
ITEM	DISTRICT/SITIO/BARANGAY/MUNICIPALITY	POLE REQUIREMENT								KILOMETERS OF LINES					XFRMR RQMT	FUND UTILIZATION	
		STEEL				CONCRETE				3-P	2-P	1-P	U. B.	O.S.			QTY
		30	35	50/55	30	35	40	45									
1	DISTRICT I (SALUD MITRA, CABINET HILL-TEACHERS CAMP, MARCOVILLE, ENGINEERS HILL, DPS CMPD., SOUTH DRIVE, GREENWATER VILLAGE, MILITARY CUT-OFF, HILLSIDE, STA. ESCOLASTICA, SCOUT BARRIO, UPPER DAGSIAN, LOWER DAGSIAN, GABRIELA SILANG, ATOK TRAIL, LOAKAN-APUGAN, CAMP 8, BAGUIO COUNTRY CLUB, HAPPY HOLLOW, OUTLOOK DRIVE, LUCNAB, MINES VIEW, PUCSUSAN, GIBRALTAR, LUALHATI, PACDAL AND ST. JOSEPH VILLAGE)															15	548,434.78





MANAGEMENT INFORMATIONS SYSTEMS DEPARTMENT  
2011 ACCOMPLISHMENT REPORT

BENECO SMS (TEXT MESSAGING) SERVICE

This is to advise our BENECO member-consumers that you can now inquire about your electric bill and schedule of power interruption using the text/short messaging service.

To Register:

text format - \*REG<space>Account Number  
text - \*REG 2116035002  
Send to: 0917-878-2400

Bill Inquiry:

text format - BILL<space>Account Number  
text - BILL 2116035002  
Send to: 0917-878-2400

Scheduled Power Interruption:

text format - INTE<space>Account Number  
text - INTE 2118035002  
Send to: 0917-878-2400

**Send your messages at this number: 0917-878-2400**

BENECO WEBSITE

The total number of consumers in the cooperative correspondingly equate to a great deal of challenge in the area of information dissemination.

Various communication media such as television, radio, and print ads are some of the means through which the cooperative inform the consumers. Technological advancements, social innovations, and the recent trend in the availability of internet connections for every household, paved the way for the development of the BENECO WEBSITE.

The website's goal is to make service information available to consumers via the internet medium, a valuable media component in which consumers can access accordingly. Information such as Electric Bill Account statements, Contact numbers, Power interruption notices, and pertinent updates are now easily accessible by browsing through the BENECO web pages.

Having been designed to be user - friendly, the website makes it possible for web editors to post and edit articles online with ease. This allows them to focus more on the article to be posted and less about the jargon.

Page contents of the website include the Home, Gallery, Services, News & Updates, Contact Us, Bill inquiry, and SCADA page. Sub – contents include Power interruption notice, and Energy Rates.

The BENECO domain can be accessed by pointing the browser's address to our portal at

**www.beneco.com.ph**



CCTV (CLOSED CIRCUIT TELEVISION) INSTALLATIONS

BAGUIO CITY CCTV INSTALLATIONS :

CAMERA LOCATIONS	STATUS
MAGSAYSAY	WORKING
ASSUMPTION RD.	WORKING
LAKANDULA ST.	WORKING
HILLTOP	WORKING
KAYANG ST.	WORKING
OTEK ST.	WORKING
RIZAL PARK	WORKING
JUAN LUNA ST.	WORKING
CHILDREN'S PARK	WORKING
UPPER SESSION RD.	WORKING
KM. 0	WORKING
ABANAO ST.	WORKING
M. ROXAS ST.	WORKING
CAMDAS	WORKING
AGRIX AREA	WORKING
SLAUGHTER	WORKING
P. BURGOS ST.	WORKING
BUHAGAN ST.	WORKING

LA TRINIDAD CCTV INSTALLATIONS :

CAMERA LOCATIONS	STATUS
Entrance of Municipal Hall	WORKING
Trading Post to Entrance of Bagsakan Area	WORKING
Electric Pole between Puregold and Km. 4 Plastic ware	WORKING
Caltex Km. 4	WORKING
Km. 4 near Beneco Bldg. ( Beneco Pole infront of CHINABANK )	WORKING
Km. 3	WORKING
Capitol	WORKING
Pico km.5 junction	WORKING



**OPERATIONS and MAINTENANCE DEPARTMENT  
2011 ACCOMPLISHMENT REPORT**

ACTIVITIES	ACCOMPLISHMENTS	PROJECT COST (Php)
1 Replacement of rotten poles a. Wood poles to concrete poles b. Wood poles to steel poles	115 pcs concrete poles of various sizes 212 pcs steel poles of various sizes	1,062,493.05 2,584,165.52
2 Replacement of undersized/ leaning/ eroded/ broken/ bumped and burned poles	54 pcs concrete poles of various sizes 39 pcs steel poles of various sizes	709,420.98 648,383.40
3 Right of way clearing	180 kilometers	1,485,000.00
4 Installation of Intermediate poles and streetlight poles	35 pcs concrete poles of various sizes 73 pcs steel poles of various sizes	504,298.20 929,830.58
5 Relocation and rerouting of poles & lines affected by road right of way and building constructions.	69 pcs concrete poles of various sizes 60 pcs steel poles of various sizes	480,953.88 1,296,766.80
6 Replacement of damaged and busted transformers, fuse cutouts, lightning arresters and fuselinks	Busted transformers - 39 units of various kva ratings Replaced/ installed fuse cutouts - 68 units Replaced/ installed Lightning Arresters - 106 units Replaced/ installed fuselinks of various sizes	253,479.95 830,898.20 662,616.12
7 Correction of loose jumpers and connections of distribution lines	Installed various connectors	1,265,096.82
8 Metering; Installation of new connections and replacement of defective, burned and damaged KWHM's.	Installation of new kwhms -4903 pcs Replacement of defective kwhms - 1803 pcs	8,089,950.00 2,974,950.00
9 Replacement, Installation and Maintenance of streetlights in La Trinidad, Tublay, Kapangan, Kibungan, Kabayan, Sablan, Bokod, Atok, Tuba, and parts of Baguio City & Itogon with MOA of 12 burning hours.	762 sets - 70 watts HPS Fixture 180 sets - 250 watts HPS Fixture 813 pcs - 70 watts bulb 180 pcs - 250 watts bulb 1069 pcs - Photoswitch, socket type	1,691,640.00 592,200.00 221,136.00 65,160.00 331,390.00
10 Installation of capsule grounding to improve lightning surge and transient overvoltages.	15 sets	1,320,000.00
11 Installation of SCADA system (Phase III) at Atok & Bulalacao substations.	Phase III - Atok & Bulalacao substations	5,268,000.00
12 Testing of Power Transformers & Breakers	3 Substations	376,000.00
13 Installation of Automatic Circuit Reclosers & single phase disconnect switches	Installed 5 sets 3-phase Automatic Circuit Reclosers Installed 10 sets 1-phase Automatic Circuit Reclosers	3,650,000.00
14 Installation of Battery Chargers and Industrial Batteries	2 lots for Atok & Bulalacao substations 1 lot for New 20MVA Lamut s/s	580,000.00 296,500.00
15 Repair and replacement of Irisan s/s perimeter fence	1 lot	400,000.00
16 Installation of 69kV & 23kV Motorized DS  Installation of 69kV SF6 Circuit Breaker	Installed 1 set of 69 kV Motorized Disconnect Switch for the 20MVA Lamut s/s Installed 3 sets 23 kV Motorized Disconnect Switch for the 20MVA Lamut s/s Installed 1 unit Deadtank for the new 20MVA Lamut s/s Installed 1 unit Livetank for the Atok s/s	433,600.00 613,680.00
17 Installation of 69 kV Potential Transformers	Installed 6 units of 69 kV Potential Transformers for the 10MVA & 20MVA Lamut substations	1,178,574.00
	Grand total	40,796,183.50



**NORTHERN SUB-AREA DEPARTMENT  
2011 ACCOMPLISHMENT REPORT**

**I. TECHNICAL ACTIVITIES:**

**A. LINE MAINTENANCE:**

Activities	No. of poles installed					QTY	COST (Php)
	Steel		Concrete				
	30'	35'	35'	40'	45'		
a1 Replacement of rotten poles	14	18	4	1	3	40	480,000.00
a2 Relocation of poles	20	23	8	2	4	57	684,000.00
a3 Correction of low sagging lines/Installation of intermediate poles	30	25	5	2	1	63	756,000.00
Total	64	66	17	5	8	160	1,920,000.00

**B. DISTRIBUTION TRANSFORMERS:**

Activities	KVA rating					QTY	COST (Php)
	10	15	25	37.5	50		
b1 Replacement of busted transformer	2			1		3	105,000.00
b2 Installation of new transformer							
Total	2			1		3	105,000.00

**C. GROUNDING IMPROVEMENTS;**

Activities	QTY	COST (Php)
c1 Installation of Grounding mat to the ff. locations		
Loo Lateral lines	1	12,000.00
Gambang to Sinacbat Line	2	24,000.00
Madaymen Lateral lines	2	24,000.00
Total	5	60,000.00

**D. RIGHT OF WAY CLEARING**

Activities	QTY	COSTt (Php)
d1 Kms. of lines Cleared (per location)	99.68 kms	328,912.00

**E. APPLICATION FOR SERVICE CONNECTION**

Description	QTY	COST (Php)
e1 New KWH-meter installed	722	549,196.52
e2 Additional KWH-meter Installed	34	25,862.44
e3 Temporary KWH-meter installed	2	1,521.32
Total	758	576,580.28



F. KWH-METER CORRECTIONS			
Activities		QTY	COST (Php)
f1	Calibrated/Tested KWH-meters	25	
f2	Relocated KWH-meters	48	
f3	Replaced defective KWH-meters	249	189,404.34

G. APPREHENSION OF ILLEGAL CONNECTIONS			
Activities		QTY	COST (Php)
g1	No. of accounts apprehended	11	136,829.00

**II. INSTITUTIONAL ACTIVITIES:**

A. PRE-MEMBERSHIP EDUCATIONAL SEMINAR (PMES)			
Activities		QTY	COST (Php)
a1	No. of PMES conducted (in-house/Outreach)	40	69,000.00
a2	No. of Participants	400	

B. INFORMATION EDUCATION CAMPAIGN (IEC)			
Activities		QTY	COST (Php)
b1	No. of IEC Conducted	42	147,000.00
b2	No. of Participants	2,100	

C. SOCIAL RESPONSIBILITY PROGRAM (SRP)			
Activities		QTY	COST (Php)
c1	BENECO SKILLS DEVELOPMENT TRAINING CENTER		
	Electrical Installation And Maintenance EIM-NC-II	No. of students who graduated 120	Free



**INSTITUTIONAL REPORT**

1. TOTAL NUMBER OF MEMBERSHIP	113,079
2. TOTAL NUMBER OF HOUSE CONNECTIONS	
A. BAGUIO	83,235
B. BENGUET PROVINCE	64,012
3. TOTAL NUMBER OF BARANGAYS ENERGIZED	269
(Lusod and Tawangan, Kabayan are energized through micro-hydro and solar)	
5. TOTAL NUMBER OF SITIOS ENERGIZED	1,941
6. TOTAL NUMBER OF UNENERGIZED SITIOS	564
7. SPECIAL PROJECTS	
A. GIS MAPPING OF THE SEWERAGE SYSTEM OF BAGUIO CITY	95 Barangays Surveyed
B. INSTALLATION OF CCTV IN BAGUIO CITY AND LA TRINIDAD	
C. TESDA and BENECO PARTNERSHIP IN TECHNICAL VOCATIONAL SKILLS TRAINING (Establishing BENECO Abatan TechVoc School)	
8. PRE-MEMBERSHIP SEMINARS	
A. NUMBER OF SEMINARS CONDUCTED	
In-house	89
Outreach	9
B. NUMBER OF PARTICIPANTS	
In-house	2,648
Outreach	387
9. MEDIA RELATIONS	
A. TV AND RADIO PROGRAM	
Powerline (DZWT 540AM)	52
Powerline (Z Radio 98.7FM)	52
Powerline (Skycable)	52
B. PRESS RELEASES, NOTICES AND PRINTED ADVERTISEMENTS	77
C. KAPIHAN/PRESS CONFERENCES	4
10. ANNUAL GENERAL ASSEMBLY	2
11. CONSUMER EDUCATION CAMPAIGNS	
A. NUMBER OF INFORMATION EDUCATION CAMPAIGNS CONDUCTED	85
B. NUMBER OF PARTICIPANTS	3,147





12. SPECIAL EVENTS CO-SPONSORSHIP

A. COMPETENCY BUILDING ACTIVITIES

1. Teacher's Skills Enhancement

- Support In Computer Servicing Training for School Administrators (Benguet)
Support In Information Computer Technology Training for School Teachers (Benguet)
Support In Information Computer Technology Training for Youth (Kaminora National High School)

2. Youth Empowerment and Skills Training

- Journalism Training (BSU and Tadayan)
Lineman Training for Out-of-School Youth (Batch 9)
Basketball Clinic
Support in Daily Vacation Bible School among Religious Sectors

3. Empowering Barangay Officials

- Support in Disaster Risk Reduction (Pinget, Pinsao and Irisan)
Support in Capability Training for Peace and Order Action Committee
Support in Capability Training for Barangay Peacekeeping Action Team
Support in the Training of Barangay Secretaries (Atok)
Support in Training of Barangay Officials (Kibungan)

B. ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE ADVOCACIES

- Earth Day
Earth Hour
Support for the Balili River Revitalization Movement
Support in CEPMO's Riverways Clean-up
Eco-composting Advocacies
Support to CEPMO's Water Dialogue with City Barangay Officials
Lecture on Climate Change
Maintenance of Adopted Area in Buyog Watershed
Maintenance of Coffee and Pine Tree Nursery

C. OUTREACH ACTIVITIES

- Medical Mission (Sablan)
Philippine Red Cross Blood Donation

D. CELEBRATION OF NATIONAL ELECTRIFICATION AWARENESS MONTH

13. AWARDS RECEIVED

- A. Special Citation (Most Number of Additional Consumer Connections for Year 2010)
B. Best In Collection Performance
C. Special Category



STATUS OF BARANGAY ELECTRIFICATION AND HOUSEHOLD CONNECTIONS
As of December 2011

Table with 5 columns: AREA COVERAGE, POTENTIAL BARANGAYS, ENERGIZED BARANGAYS, PERCENT, HOUSE CONNECTIONS. Rows include Baguio City, Benguet Province, Atok, Bakun, Bokod, Buguias, Itogon, Kabayan\*\*\*, Kapangan, Kibungan, La Trinidad, Mankayan, Sablan, Tuba, Tublay, and a TOTAL row.

\*\*\*Lusod and Tawangan, Kabayan are energized through micro-hydro and solar

STATUS OF BARANGAY ELECTRIFICATION AND HOUSEHOLD CONNECTIONS
As of December 2011

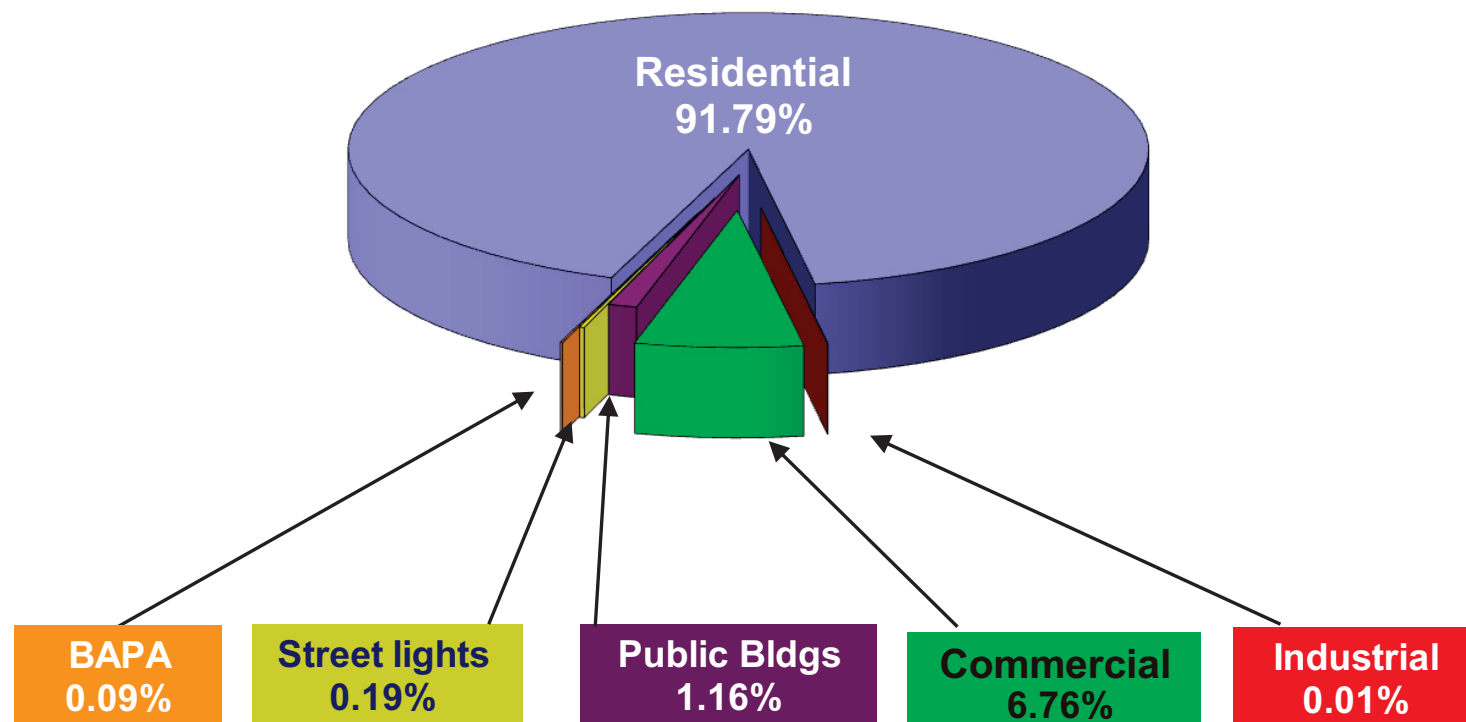
Table with 3 columns: DISTRICT, CITY/MUNICIPALITY, NO. OF MEMBERS. Rows include Districts I - VI, District VII, District VIII, District IX\*\*\*, District X, District XI, and a TOTAL row.

\*\*\* Asin Road and Irisan included in Baguio City

## COMPARATIVE CONSUMER CLASSIFICATION

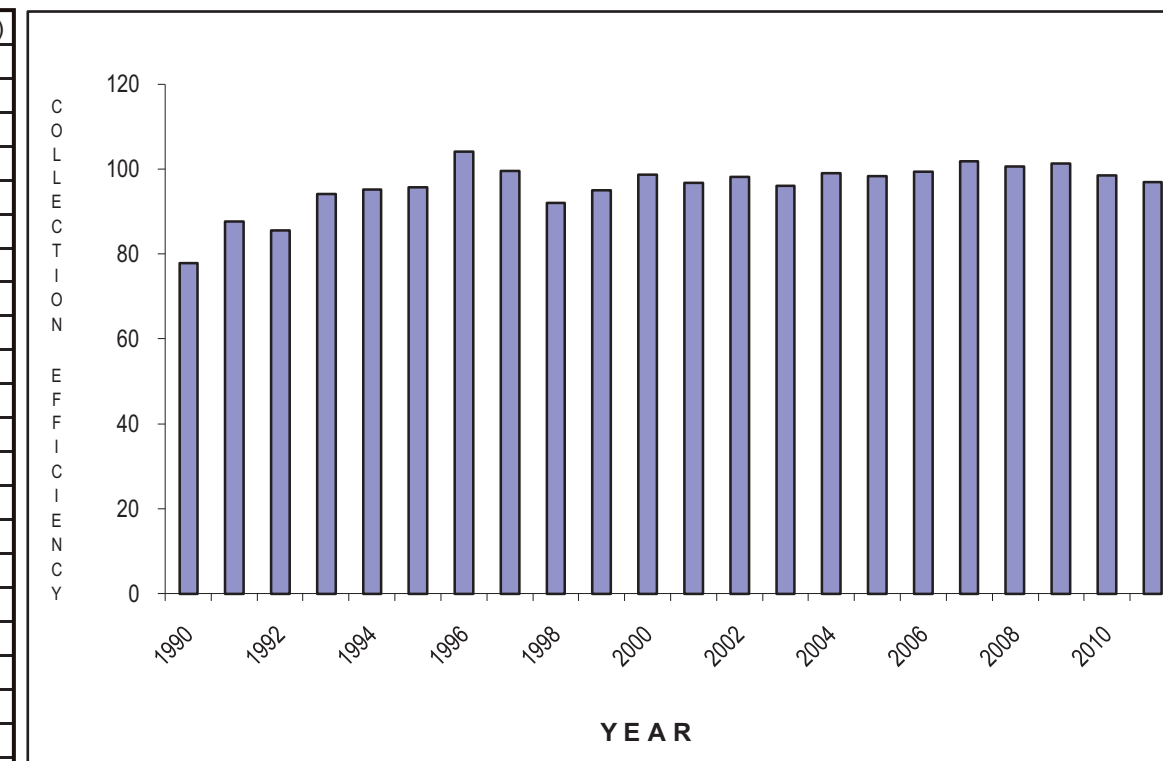
Type of Consumer	2011		2010	
	# of Consumers	%	# of Consumers	%
Residential	133,550	91.79	127,447	91.39
Industrial	16	0.01	15	0.01
Commercial	9,835	6.76	9,748	6.99
Public Buildings	1,692	1.16	1,620	1.16
St. lights / Sec. Lights	274	0.19	242	0.17
BAPA	134	0.09	387	0.28
<b>Total</b>	<b>145,501</b>	<b>100</b>	<b>139,459</b>	<b>100</b>

**TYPES OF CONSUMERS  
For the Year 2011**



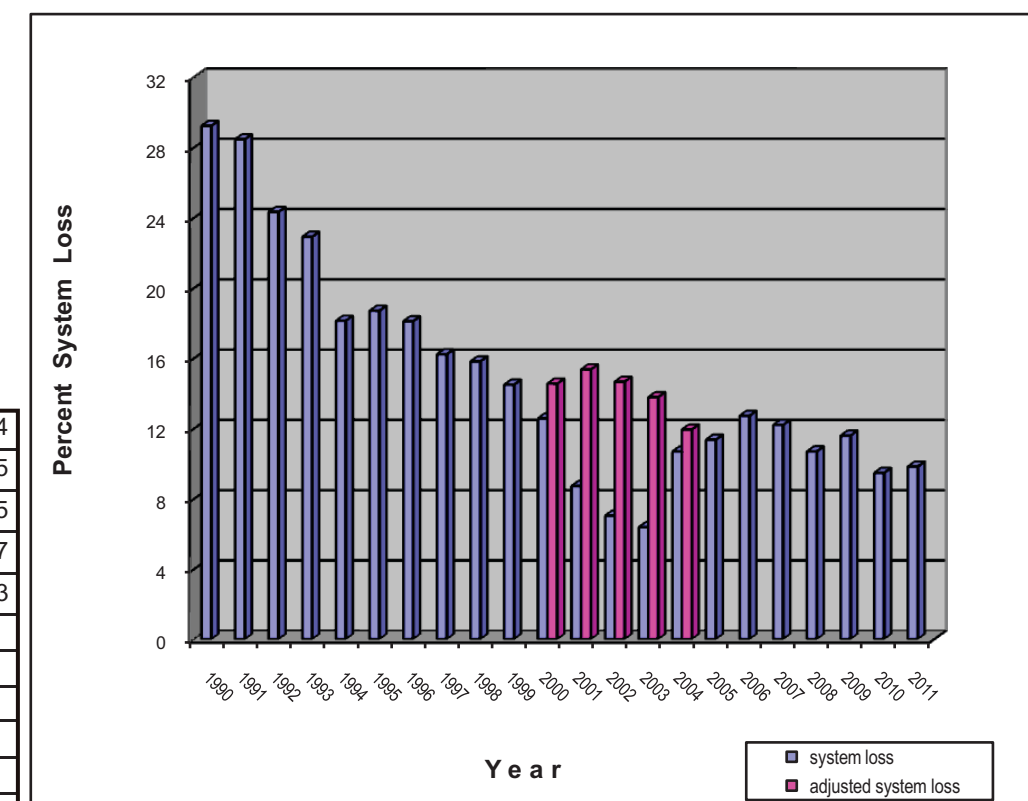
## COLLECTION EFFICIENCY PROFILE

YEAR	COLL EFF(%)
1990	77.90
1991	87.64
1992	85.62
1993	94.12
1994	95.24
1995	95.71
1996	104.00
1997	99.47
1998	92.03
1999	94.96
2000	98.58
2001	96.80
2002	98.17
2003	95.98
2004	99.01
2005	98.28
2006	99.36
2007	101.75
2008	100.53
2009	101.22
2010	98.50
2011	96.94



## SYSTEM LOSS PROFILE

YEAR	SYSTEM LOSS(%)
1990	29.21
1991	28.45
1992	24.31
1993	22.90
1994	18.12
1995	18.69
1996	18.09
1997	16.21
1998	15.81
1999	14.48
2000	12.56
2001	8.71
2002	7.03
2003	6.37
2004	10.68
2005	11.35
2006	12.71
2007	12.19
2008	10.68
2009	11.58
2010	9.46
2011	9.82



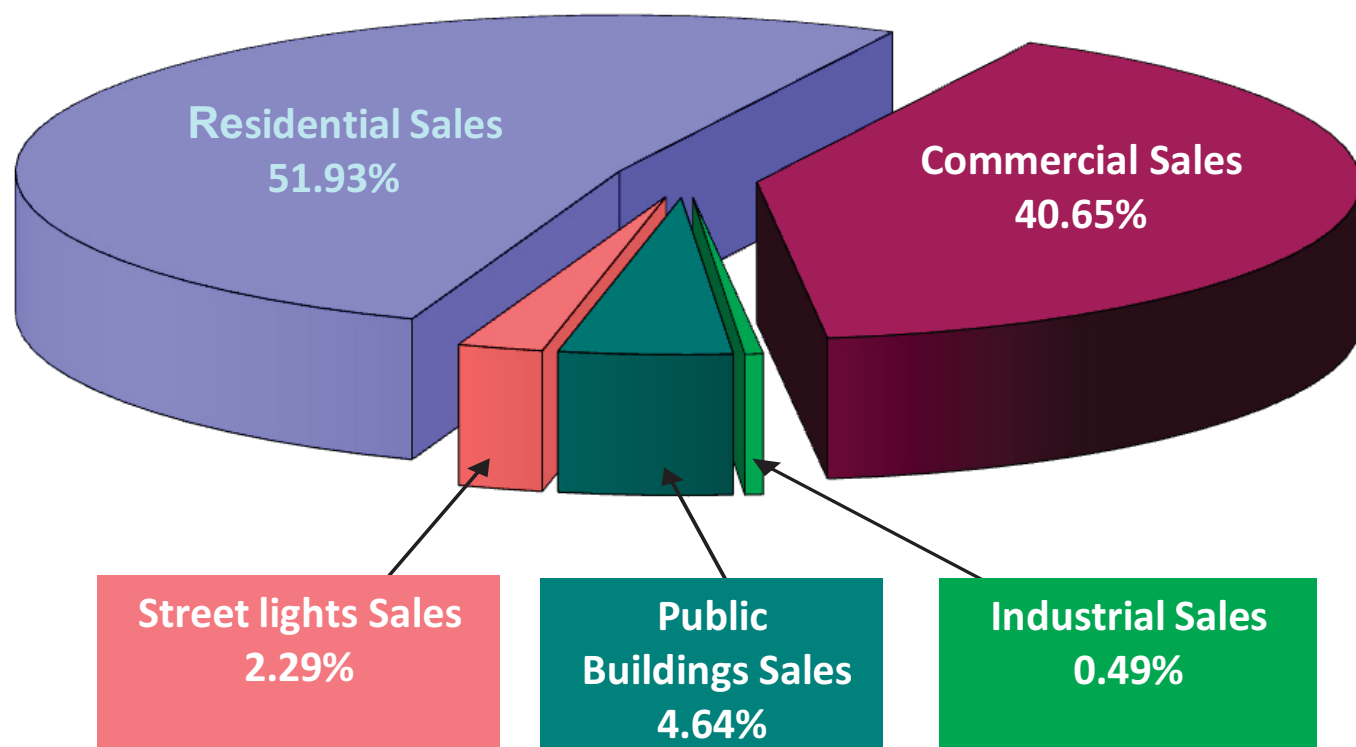
NOTE: \* - ADJUSTED ACTUAL SYSTEM LOSS DUE TO TRANSCO UNDERBILLING



**COMPARATIVE SALES ANALYSIS**  
For the Years 2011 vs. 2010

Type of Consumer	2011			2010		
	SALES (Pesos)	SALES (kwh)	%	SALES (Pesos)	SALES (kwh)	%
Residential	1,204,297,339.00	165,488,330	51.93	1,061,700,362.00	159,462,492	51.2
Commercial	859,270,761.00	129,537,775	40.65	675,392,026.00	110,928,918	35.6
Industrial	12,246,599.00	1,550,364	0.49	16,567,270.00	2,797,998	0.9
Public Buildings	120,032,886.00	14,780,997	4.64	169,414,257.00	31,467,121	10.1
St Lights/Sec Lights	48,623,220.00	7,297,010	2.29	42,681,529.00	7,048,952	2.3
<b>Total</b>	<b>2,244,470,805.00</b>	<b>318,654,476</b>	<b>100</b>	<b>1,965,755,444.00</b>	<b>311,705,481</b>	<b>100</b>

**WHERE OUR REVENUE CAME FROM**  
For the Year 2011



**KEY PERFORMANCE INDICATORS**

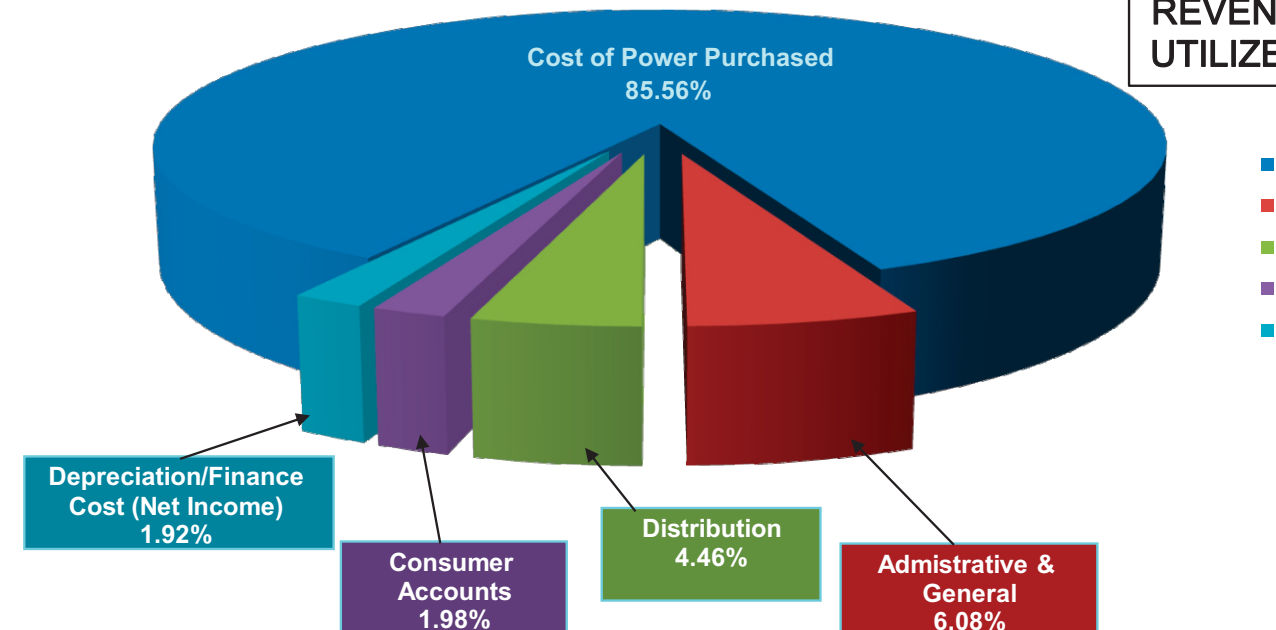
PARTICULARS	YEAR 2011		YEAR 2010		NEA STANDARD
	AMOUNT	%	AMOUNT	%	
Net Energy Sold	2,244,470,805.00	100	1,965,755,444.00		
Cost of Energy Sold	1,920,444,535.00	85.56	1,723,747,915.00	87.69	50 -60 %
Gross Operating Income	324,026,270.00		242,007,529.00		
Operating Expenses:					
Administrative & General	136,429,412.00	6.08	119,743,793.00	6.09	10 - 15 %
Distribution	100,013,170.00	4.46	83,566,332.00	4.25	5 - 8 %
Consumer Accounts	44,473,272.00	1.98	42,883,696.00	2.18	3 - 5 %
Total Operating Expenses	280,915,854.00	12.52	246,193,821.00	12.52	
Total Cost of Energy and OPEX	2,201,360,389.00	98.08	1,969,941,736.00	100.21	90 - 95 %
Other Income/(Expenses):					
Depreciation	(76,608,805.00)	1.92	(69,208,056.00)		
Finance Cost	(15,777,009.00)		(17,858,727.00)		
Other Income	44,261,668.00		48,256,313.00		
<b>Net Income/ (Loss)</b>	<b>(5,013,730.00)</b>	<b>-0.22</b>	<b>(42,996,762.00)</b>	<b>-2.19</b>	<b>5%</b>

Notes:

Net Energy Sales is exclusive of Reinvestment for Sustainable CAPEX

Other Income consists of Prompt Payment Discounts, Surcharges, Rent from Electric Property, etc.

**WHERE OUR REVENUE WAS UTILIZED**





REPORT OF THE INDEPENDENT AUDITOR

The Board of Directors
BENGUET ELECTRIC COOPERATIVE, INC.
Alapang, La Trinidad, Benguet
PHILIPPINES

Report on the Financial Statements

We have audited the accompanying financial statements of BENGUET ELECTRIC COOPERATIVE, INC., which comprise of the statements of financial position as of December 31, 2011 and 2010, and the related statements of comprehensive income, changes in equities and loss, and cash flows for the years ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BENGUET ELECTRIC COOPERATIVE, INC., as of December 31, 2011 and 2010, and of its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards.

Emphasis on Matter

Attention is drawn to Notes 14 and 35 to the Notes to Financial Statements, relative to the large accumulated losses of Php 526,412,916 and Php 528,387,828 as of December 31, 2011 and 2010, respectively, including the net losses of Php 5,013,730 and Php 42,996,762 for the years then ended.



Said losses already impaired about 47.2% of its equity base of Php 1,114,643,218 in 2011 and 50.5% of its equity base of Php 1,045,228,251 in 2010, and may have consequent effect on the financial condition and viability of operation of the electric cooperative.

In a subsequent Independent Appraisal Report dated July 20, 2011, the resulting appraisal increment of Php 999,933,487 as of December 31, 2011 was recognized by the electric cooperative as revaluation surplus in its equity account. This restored the equity base to Php 1,588,163,789 as of December 31, 2011 (Note 15).

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2011 required by the Bureau of Internal Revenue on taxes, duties and license fees disclosed in Note 36 to the Financial Statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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PTR No. 6239959B, Jan. 29, 2012
Quezon City

August 7, 2012
Quezon City, Philippines



BENGUET ELECTRIC COOPERATIVE, INC.

(A Nonstock, Not-for-Profit Electric Cooperative)

STATEMENT OF FINANCIAL POSITION

	Notes	As of December 31,	
		2011	2010
<b>ASSETS</b>			
<b>Noncurrent Assets</b>			
Property and equipment	8 & 15	2,109,263,632	951,422,100
Other non-current assets	10	92,473,212	70,512,705
<b>Total Noncurrent Assets</b>		<b>2,201,736,844</b>	<b>1,021,934,805</b>
<b>Current Assets</b>			
Cash and cash equivalents	4	102,137,381	145,947,617
Held to maturity investments	6	42,459,652	288,928,015
Receivables	5	175,787,074	160,112,564
Materials and supplies inventories	9	18,803,755	7,741,083
Prepayments and other current assets	7	28,277,564	37,839,371
<b>Total Current Assets</b>		<b>367,465,426</b>	<b>640,568,650</b>
<b>TOTAL ASSETS</b>		<b>2,569,202,270</b>	<b>1,662,503,455</b>
<b>EQUITIES AND LIABILITIES</b>			
<b>Equities</b>			
Membership	11	600,520	579,540
Donated capital	12	318,387,440	318,387,440
Miscellaneous contributed capital	13	795,655,258	726,261,271
Accumulated loss	14	(526,412,916)	(528,387,828)
Revaluation surplus	15	999,933,487	-
<b>Total Equities and (Loss)</b>		<b>1,588,163,789</b>	<b>516,840,423</b>
<b>Noncurrent Liabilities</b>			
Long-term debt	16	159,031,811	324,548,314
Consumers' deposit	17	150,497,820	136,365,215
Retirement liability	20	147,787,780	143,537,489
<b>Total Noncurrent Liabilities</b>		<b>457,317,411</b>	<b>604,451,018</b>
<b>Current Liabilities</b>			
Accounts payables and accrued expenses	18 & 19	523,721,070	541,212,014
<b>Total Current Liabilities</b>		<b>523,721,070</b>	<b>541,212,014</b>
<b>TOTAL LIABILITIES AND EQUITIES</b>		<b>2,569,202,270</b>	<b>1,662,503,455</b>

See Accompanying Notes to Financial Statements



BENGUET ELECTRIC COOPERATIVE, INC.

(A Nonstock, Not-for-Profit Electric Cooperative)

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year Ended December 31,	
		2011	2010
<b>NET ENERGY SALES</b>	23	2,244,470,805	1,965,755,444
<b>COST OF ENERGY SOLD</b>	25	1,920,444,535	1,723,747,915
<b>GROSS INCOME</b>		<b>324,026,270</b>	<b>242,007,529</b>
<b>OPERATING EXPENSES</b>			
Administrative and general	27	136,429,412	119,743,793
Distribution	26	100,013,170	83,566,332
Consumers' accounts	26	44,473,272	42,883,696
		<b>280,915,854</b>	<b>246,193,821</b>
<b>DEPRECIATION</b>	8, 26 & 27	76,608,805	69,208,056
<b>FINANCE COST</b>	28	15,777,009	17,858,727
		<b>373,301,668</b>	<b>333,260,604</b>
<b>LOSS FROM OPERATION</b>		<b>(49,275,398)</b>	<b>(91,253,075)</b>
<b>OTHER INCOME</b>	24	44,261,668	48,256,313
<b>NET LOSS</b>		<b>(5,013,730)</b>	<b>(42,996,762)</b>

See Accompanying Notes to Financial Statements



BENGUET ELECTRIC COOPERATIVE, INC.

(A Nonstock, Not-for-Profit Electric Cooperative)

STATEMENT OF CHANGES IN EQUITIES AND LOSS

Table with 4 columns: Description, Notes, Year Ended December 31, 2011, and Year Ended December 31, 2010. Rows include EQUITIES (Membership, Donated capital, Miscellaneous contributed capital), LOSS, REVALUATION SURPLUS, and TOTAL EQUITIES AND LOSS.

See Accompanying Notes to Financial Statements



BENGUET ELECTRIC COOPERATIVE, INC.

(A Nonstock, Not-for-Profit Electric Cooperative)

STATEMENT OF CASH FLOWS

Table with 4 columns: Description, Notes, Year Ended December 31, 2011, and Year Ended December 31, 2010. Rows include CASH FLOWS FROM OPERATING ACTIVITIES, CASH FLOWS FROM INVESTING ACTIVITIES, CASH FLOWS FROM FINANCING ACTIVITIES, and NET INCREASE (DECREASE) IN CASH.

See Accompanying Notes to Financial Statements



## NOTES TO FINANCIAL STATEMENTS December 31, 2011

### 1. COOPERATIVE INFORMATION AND AUTHORIZATION FOR ISSUE OF FINANCIAL STATEMENTS

#### • Cooperative Information

**Benguet Electric Cooperative, Inc.**, (the "Cooperative") was incorporated on October 5, 1973 under the provisions of Republic Act (R.A.), No. 6038 which created the National Electrification (NEA), as amended by Presidential Decree Nos. 269 and 1645. Its primary purpose is to supply, promote, and encourage the fullest use of electric service to its members on an area of coverage basis. It was first energized on November 1973.

Its registered office address is Alapang, La Trinidad, Benguet. The cooperative's franchise area for electric distribution covers Baguio City and the 13 municipalities of Benguet.

As provided in R.A.9136 otherwise known as "Electric Power Industry Reform Act of 2001," the Cooperative opted as a non-stock cooperative registered with NEA and governed by the provisions of P.D.269.

#### • Authorization for issue of financial statements

The accompanying financial statements of the cooperative were approved and authorized for issue by the Board of Directors in its meeting on August 7, 2012.

#### • Administrative Regulations

##### R.A. 6938, 1990 Cooperative Code of the Philippines

On February 10, 1994, the Omnibus Rules and Regulations on the registration of electric cooperatives under RA No. 6938 were approved. As a result, the Cooperative shall have a three-year transition period from the effectivity of the Omnibus Rules before it can qualify for permanent registration with the Cooperative Development Act (CDA). On October 20, 1997, the transition was extended for another three years, which already expired on May 4, 2000.

The Cooperative did not register with the CDA and remained on the organizational set-up under NEA.

##### R.A. 9520, Philippine Cooperative Code of 2008

On February 17, 2009, R.A. 9520, otherwise known as the Philippine Cooperative Code of 2008, was enacted into law, amending various provisions in the 1990 Cooperative Code of the Philippines or R.A. 6938. The new cooperative code outlines in greater detail the requirements in professionalizing the management and operation of cooperatives, and provides a monitoring and evaluation tool for the cooperatives to conduct self-assessments in terms of its managerial, financial, and social objectives. Among the provisions introduced by R.A. 9520 applicable to electric cooperatives are as follows:

- 1.) All rates and tariffs of electric cooperatives registered under the Code shall be subject to the rules on application and approval of and by the Energy Regulatory Commission for distribution utilities;
- 2.) NEA shall no longer exercise regulatory or supervisory powers on electric cooperatives duly registered with the Authority;
- 3.) The Cooperative is entitled to congressional allocations, grants, subsidiaries and other financial assistance for rural electrification which can be coursed through the Department of Energy, the Authority and/or local government units. The electric cooperatives registered under this Code can avail of the financial services and technical assistance provided by the government financial institutions and technical development agencies on terms respecting their independence as autonomous cooperatives;
- 4.) All condoned loans, subsidies, grants and other assistance shall form part of the donated capital and funds of the electric cooperatives and as such, it shall not be sold, traded nor be divided into shareholdings at any time; these donated capital/fund shall be valued for the sole purpose of determining the equity participation of the members: *Provided*, that in the case of dissolution of the cooperative, said donated capital shall be subject to escheat;
- 5.) The electric cooperative shall issue and distribute shares certificates under the name of their members, taking into consideration their previous equity contributions, the amortization component through the payments made, capital build-up and other capital contributions.



### R.A. 9136, EPIRA of 2001

On June 8, 2001, R.A. No. 9136 known as the "Electric Power Industry Reform Act of 2001" (EPIRA), was passed into law. The salient provisions on the Implementing Rules and Regulations of the Act, among others, are the following:

- 1.) Division of electric power industry into sectors, namely: generation, transmission, distribution and supply;
- 2.) Creation of the wholesale electricity spot market (WESM) which will provide the mechanism for determining the price of electricity not covered by bilateral contracts between sellers and purchasers of electricity;
- 3.) Condonation of all outstanding financial obligation of all electric cooperatives with the NEA and other government agencies incurred for the purpose of financing the rural electrification program as of June 26, 2001 through the assumption of Power Sector Assets Liabilities Management Corporation (PSALM) of the said loans, which shall be implemented and completed within 3 years from the effectivity of the Act;
- 4.) Unbundling of retail rate into 5 functions namely, generation, transmission, distribution, supply and metering, thereby making the rate components cost-based and transparent; and
- 5.) Granting the option to electric cooperatives to convert into either (1) a stock cooperative under the Cooperative Development Authority; (2) a stock corporation under the Corporation Code of the Philippines or; (3) remain as a non-stock cooperative registered with NEA and governed by the provisions of P.D. No. 269.

Also under the Act, a lifeline rate or a discounted rate is granted to residential consumers within 10 years who are considered low-income captive market end-users or to those who cannot afford to pay the electric bill. Consumers with minimum consumption per kilowatt hour are entitled to the lifeline rate as follows:

#### Consumption Discount

20 & below 50% 21 to 25 kwh 40% 26 to 30 kwh 30% 31 to 35 kwh 20% 36 to 40 kwh 10% 41 to 45 kwh 5%  
The cost of subsidy to lifeline end-users shall be passed on to all non-lifeline end-users equivalent to P0.0601/kwh.

#### ERC Regulations, RSEC-WR

On September 23, 2009, the Energy Regulatory Commission issued Resolution No. 20, Series of 2009 – Rules for Setting the Electric Cooperative Wheeling Rates (RSEC-WR). The rule establishes a cap on the Distribution, Supply and Metering (DSM) charges that the electric cooperatives can charge to its customers. All on-grid electric cooperatives are classified into (7) groups depending on its size and structure. Group F, where the Cooperative belongs, charges its customers an average DSM charge of P0.9900 plus P.2178 mcc per kilowatt hour. This DSM cap will be reviewed by the ERC on the next regulatory period which is 2013.

In compliance to the RSEC-WR, the Cooperative filed an application of the adjustment in rates last November 20, 2009 and filed an "Amended Application with Manifestation". A provisional authority was issued by ERC on January 11, 2010. The order authorizes the Cooperative to implement the difference in the existing and new DSM rate in three (3) phases. The first phase took effect on January 2010, second phase on January 2011, and the third phase is on January 2012.

On December 29, 2003, the Energy Regulatory Commission (ERC) has approved the unbundled rates. Furthermore, the ERC has permitted a rate reduction of P0.0221 per kilowatt hour due to condonation of long-term debt with NEA.

#### • Preferential Tax Treatments

##### CDA, R.A. 9520

In addition, under this law, the Cooperative shall enjoy the following exemptions as provided in the Code:

- 1.) The transactions of members with the cooperative shall not be subject to any taxes and fees, including not limited to final taxes on members' deposits and documentary tax;
- 2.) Cooperatives with accumulated reserves and undivided net savings of not more than Ten million pesos (P10,000,000.00) shall be exempt from all national, city, provincial, municipal or barangay taxes of whatever name and nature for transacting business with non-members. Such cooperatives shall be exempt from customs duties, advance sales or compensating taxes on their importation of machineries, equipment and spare parts used by them and which are not available locally and certified by the Department of Trade and Industry (DTI), provided that such importation shall not be sold nor the beneficial ownership thereof be transferred to any person until after five (5) years;
- 3.) Cooperatives with accumulated reserves and divided net savings of more than Ten million pesos (P10,000,000.00) shall be exempt of the following taxes at the full rate:
  - (a) Income Tax – On the amount allocated for interest on capitals: Provided, That the same tax is not consequently imposed on



interest individually received by members: Provided, further, That cooperatives regardless of classification, are exempted from income tax from the date of registration with the Authority;

- (b) Value-Added Tax – On transactions with non-members: *Provided, however,* That cooperatives duly registered with the Authority; are exempt from the payment of value-added tax; subject to Section 109, sub-sections L, M and N of Republic Act No. 9337, the National Internal Revenue Code, as amended: *Provided,* That the exempt transaction under Section 109 (L) shall include sales made by cooperatives duly registered with the Authority organized and operated by its member to undertake the production and processing of raw materials or of goods produced by its members into finished or process products for sale by the cooperative to its members and non-members: *Provided, further,* That any processed product or its derivative arising from the raw materials produced by its members, sold in the name and for the account of the cooperative: *Provided, finally,* That at least twenty-five *per centum* (25%) of the net income of the cooperatives is returned to the members in the form of interest and/or patronage refunds;
  - (c) All other taxes unless otherwise provided herein; and
  - (d) Donations to charitable, research and educational institutions and reinvestments to socioeconomic projects within the area of operation of the cooperative may be tax deductible.
- 4.) All cooperatives, regardless of the amount of accumulated reserves and undivided net savings shall be exempt from payment of local taxes and taxes on transactions with banks and insurance companies: *Provided,* That all sales or services rendered for non-members shall be subject to the applicable percentage taxes sales made by producers, marketing or service cooperatives: *Provided further,* That nothing in this article shall preclude the examination of the books of accounts or other accounting records of the cooperative by duly authorized internal revenue officers for internal revenue tax purposes only, after previous authorization by the Authority;
  - 5.) In areas where there are no available notaries public, the judge, exercising his *ex officio* capacity as notary public, shall render service, free of charge, to any person or group of persons requiring the administration of oath or the acknowledgment of articles of cooperation and instruments of loan from cooperatives not exceeding Five Hundred Thousand Pesos (P500,000.00);
  - 6.) Any register of deeds shall accept for registration, free of charge, any instrument relative to a loan made under this Code which does not exceed Two Hundred Fifty Thousand Pesos (P250,000.00) or the deeds of title of any property acquired by the cooperative or any paper or document drawn in connection with any action brought by the cooperative or with any court judgment rendered in its favor or any instrument relative to a bond of any accountable officer of a cooperative for the faithful performance of his duties and obligations;
  - 7.) Cooperatives shall be exempt from the payment of all court and sheriff's fees payable to the Philippine Government for and in connection with all actions brought under this Code, or where such actions is brought by the Authority before the court, to enforce the payment of obligations contracted in favor of the cooperative;
  - 8.) All cooperatives shall be exempt from putting up a bond for bringing an appeal against the decision of an inferior court or for seeking to set aside any third party claim: *Provided,* That a certification of the Authority showing that the net assets of the cooperative are in excess of the amount of the bond required by the court in similar cases shall be accepted by the court as a sufficient bond; and
  - 9.) Any security issued by cooperatives shall be exempt from the provisions of the Securities Act provided such security shall not be speculative.

**Permanent Income Tax Exemption Under P.D. 269**

Effective January 1, 2002, the Cooperative's tax and duty exemption privileges had expired after thirty (30) calendar years of operation pursuant to the provision of P.D. No. 269. Hence, the Cooperative has voluntarily subjected its operation to income tax beginning January 1, 2002. However, the Bureau of Internal Revenue in its opinion per Delegated Authority Ruling No. 108-2006 dated March 14, 2006, stated that the 30 year period or until completely free of indebtedness whichever comes first, prescription of tax exemption privileges enjoyed by electric cooperatives covers only franchise tax, value added tax, percentage tax and other taxes except income tax. However, income derived from other sources not related to its primary purpose is subject to income tax.

As expressly provided in No. 1 of Section 39 (a) of P.D. No. 269, and in said Ruling, the exemption of Electric Cooperative from income tax is permanent in nature. As such, the Cooperative is covered by the exemption from income tax on its electric operation.

**Other Tax Privileges / Limitations**

**BIR Revenue Memorandum Circular Bo. 72-2003**

This RMC, dated October 20, 2003, provides that electric cooperatives registered with the NEA are exempt from:

- 1.) Franchise tax under Section 119 of the Tax Code of 1997;



- 2.) Value added tax, on sales relative to the generation and distribution of electricity as well as their importation of machinery and equipment, including spare part, which shall be used in the generation and distribution of electricity;
- 3.) Income taxes for which they are already liable;
- 4.) 3% percentage tax under Section 116 of the Tax Code of 1997; and
- 5.) All national government taxes and fees, including franchise, filing, recordation, license or permit fees or taxes. Provided however, that the said exemption shall end on December 31 of the thirtieth full calendar year after the said date of cooperative's organization or conversion, or until it shall become completely free of indebtedness incurred by borrowing, whichever event first occurs. Provided further, that the period of exemption for a new cooperative formed by consolidation, as provided for in Section 29 of PD No. 269, to begin from as the date of the beginning of such period for the constituent consolidating cooperative which was most recently organized or converted under PD No. 269.

**Limits of Exemption under R.A. 9337, EVAT 2005**

On May 24, 2005, the President signed into law the Expanded Value Added Tax Law of 2005 (the "Act"), which took effect on November 1, 2005. The Act, among others, introduced the following changes:

- 1.) New transactions subject to VAT include, among others, sale of electricity by generation, transmission and distribution companies and services of franchise grantees of electric utilities.
- 2.) Power of the President upon the recommendation of the Secretary of Finance to increase the rate of the VAT to 12%, after any of the following conditions has been satisfied: (i) VAT collection as a percentage of gross domestic product (GDP) of the previous year exceeds 2 and 4/5%; or (ii) National government deficit as a percentage of GDP of the previous year exceeds 1 and 1/2%. On February 1, 2006, the President increased the 10% VAT rate to 12% as the conditions were met.
- 3.) Input VAT on capital goods should be spread evenly over the useful life or 60 months, whichever is shorter, if the acquisition cost, excluding the VAT component thereof, exceeds P1 million.
- 4.) Input VAT credit in every quarter shall not exceed 70% of the output VAT (amended to 100% under Revenue Regulation No. 2-2007).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES**

**(a) Statement of Compliance**

The accompanying financial statements are prepared in conformity with Philippine Financial Reporting Standards (PFRS) for each type of assets, liabilities, income and expenses, and with the general practices on rural electric cooperatives as prescribed by the National Electrification Administration, the Cooperative Development Authority (CDA), and the Energy Regulatory Commission (ERC).

**(b) Basis of Measurement**

The financial statements have been prepared on the historical cost basis.

**(c) Functional and Presentation Currency**

The financial statements are presented in Philippine peso, which is the Cooperative's functional currency. All financial information has been rounded to the nearest peso except as otherwise indicated.

**(d) Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amended PFRS and PIC Interpretations, when applicable, as follows:

**(1) Effective in 2010**

PAS 1	Financial Statements Presentation
PAS 7	Statement of Cash Flows
PAS 36	Impairment of Assets
PAS 39	Financial Instruments: Recognition and Measurement





The standards are described below:

PAS 1 (Amendment), Presentation of Financial Statements (effective from January 1, 2010) – The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments. Assets and liabilities classified as held for trading are not automatically classified as current in the Statements of Financial Position.

PAS 7, (issued April 2009), Statement of Cash Flows – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective January 1, 2010) – This explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

PAS 36, (issued April 2009), Impairment of Assets (effective from January 1, 2010) – This standard is to prescribe the procedures that the entity applies to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the standard requires the entity to recognize an impairment loss.

PAS 39, (issued April 2009), Financial Instruments: Recognition and Measurement – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective from January 1, 2010) – The standards amends the definition “originated loans and receivables” to become “loans and receivables”. Under the revised definition, an entity is permitted to classify as loans and receivables purchased loans that are not quoted in an active market.

(2) Effective in 2011

PAS 1	Presentation of Financial Statements
PAS 24	Related Party Disclosures
PAS 32	Presentation of Financial Instruments
IFRIC 13	Customer Loyalty Programs
IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These standards or interpretations are described below:

PAS 1, Presentation of Financial Statements (issued May 2010) Amendments resulting from May 2010 Annual Improvements to IFRSs (effective January 1, 2011) – The objective of this standard is to clarify that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

PAS 24 (Amended), Related Party Disclosures – The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

PAS 32, Financial Instruments: Presentation (Amendment) – Classification of Rights Issues – The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010. The amendment changed the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Philippine Interpretation IFRIC 13 (Customer Loyalty Programmes) – The amendment to Philippine Interpretation IFRIC 13 clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

Philippine Interpretation IFRIC 14 (Amendment) – Prepayments of a Minimum Funding Requirement – The amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments – This is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.



(3) Effective in 2012

PFRS 7	Financial Statements: Disclosures
PAS 12	Income Taxes (Amendment) – Deferred Tax: Recovery of Underlying Assets
IFRIC-15	Agreements for the Construction of Real Estate

These standards or interpretations are described below:

PFRS 7, Financial Statements: Disclosures (Amendments) – Disclosures – Transfers of Financial Assets – Transfers of Financial Assets (Amendments to PFRS 7), require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011. Earlier application is permitted. Entities are not required to provide the disclosures for any period that begins prior to July 1, 2011.

PAS 12, Income Taxes (Amendment) – Deferred Tax: Recovery of Underlying Assets – The amendment provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will, normally, be through sale.

Philippine Interpretation IFRIC-15, Agreements for the Construction of Real Estate – This applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan'; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, Construction Contracts, or PAS 18, Revenue, and the timing of revenue recognition. The interpretation is effective for annual periods beginning on or after January 1, 2012.

(e) The Significant Accounting Policies Adopted Are Set Out Below

• Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less from date of acquisition and are subject to an insignificant risk of change in value. Cash in banks earns interest at respective bank deposit rates (Note 4).

• Financial Instruments

Financial assets are classified as either financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, or AFS investments, as appropriate. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities, as appropriate. The Cooperative determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates this designation at every statement of financial position date (Note 33).

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

The Cooperative recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instruments or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Determination of Fair Value

The fair value of financial instruments traded in active markets is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions). When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.



If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

**Financial Assets or Financial Liabilities at FVPL**

Financial assets or financial liabilities at FVPL include financial assets or financial liabilities held for trading and those designated upon initial recognition as at FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Dividends, interests, and gains or losses on financial instruments held for trading are recognized in profit and loss.

Financial instruments may be designated at initial recognitions as at FVPL if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities re recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets and liabilities, or both financial assets and financial liabilities, which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial instruments at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in trading gain – net on financial assets and financial liabilities designated at FVPL. Interest earned is recorded in interest income, while dividend income is recorded in other income according to the terms of the contract, or when the right of the payment has been established.

As of December 31, 2011 and 2010, the Cooperative has no financial asset or financial liability at FVPL.

An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized at FVPL.

The Cooperative assesses whether embedded derivatives are required to be separated from host contracts when the Cooperative first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for as financial assets at FVPL. Changes in fair values are included in profit and loss.

As of December 31, 2011 and 2010, the Cooperative has no free-standing and embedded derivatives.

**Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit and loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within 12 months from the statement of financial position date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2011 and 2010, the Cooperative's cash, receivables, due from a related party and advances to officers and employees are classified as loans and receivables.

**Held-to-Maturity (HTM) Investments**

These assets are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the



Cooperative has the positive intention and ability to hold to maturity. Where the Cooperative sells other than an insignificant amount of HTM investments, the entire category is deemed tainted and reclassified as AFS financial assets. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less impairment in value.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the HTM investments are derecognized and impaired, as well as through the amortization process (Note 6).

**Other Financial Liabilities**

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in profit and loss when the liabilities are derecognized as well as through the amortization process.

As of December 31, 2011 and 2010, the Cooperative's other financial liabilities pertain to accounts payable and accrued expenses and loans.

**Loans and Borrowings**

These are classified in this category if these are not designated at FVPL under the fair value option upon inception. These include liabilities arising from operations or through borrowings.

Interest-bearing loans and borrowings are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortized cost using the EIR method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position.

Other financial liabilities are initially recognized at fair value less any direct transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through amortization process.

The Cooperative's power supply account and other payables, accrued expenses and other current liabilities, and long-term debts are classified under this category.

• **Offsetting Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements as the related assets and liabilities are presented gross in the statements of financial position.

Income and expenses are not offset unless required or permitted by an accounting standard or when the gains and losses arise from a group of similar transactions such as trading gains or losses and foreign exchange gains or losses.

• **Impairment of Financial Assets**

The Cooperative assesses at each statement of financial position date whether a financial asset or group of financial assets are impaired.

**Impairment on Assets Carried at Fair Value**

For assets carried at fair value, impairment is the difference between the cost and the fair value. For AFS investments, the cumulative loss that had been recognized directly in equity (resulting from decline in fair value) shall be removed from equity and recognized in profit and loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is removed from equity and recognized in profit and loss shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit and loss.

Impairment losses recognized in profit and loss for an investment in an equity instrument classified as AFS shall not be reversed through profit and loss.



**Impairment on Assets Carried at Amortized Cost**

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in "Other income (expenses)" in the statement of comprehensive income.

**Impairment on Assets Carried at Cost**

If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

• **Reversal of Impairment Loss**

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in "Other income" in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its cost or amortized cost at the reversal date.

• **Derecognition of Financial Assets and Financial Liabilities**

**Financial Assets**

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- (a) the rights to receive cash flows from the asset have expired;
- (b) the Cooperative retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- (c) the Cooperative has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Cooperative has transferred its rights to receive cash flows from an asset and has neither transferred or retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Cooperative's continuing involvement in the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

**Financial Liabilities**

A financial liability is derecognized when the obligation under the liability was discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such modification is treated as a derecognition of the carrying value of the original liability and the recognition of a new liability at fair value, and any resulting difference is recognized in profit and loss.

• **Non-Financial Assets**

**Inventories**

Inventories, which comprise of raw materials (warehouse merchandise), are stated at the lower of cost or net realizable value (NRV). Cost of warehouse merchandise is the purchase cost and is determined using the weighted-average method; NRV is the current replacement cost of each inventory. As of December 31, 2011 and 2010, the Cooperative has inventory items on hand amounting to P18,803,755 and P7,741,083, respectively (Note 9).



**Prepayments and Other Current Assets**

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged against income as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statement of financial position as current assets when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Cooperative's normal operating cycle, whichever is longer. Otherwise prepayments are classified as non-current assets (Note 7).

**Prepaid Input Value-Added Taxes**

Prepaid input value-added taxes (VAT) represent VAT imposed on the Cooperative by its suppliers for the acquisition of goods and services required under taxation laws and regulations. The input VAT is recognized as an asset and will be used to offset the Cooperative's current VAT liabilities and any excess will be claimed as tax credits. Input VAT is stated at their estimated net realizable values (Note 7).

**Investment Property**

Investment properties, including those acquired from foreclosure, are initially measured at cost including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of each asset cannot be measured; in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under investment properties from foreclosure date. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and impairment in value, if any. Land, on the other hand, is carried at cost less impairment in value.

Repairs and maintenance costs relating to investment properties are normally charged to profit or loss in the period when the costs are incurred.

Depreciation is calculated on a straight-line basis based on the useful lives of the assets, which ranges from 5 to 20 years from the time of acquisition. The period and method of depreciation are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of investment properties.

An investment property is derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on derecognition of an investment property is recognized in profit or loss in the period of derecognition.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the start of owner-occupation or of development with a view to sell.

At December 31, 2011 and 2010, the Cooperative has no property under this category.

**Utility Plant, Property and Equipment**

Utility plant (except land) is carried at cost less accumulated depreciation and impairment losses, if any. Land is carried at cost less impairment losses, if any (Note 8).

Initially, an item of utility plant is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Cooperative. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or term of the lease, whichever is shorter.

Category	Estimated Useful Life
Distribution plant	5 to 30 years
General Plant	4 to 10 years

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain and losses, arising from the retirement or disposal is recognized in the profit or loss.



## Construction-in-Progress

Construction in progress represents utility plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment, and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use (Note 8).

### • Impairment of Non-Financial Assets

The Cooperative assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an assets or group of assets may not be recoverable. The factors that the Cooperative considers in deciding when to perform impairment test, among others include the following:

- Significant under-performance of a business in relation to expectations; and
- Significant changes or planned changes in the use of the assets.

Determining the value in use of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Cooperative to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Cooperative to conclude that the assets are impaired. Any resulting impairment loss could have a material impact on the Cooperative's financial condition and results of operations.

### • Consumers' Deposits

Consumers' deposits include meter and bill deposits. Meter deposits cover the whole cost of metering equipment while the bill deposits guarantee payment of the monthly bills for electricity consumption and are equivalent to estimated bill for one month. These meter deposits will be converted into capital share. The bill deposits are refundable upon request of the consumers, who has paid electric bills on or before its due date for three (3) consecutive years. If the bill deposits and related accrued interest already exceeded the consumer's current monthly bills, a refund of the excess can be also be made upon the consumer's request. But in some cases, additional deposit will be demanded from the consumers when the amount of deposit falls below the average monthly bill (Note 17).

### • Member's Equity

Member's equity consists of members' contribution, donated capital, contribution for reinvestment and capital expenditure, and accumulated loss (Notes 11, 12, 13 and 14).

#### Member's Contribution

This account represents the face value of the amount received from member-consumers at the time of their membership to the Cooperative. A separate register was maintained showing the individual name, address, date of payment, amount paid and certificate number of each member (Note 11).

#### Donations, Grants and Subsidies

Donations and subsidies received from various sources are valued at fair market value at the time the donations and subsidies are received and credited directly to equity (Note 12).

### • Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Cooperative and the amount of revenue can be reliably measured. The revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

The following specific recognition criteria must also be met before revenue is recognized.

#### Net Energy Sales

Revenue from distribution of electricity are recognized upon supply of power to the consumers, net of portion allocated to capital contribution for reinvestment, based on rates established by the Energy Regulatory Commission (ERC) on consumption per individual KW meters (Note 23).

The Uniform Filing Requirements on the rate unbundling released by the ERC on October 30, 2001, specified that the billing will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply



Charge, Metering Charge, Interclass Cross-subsidies and lifeline (Discounts)/Subsidies. Power Act Reduction (for residential consumers) and the Universal Charge are also separately indicated in the customer's billing statements.

### Interest

Interest income is recognized as the interest accrues, taking into account the principal amounts outstanding and the interest rates applicable (Note 24).

Interest income from bank deposits is recognized on a time proportion basis on the principal outstanding and at the rate applicable.

### Miscellaneous Income

Miscellaneous income includes penalties and surcharges, income from sale of duplex wires, merchandising jobs and other non-electrical revenues, which are recognized as revenue upon collection except for penalties on apprehension, which are recognized as revenue upon billing (Note 24).

Revenue is measured by reference to the fair value of the consideration received or receivable by the Cooperative for the services provided, excluding value-added tax (VAT) and discounts.

### • Cost and Expenses

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

#### Cost of Sales and Services

Cost from sales of energy is recognized when the goods are delivered to and accepted by customers.

Cost of services is recognized when the related services are performed.

#### Operating Expenses

Operating expenses constitute costs of administering the business and are expensed and recognized in the period in which they are incurred.

### • Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes:

- (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Cooperative;
- (2) associates; and
- (3) individuals owning, directly or indirectly, an interest in the voting power of the Cooperative that gives them significant influence over the Cooperative and close members of the family of any such individual.

The key management personnel of the Cooperative and post-employment benefit plans for the benefit of Cooperative's employees, if any, are also considered to be related parties.

The Cooperative's related parties include the Cooperative's Key Management. The compensation of the key management personnel of the Cooperative pertains to the usual monthly salaries and government mandated bonuses; there are no other special benefits paid to management personnel (Note 30).

### • Retirement Benefit

PAS 19 requires a defined benefit plan covering all qualified employees with contributions to be made to a separate fund administered by local banks. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit actuarial valuation method. Under this method, the cost of providing retirement benefits is determined on the basis of services rendered by employees at the date of the actuarial valuation.

### • Separation Benefits

Separation benefits are payable when employment is ended by the Cooperative before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Cooperative recognizes separation benefits when it is demonstrably committed to either:



- (a) providing separation benefits as a result of separation from employment of current employees according to a detailed formal plan without possibility of withdrawal; or
- (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the statement of financial condition date are discounted to present value.

**• Present Value of Retirement Benefit**

Based on management's assessment, the effect on the financial statements of the difference between the retirement expense which the Cooperative may be under obligation under R.A. 7641 and the required actuarially determined valuation under PAS 19 can be met (Note 20).

**• Estimation of Retirement Benefit**

The determination of the obligation and retirement benefits is dependent on management's assumptions used by actuaries in calculating such amounts. Those assumptions normally include among others, discount rates per annum and salary increase rates. Actual results that differ from the Cooperative's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Cooperative believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations (Note 20).

**• Operating Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a.) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b.) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c.) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d.) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b. As of December 31, 2011 and 2010, the Cooperative has outstanding lease contracts that can be considered as a finance lease amounting to P1,151,742 and P1,277,750 respectively (Note 29).

**Cooperative as Lessee**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the profit or loss on a straight-line basis over the lease term or the useful life of the leased asset, whichever is shorter.

**Cooperative as Lessor**

If the Cooperative is also a party to operating leases as a lessor. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rentals are recognized as income in the period in which they are earned.

**• Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

**• Income Taxes**

**Current Income Tax**

Current income tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute for the amount are those that are substantively



enacted at the financial reporting date.

**Deferred Income Tax**

Deferred income, tax when provided, shall use the liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and its carrying amounts for financial reporting purposes.

Deferred income tax liabilities shall be recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized before their reversal or expiration. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial reporting date.

**• Provisions and Contingencies**

Provisions are recognized under the following conditions:

- (a) the Cooperative has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

Where the Cooperative expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

**• Foreign Currency-denominated Transactions and Translations**

Foreign currency-denominated transactions are recorded using the applicable exchange rate at the date of the transaction. Outstanding foreign currency-denominated monetary assets and liabilities are retranslated using the applicable closing exchange rate at the statement of financial position date. Foreign exchange gains and losses arising from foreign currency-denominated transactions are recognized in profit and loss.

**• Events After the Reporting Date**

Post year-end events up to the date of the auditors' report that provide additional information about the Cooperative's position at financial reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements, when material.

**3. SIGNIFICANT ACCOUNTING ASSUMPTIONS, JUDGMENTS AND ESTIMATES**

The preparation of the Cooperative's financial statements in conformity Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates and will be adjusted accordingly.

**• Judgments**

In the process of applying the Cooperative's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the financial statements:



Determination of Functional Currency

Based on management's assessment, the economic substance of the underlying circumstances relevant to the Cooperative, the Cooperative's functional currency is determined to be the Philippine Peso (PHP), which is also the Cooperative's presentation currency. It is the currency that mainly influences the its operations.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are as follows:

Valuation of Financial Assets and Financial Liabilities

The Cooperative carries certain financial assets and financial liabilities at fair value, which requires use of accounting estimates. While significant components of fair value measurement were determined using verifiable and objective evidence (i.e., foreign exchange rates, interest rates), the amount of changes in fair value would differ if the Cooperative utilized a different valuation methodology. Any changes in fair value of these financial assets and financial would affect profit or loss, the statement of comprehensive income and equity.

As of December 31, 2011 and 2010, financial assets recognized in the statement of financial position amounted to P441,134,883 and P703,340,272, respectively, and financial liabilities amounted to P981,038,481 and P1,145,663,032, respectively (Note 33).

Allowance for Impairment Losses on Receivables

The Cooperative maintains an allowance for impairment losses on receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Cooperative on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Cooperative's relationship with its customers, their payment behavior and known market factors. The Cooperative reviews the age and status of the receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Cooperative made different judgments or utilized different estimates.

Given the nature of the Cooperative's business, the consumer receivables are appropriate for collective impairment assessment rather than specific. The policy in providing allowance for doubtful accounts is in accordance with regulatory policy:

Provision	Age of Account
1%	current to 90 days past due
2%	over 90 days past due
3%	over 180 days past due
4%	over 240 days past due
5%	over 1 year past due
100%	specifically identified accounts

The amount and timing of recorded expenses for any period would therefore differ based on the judgments or estimates made.

Provisions for doubtful accounts amounted to P1,517,843 in 2011. Consumer's receivable accounts, net of allowance for doubtful accounts, amounted to P175,787,074 in 2011. Previous year's balance amounted to P160,112,564 (Note 5).

Estimation of Useful Lives of Property and Equipment

The estimated useful lives of the Cooperative's property, plant and equipment are based on the period over which the property, plant and equipment are expected to be available for use, and on the collective assessments of the industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property, plant and equipment are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits in the use of the property, plant and equipment. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned in the foregoing.

Utility plant, property and equipment, net of accumulated depreciation amounted to P2,018,017,196 as of December 31, 2011. This is accordance with an Independent Appraisal Report dated July 20, 2012 rendered by Cuervo Appraisers, Inc. ( Note 15). Previous years balance at historical cost amounted to P895,434,101 (Note 8).

Estimation of Retirement Benefits

The determination of the obligation and retirement benefits is dependent on management's assumptions used by actuaries in calculating such amounts. Those assumptions normally include among others, discount rates per annum and salary increase rates. Actual results that differ from the Cooperative's assumptions are accumulated and amortized over future periods and therefore,



generally affect the recognized expense and recorded obligation in such future periods. While the Cooperative believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations (Note 20).

Present Values of Retirement Benefits

Based on Management's assessment, the fair values of the Cooperative's retirement benefit approximate the carrying values of obligation already recognized amounting to P147,787,780 and P143,537,489 at December 31, 2011 and 2010, respectively (Notes 20).

Estimate of Income Taxes

The Cooperative is subject to income tax and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Cooperative recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the Cooperative's belief that its tax return positions are supportable, the Cooperative believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Cooperative believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different that the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

The Cooperative enjoys preferential tax treatment on income tax in accordance with P.D.269 and R.A.9520 (Note 1).

4. CASH AND CASH EQUIVALENTS

This account represents general and other funds maintained as follows:

Items	2011	2010
<b>General and other funds</b>		
General fund	99,157,100	143,306,760
Share capital	1,076,845	1,065,758
	100,233,945	144,372,518
Cash on hand	1,304,709	976,372
Petty cash fund	134,727	144,727
Revolving/Change fund	464,000	454,000
	1,903,436	1,575,099
<b>Total</b>	<b>102,137,381</b>	<b>145,947,617</b>

Cash in banks earn interest at the prevailing bank deposit rates. Interest earned amounted to P2,528,041 in 2011 and P5,957,685 in 2010 (Note 24).

5. RECEIVABLES - NET

This account represents the aggregate balances of amounts due from consumers for electric services, which have been billed, as follows:

Items	2011	2010
Consumers' accounts receivable	177,304,917	163,360,432
Less, allowance for doubtful/ uncollectible accounts	1,517,843	3,247,868
<b>Net Realizable Value</b>	<b>175,787,074</b>	<b>160,112,564</b>

Management has provided an allowance for doubtful accounts amounting to P1,517,843 to cover normal losses that may be sustained from uncollectible accounts. This represents about 0.85% of consumers' accounts for collection.

6. HELD-TO-MATURITY INVESTMENTS



This account represents short-term investments made for varying periods of three months or less depending on the immediate cash operating requirements, and earns interest at the prevailing short-term investments rates, as follows:

Items	2011	2010
Temporary cash investment (MBTC)	3,575,679	251,481,177
Treasury bills (DBP)	38,883,973	37,446,838
<b>Total</b>	<b>42,459,652</b>	<b>288,928,015</b>

7. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of restricted funds set aside for specific purposes intended, and are maintained in depository banks and prepaid items, as follows:

Items	2011	2010
<b>Prepayments</b>		
Various suppliers	20,039,338	29,653,159
Insurance	835,873	788,138
Others	7,020,724	7,021,324
	27,895,935	37,462,621
<b>Restricted fund</b>		
Membership (Note 11)	326,692	322,032
Reinvestment	54,937	54,718
	381,629	376,750
<b>Total</b>	<b>28,277,564</b>	<b>37,839,371</b>

Restricted funds consist of bank deposits and cash placements set aside for purposes intended. These are maintained in local depository banks to cover future refunds and intended disbursements.

8. PROPERTY, PLANT AND EQUIPMENT

This account consists of utility plants, as follows:

Items	2011	2010
Utility plant in-service	4,609,188,549	1,914,796,593
Less, accumulated depreciation	2,591,171,353	1,019,362,493
Net Book Value	2,018,017,196	895,434,100
Construction work in progress	91,246,436	55,988,000
<b>Total</b>	<b>2,109,263,632</b>	<b>951,422,100</b>

The utility plant, property and equipment tabulated below have been utilized as security to National Electrification Administration (NEA) loans. However, the substantial part is now restricted as security to the NEA loans condoned and assumed by the Power Sector Assets and Liabilities Management Corp. (PSALM) amounting to P134,891,822 in accordance to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001 (Notes 12 and 21).

Additions during the year, net of adjustments and disposals amounted to P2,694,391,955, including appraisal increment of P999,933,487 arising from the July 20, 2012 Independent Appraisal Report by Cuervo Appraisers, Inc. (Note 15).

In 2011, depreciation charged to cost of service amounted to P57,848,441 and to operating expenses amounted to P18,760,364.



The details of utility plant are recapitulated below:

Items	Depreciation Rate	Acquisition Cost	2011 Depreciation	Accumulated Depreciation	Net Book Value
<b>DISTRIBUTION PLANT</b>					
Overhead conductors and devices	5%	645,968,084	13,011,580	277,278,151	368,689,933
Line transformers	3.33%	739,281,836	8,682,397	317,757,886	421,523,950
Meters	4%	886,746,615	11,410,619	559,114,793	327,631,822
Wooden poles and others	5%	830,969,203	10,546,438	585,793,021	245,176,182
Concrete poles	3.33%	247,769,455	3,257,644	144,921,342	102,848,113
Station equipment	10%	381,111,279	7,098,570	267,340,279	113,771,000
Transportation equipment –heavy	20%	210,583,781	3,841,193	180,758,781	29,825,000
		3,942,430,253	57,848,441	2,332,964,253	1,609,466,000
<b>GENERAL PLANT</b>					
Land and land rights	-	331,436,996	-	-	331,436,996
Buildings	10%	14,456,033	274,740	318,033	14,138,000
Transportation equipment - light	25%	107,266,978	6,654,730	79,930,677	27,336,301
Tools, shop & garage equipment	10%	3,019,395	2,771,866	1,686,595	1,332,800
Office furniture and fixtures	20%	32,755,199	4,663,142	26,182,800	6,572,399
Communication equipment	10%	1,849,761	795,730	862,761	987,000
Structures and improvements	10%	162,448,446	1,155,078	136,808,846	25,639,600
Laboratory equipment	10%	2,273,518	764,754	1,253,018	1,020,500
Miscellaneous equipment	20%	148,056	1,680,324	60,456	87,600
		655,654,382	18,760,364	247,103,186	408,551,196
<b>COMPLETED CONSTRUCTION NOT CLASSIFIED</b>					
		11,103,914	-	11,103,914	-
<b>TOTALS</b>		<b>4,609,188,549</b>	<b>76,608,805</b>	<b>2,591,171,353</b>	<b>2,018,017,196</b>

The details of additions, disposals and adjustments to utility plant are recapitulated below:

Items	Balance Beginning	Additions	Adjustments/ Disposals	Balance Ending
<b>DISTRIBUTION PLANT</b>				
Meters	350,868,173	27,453,363	508,425,079	886,746,615
Wooden poles and others	341,179,587	9,550,242	480,239,374	830,969,203
Line transformers	263,826,144	36,716,359	438,739,333	739,281,836
Overhead conductors and devices	256,214,457	11,869,880	377,883,747	645,968,084
Concrete poles	100,667,159	4,376,571	142,725,725	247,769,455
Station equipment	97,570,423	1,728,559	281,812,297	381,111,279
Transportation equipment - heavy	80,871,129	411,092	129,301,560	210,583,781
	1,491,197,072	92,106,066	2,359,127,115	3,942,430,253
<b>GENERAL PLANT</b>				
Land and land rights	199,396,401	11,924,920	120,115,675	331,436,996
Buildings	12,488,177	-	1,967,856	14,456,033
Office furniture and equipment	57,954,369	3,511,221	(28,710,391)	32,755,199
Transportation equipment – light	47,111,634	8,317,670	51,837,674	107,266,978
Tools, shop and garage equipment	41,171,376	4,847,435	(42,999,416)	3,019,395
Structures and improvements	22,746,952	890,636	138,810,858	162,448,446
Communication equipment	10,558,840	596,403	(9,305,482)	1,849,761
Laboratory equipment	10,061,910	-	(7,788,392)	2,273,518
Miscellaneous	11,005,949	68,078	(10,925,971)	148,056
	412,495,608	30,156,363	213,002,411	655,654,382



COMPLETED CONSTRUCTION NOT CLASSIFIED	11,103,914	-	-	11,103,914
<b>TOTALS</b>	<b>1,914,796,594</b>	<b>122,262,429</b>	<b>2,572,129,526</b>	<b>4,609,188,549</b>

**9. MATERIALS AND SUPPLIES INVENTORY**

This account consists of inventoriable items, as follows:

Items	2011	2010
Electric distribution items	12,586,282	3,176,708
Housewiring	5,822,698	5,636,648
Others	394,775	151,129
	18,803,755	8,964,485
Less, allowance to reduce value to NRV	-	1,223,402
<b>Total</b>	<b>18,803,755</b>	<b>7,741,083</b>

Electric distribution items represent cost of inventory of materials acquired primarily for use in the utility business, for construction, operation and maintenance purposes. These include book cost of materials recovered in connection with construction and maintenance, undistributed store expenses consisting cost of supervision, labor and expenses incurred in the operation of general storerooms, including purchasing, storage and handling, for distribution over issuances from storerooms.

Other materials and supplies represent cost of inventory of materials used in rewinding of transformers, motor vehicle spare parts, tires and maintenance items, and office and building maintenance materials.

Based on management's assessment, the inventory items are productive and useful; hence it was not necessary to provide for an allowance for obsolescence.

At examination date, management was in process of reconciling the differences between balance per book and balance per count amounting to P18,217,404 (materials and supplies), P41,534 (electric and housewiring) and P7,965,677 (special equipment).

**10. OTHER NON-CURRENT ASSETS**

This account consists of other accounts receivables, as follows:

Items	2011	2010
<b>Other accounts receivable</b>		
Other customer accounts	9,431,363	9,065,370
Officers and employees' account	10,739,805	6,462,737
Others	55,766,311	44,607,961
	75,937,479	60,136,068
Less, allowance for probable loss	-	8,116,140
<b>Net Realizable Value</b>	<b>75,937,479</b>	<b>52,019,928</b>
Input VAT and other taxes	3,892,641	4,630,624
Mini hydro-project	1,400,000	1,400,000
Telephone	20,000	20,000
Security deposits-Transco(Note 18)	2,698,391	2,698,391
Other assets	2,524,701	3,743,762
	10,535,733	12,492,777
<b>Total</b>	<b>86,473,212</b>	<b>64,512,705</b>



<b>Investment in equity securities</b>		
Rural Electrification Financing Corporation	6,000,000	6,000,000
<b>Total</b>	<b>92,473,212</b>	<b>70,512,705</b>

**11. MEMBERSHIP ACCOUNT**

Membership equivalent to 120,104 members at P5 per member has already been subscribed. As at December 31, 2010, this already amounted to P600,520, from the previous year's balance of P579,540. The amount is maintained in a restricted fund with its depository bank (Note 7).

**12. DONATED CAPITAL**

This account consists of the following:

Items	2011	2010
PSALM	134,891,822	134,891,822
NEA	96,773,078	96,773,078
Team Phils. Energy Corp.	38,195,646	38,195,646
DOE	29,270,800	29,270,800
NPC	13,856,094	13,856,094
Provincial government	5,000,000	5,000,000
APEC party	400,000	400,000
	183,495,618	183,495,618
<b>Total</b>	<b>318,387,440</b>	<b>318,387,440</b>

The electric cooperative was recipient of these subsidies, grants, donations from government, and contributions from members and institutional consumers, for the development, construction and rehabilitation of its distribution lines and facilities, earthquake damage, etc.

The donated capital of P134,891,822 represents NEA loans condoned and assumed by the Power Sector Assets and Liabilities Management Corp. (PSALM), in accordance to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001," (Note 21).

**13. MISCELLANEOUS CONTRIBUTED CAPITAL**

This account consists of the following:

Items	2011	2010
Contributions for reinvestment	663,684,856	663,684,856
Members' contribution for CAPEX	131,543,573	62,149,586
Consumers capital contribution	426,829	426,829
<b>Total</b>	<b>795,655,258</b>	<b>726,261,271</b>

Contributions for reinvestment represent contributions from members and institutional consumers for a specific purpose described below, and included as a 5% component of monthly billing.

On December 3, 2003, the Cooperative's application for unbundling of rates was approved by the Energy Regulatory Commission (ERC). From the unbundled rates, NEA requires the Cooperative to set-up a separate reinvestment fund equivalent to 5% of gross revenue to finance expansion and rehabilitation of existing electric power systems in accordance with the systems rehabilitation plan submitted by the Cooperative. These represent P0.236/kwh reinvestment costing the basic rate. At December 31, 2011, this already amounted to P663,684,856.

However, starting February 2010, a P0.2178/kwh rate on members' contribution to CAPEX is used. At December 31, 2011, this already amounted to P131,543,573.





14. ACCUMULATED LOSS

The changes in the accumulated loss account follow:

Items	2011	2010
<b>Accumulated loss, beginning</b>	<b>(528,387,828)</b>	<b>(483,989,203)</b>
Correction of prior years, net	6,988,642	(1,401,863)
<b>Corrected balance, beginning</b>	<b>(521,399,186)</b>	<b>(485,391,066)</b>
Net loss for the year	(5,013,730)	(42,996,762)
<b>Accumulated loss, ending</b>	<b>(526,412,916)</b>	<b>(528,387,828)</b>

As provided in the electric cooperative's By-Laws, its operations shall be conducted that members and non-members alike will, through their patronage, furnish capital for the cooperative. Towards this end, the cooperative is obliged to account on a patronage basis, to all its patrons, all amounts received in excess of operating costs and expenses and to pay by credits to capital accounts for each patron such excess amounts. Its disposal is however, subject to regulatory policies. At December 31, 2011, the electric cooperative was faced with accumulated losses of P526,412,916, including the net loss for the year of P5,013,730, as explained and tabulated above.

The composition of prior period adjustments follows:

Items	2011	2010
Power bill adjustments	6,317,836	(12,190,470)
Retirement liability	10,385,237	5,912,242
Provision for depreciation	-	3,308,753
Provision for probable loss on consumers' Accounts for collection	11,364,008	1,539,800
Loan condonation refund	(29,590,460)	-
Meter deposit refund	5,984,283	-
Accrued benefit adjustments	2,820,392	-
Others	(292,654)	27,812
<b>Total</b>	<b>6,988,642</b>	<b>(1,401,863)</b>

15. REVALUATION SURPLUS

The balance of this account resulted from the appraisal of properties of the Cooperative in various locations of the Province of Benguet and Baguio City performed by Cuervo Appraisers, Inc. The Appraisal Report dated July 20, 2012 present the reproduction costs (new)/ replacement costs (new) and sound values of the appraised properties consisting of land, buildings, other land improvements, condominium units, leasehold improvements, machinery and equipments, computer equipment, and furniture and office equipments. Accordingly, total sound value of these properties amounted to P2,018,017,196 as of December 31, 2011. The proportionate method in recognizing changes in the value of these properties was used resulting to an increment in the acquisition cost and accumulated depreciation amounting to P2,494,435,577 and P1,494,502,360, respectively and a revaluation surplus of P999,933,487 (Note 8).

16. LONG TERM DEBT

This account consists of balances of loans, as follows:

Items	2011	2010
<b>NEA</b>		
Restructured loan	21,617,078	23,134,173
Construction loan	88,301,223	85,594,619
Calamity loan	24,767,901	23,846,698
Overseas Economic Cooperation Fund	1,095,802	1,133,329
	135,782,004	133,708,819

Matured long term debt and interest 5,177,955 -



	140,959,959	133,708,819
<b>BDO (formerly EPCIB)</b>		
Car loan	18,826,293	20,045,005
Employee salary loan	-	(10,899)
Transformer loan	-	17,714,502
	18,826,293	37,748,608
<b>Metropolitan Bank &amp; Trust Co.</b>	-	150,448,200
<b>Rural Electrification Financing Corp.</b>	6,645,687	10,150,826
	166,431,939	332,056,453
Current Portion	7,400,128	7,508,139
<b>Total</b>	<b>159,031,811</b>	<b>324,548,314</b>

The NEA loans bear interest of 8-12% per annum, payable at various intervals of quarterly payments for an average period of 5 to 20 years, and secured by a pledge on a portion of the utility plant of the electric cooperative (Note 8).

On June 15, 2008, Rural Electrification Financing Corporation (REFC) granted the cooperative a loan of P6,090,000 bearing 10% annual interest, payable in thirty six (36) consecutive monthly installments, each due on a repayment date set forth in the loan amortization schedule. The loan was intended to finance its hot line maintenance tools and live line training project for 2008.

On July 28, 2009, the cooperative obtained a construction loan from NEA amounting to P50M bearing 9% annual interest, payable in ten (10) years for forty (40) equal quarterly payments. The loan was intended to cover the cost of procurement of required materials including labor and hauling costs for line extension to one hundred six (106) sitios/puroks in Benguet province.

Also on November 6, 2009, the NEA granted the Electric cooperative a calamity loan of P23M for the rehabilitation and upgrading of distribution line damaged by typhoon "Pepeng".

On July 1, 2011, NEA granted an additional construction loan amounting to P6.3M at an interest rate of 9% per annum payable within nine (9) years starting March 2012 for the rehabilitation of secondary lines and replacement of kwhr-meters at Cooperative's coverage areas

The BDO (EPCIB) car loans are payable in equal monthly installments up to 2014, with annual interest rates from 6.96% - 8.03%. This is secured by the Cooperative's restricted funds, real estate and chattel mortgage, and guaranteed by the members of the BOD; whereas, the employee salary loans are guaranteed by the Cooperative but paid by the employees through salary deduction.

17. CONSUMERS' DEPOSIT

This account consists of consumers' deposits for electric service items, as follows:

Items	2011	2010
Meters and accessories	75,044,955	75,052,424
Advances for construction	64,975,033	52,099,798
Energy	10,350,427	9,085,588
Others	127,405	127,405
<b>Total</b>	<b>150,497,820</b>	<b>136,365,215</b>

The member-consumers also provided capital and operating funds to hasten the construction and service installations including power supply accounts, by way of deposits for these accounts, with a restricted fund maintained (Note 7).

Meter deposits cover the cost of the metering equipment while the energy deposits secure payments of the monthly bills for electricity consumption. These deposits are refundable upon termination of the electric service contract, provided that the metering equipment is returned in good condition and all accounts in the name of the consumer have been paid.



On June 9, 2004, the ERC issued a Resolution authorizing the promulgation of the Magna Carta for Residential Electricity Consumers. This took effect on July 19, 2004, 15 days after its publication in a newspaper of general circulation. Under the Magna Carta, all residential consumers shall be exempt from payment of meter deposits since distribution utilities have incorporated the cost of these electric watt-hour meters in their rate base. Electric cooperatives shall use their respective Reinvestment Funds to procure electric watt-hour meters for their consumers.

On October 27, 2004, the ERC issued Guidelines Implementing the Magna Carta. Among others, it provides for a cooperative's schedule of refund of the meter deposit to the residential customers.

18. POWER SUPPLY CONTRACT/PAYABLE

This account consists of payables, as follows:

Table with 3 columns: Accounts, 2011, 2010. Rows include Mirant (now Team Phils. Energy Corp.), PEMC- WESM, National Grid Corporation of the Phils., Asin Hydro, LUELCO, Hedcor, and Total.

MIRANT (now Team Philippines Energy Corp.)

On May 29, 2003, the Cooperative entered into a memorandum of Agreement (MOA) with Mirant (now Team Phils. Energy Corp.) which committed to supply and deliver electricity to the Cooperative during the cooperation period. It also undertakes the upgrade of certain substations, the supply and delivery of protective equipment for the Cooperative's distribution lines, various high voltage testing equipment, and testing and commissioning of substation facilities. The MOA shall terminate on the date of the 20th anniversary of the commencement date. On February 19, 2004, the NPC ratified the MOA. Its power supply to the Cooperative commenced on March 13, 2004. Total power purchases in 2011 amounted to P1.39463 Billion. At December 31, 2011, the outstanding power supply account amounted to P111.91 Million, included under "trade payable and accrued expenses" account.

NPC / PSALM

In June 2003, the Cooperative entered into a transmission supply contract with National Power Corp. (NPC) for the supply of electric power to the Cooperative's substations. The contract shall remain in full force and effect for a period of one year from the effectivity date. Unless otherwise provided, the applicable provisions shall be deemed modified by the applicable Wholesale Electricity Spot Market (WESM) rules, upon the commercial operation of WESM, as declared by DOE.

PEMC- WESM

On May 2008, the Cooperative is registered as a direct participant in the Wholesale Electricity Spot Market (WESM) trading. As a direct participant, the Cooperative is given the opportunity to actually trade directly in the WESM market, and since it is a pass-through cost, the ERC has made a rule regarding this concept. The distribution utility records net settlement surplus from trading in the WESM as payable to consumers in which refund starts on June 2009. In relation with this "direct participant" registration, the Transition Supply Contract (TSC) with the NPC is reduced to maximize the Cooperative's participation to the WESM market.

At December 31, 2011, the outstanding power supply account to WESM amounted to P26.51 Million.

NTC/ NGCP

The Cooperative entered into a transmission service agreement with National Transmission Corp. (NTC), now National Grid Corporation of the Philippines (NGCP) for the transmission services, such as planning, construction and centralized operation and maintenance of high-voltage transmission facilities, including grid interconnection and ancillary services, for the provision of Open Access Transmission Service. Total billing for the year 2011 amounted to P297.47 Million. At December 31, 2011, outstanding transmission service account inclusive of VAT amounted to P57.48 Million included under "accounts payable and accrued expenses" account in the statement of financial position.

At December 31, 2011, the Cooperative has a security deposit with TRANSCO amounting to P2,698,391 (Note 10).

Others

The account with Asin Hydro pertains to billings for services rendered through the existing 23KV system of Beneco specifically Feeder three (F3) of the BENECO 10 MVA, 69Kv-23kV Irisan substation.



The unpaid power supply account with La Union Electric Cooperative, Inc. (LUELCO) pertains to billings for services rendered to an area of coverage of BENECO serviced by the former per agreement between the parties, whereas, the account with Hedcor pertains to load center consumption in Bakun/LHC, Asin and Bineng areas.

19. TRADE PAYABLES AND ACCRUED EXPENSES

This account consists of payables specified and described below, not yet paid at balance sheet date.

Table with 3 columns: Items, 2011, 2010. Rows include Trade payables (Net settlement - WESM, Various suppliers), VAT payable (Generation, Transmission, System Loss, BIR), Accrued Liabilities (EVAT billed to consumers, PSALM, Universal charges billed (Note 21), Katas ng VAT, SSS, Philhealth, HDMF and taxes), Others (Current portion of Long-term debt, Current portion of obligation under finance lease, VAT Refund, Due to other ECs, Others), and Total.

20. RETIREMENT BENEFIT PLAN

The Cooperative recognizes the retirement benefits required under R.A. No. 7641 to qualified employees.

Under PAS 19, Retirement Benefit Costs, pertain to the cost of defined retirement benefits, including those mandated under R.A. No. 7641. Such costs shall be determined using an accrued benefit valuation method or the projected benefit valuation method.

The Cooperative has a funded, noncontributory defined benefit retirement plan provided for under policy No.1-86 dated December 18, 1986, which was amended in January 1992, and was further amended under Board Resolution 50-97 on June 7, 1997. The plan covers all regular and permanent employees, computed on a graduated basis on years of service ranging from 1-20 years and over. Annual increments are charged to operations and availments of benefit are debited to the accrued liability account.

At December 31, 2011 and 2010, the Cooperative has already recognized the amount of P147,787,780 and P143,537,489, respectively, as obligation for retirement benefit.



21. PSALM, UNIVERSAL CHARGES

The Power Sector Assets and Liabilities Management Corp. (PSALM) assumed NEA condoned loan amounting to P134,891,822 and recognized by the cooperative in its financial statements as part of donated capital (Notes 12 and 16) under certain terms and conditions and restrictions.

In consideration, for such assumption of loan, PSALM charges the Cooperative certain fees referred to as universal charge. The rates of universal charges billed by the Cooperative for 2011 are as follows:

Table with 2 columns: Description, Rate. Rows include Missionary electrification (January to August, September to December) and Environmental charges.

Details on universal charges for the years ended December 31 follow:

Table with 3 columns: Description, 2011, 2010. Rows include Billings, Collections, and Remittances.

As of December 31, 2011 and 2010, accrued fees due to PSALM already amounted to P17,411,101 and P15,260,228, respectively (Note 19).

22. GOVERNMENT SUBSIDY FOR CONSUMERS

This account represents government subsidy for consumers under the Pantawid Kuryente Katas ng VAT Program through the Department of Social Welfare and Development at P500 per consumer amounting to P35,665,500. The qualified consumers are those residential consumers consuming 100 KWH and less per month and be applied to their monthly bill starting August 2008 until fully applied. As of December 31, 2011, the amount applied amounted to P35,544,389.

23. ENERGY SALES

This account represents revenues generated during the years 2011 and 2010 from sale of energy, as follows:

Table with 3 columns: Accounts, 2011, 2010. Rows include Residential, Commercial, Public building and facilities, Public street and highways, Industrial sales, and Total.

24. OTHER INCOME

This account includes the following:

Table with 3 columns: Accounts, 2011, 2010. Rows include Interest income (Note 4) and Rental income.

Others

Table with 3 columns: Description, 2011, 2010. Rows include Surcharges, Transformer rental, etc, Retrobilling, Penalties, Others, net, and Total.

25. COST OF ENERGY SOLD

This account consists of:

Table with 3 columns: Accounts, 2011, 2010. Rows include Power purchased, Less prompt payment discount net Power Act reduction, and Total.

Under Section 72 of the Act, the NPC is mandated to reduce its rates for residential end-users by thirty (30) centavos per kilowatt-hour upon the affectivity of the said law on June 26, 2001. To fulfill this mandate, the ERC approved ERC Resolution No. 2001-4, directing NPC to reduce its regular rates to electric distribution utilities sourcing their power supply entirely from NPC by thirty (30) centavos per kilowatt-hour.

The fifty percent (50%) of the prompt payment discount and is given back to consumers as direct reduction in their power bill through the Generation Rate Adjustment Mechanism and the unbundling of rates.

Details of kilowatt-hour sold and purchased for the years ended December 31, 2011 and 2010 are as follows:

Table with 3 columns: Description, 2011, 2010. Rows include Kilowatt-hour sold and Kilowatt-hour purchased.

26. COST OF SERVICES

The compositions of cost of services follow:

Table with 3 columns: Accounts, 2011, 2010. Rows include Distribution (Structures, Overhead lines, Meters, Line transformer, Station equipment, Supervision and engineering, Street lighting and signal system, Consumer installation, Miscellaneous) and Total.



**Consumers' accounts**

Meter reading	13,055,037	12,189,642
Records and collection	7,532,071	7,406,837
Supervision	2,931,561	2,313,407
Information, instructional & advertising	1,435,604	2,120,767
MECS and BAPA	1,169,147	306,057
Campus journalism	-	7,400
Miscellaneous consumer services	16,832,009	17,104,340
Uncollectible accounts	1,517,843	1,435,246

44,473,272 42,883,696

**Depreciation** (Note 8) 57,848,441 54,481,579

**Total** 202,334,883 180,931,607

**27. OPERATING EXPENSES**

The compositions of operating expenses follow:

Accounts	2011	2010
<b>General and administrative</b>		
Employees pension and benefits	38,797,694	37,703,782
Salaries	37,379,478	31,312,166
Training and travel	11,217,339	9,747,381
Outside services employed	10,655,737	10,233,339
Officers allowance and benefit	8,304,433	6,489,491
Office supplies	7,102,673	3,846,070
Utilities	4,633,803	4,262,688
Maintenance of office and general plant	2,772,773	3,103,365
Property insurance	2,709,436	2,504,550
Injuries and damages	2,232,136	704,746
Regulatory	2,051,608	3,205,593
Employees insurance	1,610,025	1,479,893
Donation	1,504,879	135,457
Rent	903,489	724,125
Financial Assistance	731,792	296,569
Taxes and licenses	268,467	-
Chattel mortgage fee	109,798	-
Association and membership dues	92,900	81,800
Miscellaneous	3,350,952	3,912,778
	136,429,412	119,743,793
<b>Depreciation</b> (Note 8)	18,760,364	14,726,477
<b>Total</b>	<b>155,189,776</b>	<b>134,470,270</b>

**28. FINANCE COST**

This represents the following:

Items	2011	2010
<b>NEA</b>		
Overseas Economic Cooperation Fund	6,439,628	5,120,033
Construction loan	2,773,151	2,198,221
Restructured loan	2,298,784	-



<b>BDO (formerly EPCIB)</b>	11,511,563	7,318,254
Car loan	2,649,220	1,973,127
<b>Metropolitan Bank &amp; Trust Co.</b>	536,056	7,705,634
<b>Rural Electrification Financing Corp.</b>	804,023	388,155
<b>LTD-Service</b>	-	16,364
<b>Others</b>	276,147	457,193
	1,616,226	8,567,346
<b>Total</b>	<b>15,777,009</b>	<b>17,858,727</b>

**29. LEASES**

This account consists of loans with Banco De Oro, for various transportation including motorcycles, with 2 to 5 year terms, and distribution equipment, with 2 to 4 month terms.

As of December 31, 2011 and 2010, the balance of obligation amounted to P1,151,742 and P1,277,750, respectively.

**30. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities. The key management personnel of the Cooperative and post-employment benefit plans for the benefit of its employees are also considered to be related parties. Transactions between related parties are based in terms similar to those offered to non-related parties.

**Compensation of Key Management Personnel**

Key management personnel are individuals having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Cooperative.

The compensation of key management personnel included under "salaries and fringe benefits" account in the statements of comprehensive income follows.

Items	2011	2010
<b>Short term employees' benefits</b>		
Key management personnel	P1,973,434	P1,891,229
Directors	P3,608,750	P3,105,000
<b>Total</b>	<b>P5,582,184</b>	<b>P4,996,229</b>

**31. COMMITMENTS AND CONTINGENT LIABILITIES**

As of December 31, 2011, the Cooperative has pending lawsuits and claims filed by and against third parties, the outcome of which is not presently determinable. It is the opinion of management and its legal counsel that the eventual disposition of such lawsuits and claims will not have a material adverse effect on the Cooperative's financial statements.

Case Title	Nature of the case	Amount involved
1 BENECO V. LA TRINIDAD	Appeal on the dismissal by the RTC of BENECO's case questioning the garnishment of BENECO's bank deposit by the Municipality of La Trinidad.	18,039,448.63
Petition for review with the court of tax appeals		



2	BENECO V. LA TRINIDAD	The case was filed to question the legality of the notice of assessment for business taxes issued by the Municipality of La Trinidad to BENECO.	34,666,665.03
	Appeal under sec.195 of the local government code RTC		
3	BENECO V. MANKAYAN	The case was filed to question the legality of the notice of assessment for business taxes issued by the Municipality of Mankayan to BENECO.	3,240,490.00
	Appeal under sec.195 of the local government code RTC		
4	BENECO V. NPC	NPC is claiming additional payment from BENECO due to an error in its multiplier in its billing. RTC dismissed the case in favor of BENECO but NPC appealed to the C.A.	157,740,000.00
	Injunction- Court of Appeals		

**32. KEY PERFORMANCE INDICATORS**

The key financial performance indicators as of and for the year's ended December 31, 2011 and 2010 follow:

	2011	2010
Cost of power purchased ratio	86%	88%
Non-power cost ratio	15%	14%
Administrative and general Distribution	6%	6%
Consumers' accounts	4%	4%
Days sales in receivables	2%	2%
Days payable – power	28 days	29 days
Net margin ratio	37 days	55 days
	(0.22%)	(2%)

**33. FINANCIAL INSTRUMENTS**

The Cooperative carries certain financial assets and liabilities at fair value, which requires use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Cooperative utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit and loss and equity.

The fair value of the financial instruments approximate the carrying values as of December 31, 2011 and 2010, due to their relatively short-term maturities, as follows:

	December 31, 2011		December 31, 2010	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets:</b>				
Loans and receivables				
Cash and cash equivalents	102,137,381	102,137,381	145,947,617	145,947,617
Restricted funds	381,629	381,629	376,750	376,750
HTM investments	42,459,652	42,459,652	288,928,015	288,928,015
Consumer Receivables	175,787,074	175,787,074	160,112,564	160,112,564
Other receivables and other non-current assets	92,473,212	92,473,212	70,512,705	70,512,705
Prepayments and other current assets	27,895,935	27,895,935	37,462,621	37,462,621
	<b>441,134,883</b>	<b>441,134,883</b>	<b>703,340,272</b>	<b>703,340,272</b>



	December 31, 2011		December 31, 2010	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Liabilities:</b>				
Loans and borrowings				
Interest bearing debts	166,431,939	166,431,939	332,056,453	332,056,453
Consumers deposits	150,497,820	150,497,820	136,365,215	136,365,215
Retirement liability	147,787,780	147,787,780	143,537,489	143,537,489
Trade and accrued expenses	316,679,665	316,679,665	268,786,119	268,786,119
Power supply payable	199,641,277	199,641,277	264,917,756	264,917,756
	<b>981,038,481</b>	<b>981,038,481</b>	<b>1,145,663,032</b>	<b>1,145,663,032</b>

**34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Cooperative has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Management ensures it has sound policies and strategies in place to minimize potential adverse effects of these risks on the Cooperative's financial performance.

**Risk Management Structure**

The Cooperative's BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Cooperative. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Cooperative's approach to risk issues in order to make relevant decisions.

**Financial Risk Management Objectives and Policies**

The Cooperative is exposed to variety of financial risks, which result from both its operating and investing activities. The Cooperative's principal financial instruments comprise of cash in banks, trade and other receivables and payables, interest bearing loans and borrowings and due to and from related parties. The main purpose of these financial instruments is to raise finance for the Cooperative's operations.

Cooperative's policies and guidelines cover credit risk, liquidity risk and market risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Cooperative's results and financial position. The Cooperative actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principles.

**Credit Risk**

Credit risk is the risk of financial loss to the Cooperative if a consumer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from receivables from consumers. For risk management reporting purposes, the Cooperative considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

In monitoring contract owner's credit risk, contract owners are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, industry, aging profile and maturity.

The Statement of Account which serves as Notice of Disconnection is given to the consumers based on the schedule of the coop. Consumers are given a five day period (date of actual receipt shall be excluded) within which to settle their current power bills. Within the five day-day period or before the expiration of the due date, a collector may visit the consumer for follow-up payment/s. Actual disconnection will be made if no payment is made two days after the receipt of the notice.

**Exposure to Credit Risk**

The carrying amounts of financial assets represent the Cooperative's minimum credit exposure. The maximum exposure to credit risk at the reporting date follow:



Accounts	2011	2010
Cash and cash equivalents	102,137,381	145,947,617
Restricted funds	381,629	376,750
HTM investments	42,459,652	288,928,015
Consumer Receivables	175,787,074	160,112,564
Other receivables and other non-current assets	92,473,212	70,512,705
Prepayments and other current assets	27,895,935	37,462,621
<b>Total</b>	<b>441,134,883</b>	<b>703,340,272</b>

**Impairment Losses on Credit**

As of report date, the Cooperative was still in process of generating an ageing of consumer's accounts; hence, the extent of possible impairment losses could not be determined and disclosed more appropriately.

At December 31, 2011 and 2010, management has already provided an allowance for probable losses amounting to P1,517,843 and P3,247,868 representing 0.9% and 2.0%, respectively, of the consumers' receivable for collection.

Based on management's assessment, these rates of provision approximate the probable impairment losses which may be incurred as of financial position dates, tabulated as follows:

Movements in allowance for probable losses follow:

Accounts	2011	2010
Balance at beginning of year		
Receivables	11,364,008	11,376,165
Other assets	1,223,403	1,223,403
	12,587,411	12,599,568
Movement during the year		
Receivables	(9,846,165)	(12,157)
Other receivables	(1,223,403)	-
		(12,157)
Balance at end of year		
Receivables	1,517,843	11,364,008
Other assets	-	1,223,403
<b>Total</b>	<b>1,517,843</b>	<b>12,587,411</b>

**Liquidity Risk**

Liquidity risk is the risk arising from potential inability to meet all payment obligations when they become due. To limit potential risk, management arranges for diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The Finance Manager is responsible for the management of liquidity risk. The Cooperative's liquidity risk management framework is designed to identify measure and manage the liquidity risk position. The underlying policies are reviewed on a regular basis by key officers, for final approval by the Board.

The maturity of the Cooperative's financial assets and liabilities as of December 31, 2011 and 2010, based on contractual repayment arrangements, is tabulated below:



	December 31, 2011				
	Up to 1 Month	2-3 to 6 Months	6 to 12 Months	Over 1 year	Total
<b>Financial Assets</b>					
Cash and cash equivalents	102,137,381				102,137,381
Restricted funds	381,629				381,629
HTM investments	38,883,973	3,575,679			42,459,652
Receivables	175,787,074				175,787,074
Other receivables and other non-current assets				92,473,212	92,473,212
Prepayments and other current assets			27,895,935		27,895,935
	<b>317,190,057</b>	<b>3,575,679</b>	<b>27,895,935</b>	<b>92,473,212</b>	<b>441,134,883</b>
<b>Financial Liabilities</b>					
Interest bearing debts	596,875	3,023,402	3,779,851	159,031,811	166,431,939
Consumer deposits				150,497,820	150,497,820
Retirement liability				147,787,780	147,787,780
Trade and accrued expenses			316,679,665		316,679,665
Power supply payable	199,641,277				199,641,277
	<b>200,238,152</b>	<b>3,023,402</b>	<b>320,459,516</b>	<b>457,317,411</b>	<b>981,038,481</b>
<b>Net Liquidity (Gap)</b>	<b>116,951,905</b>	<b>552,277</b>	<b>(292,563,581)</b>	<b>(364,844,199)</b>	<b>(539,903,598)</b>
	December 31, 2010				
	Up to 1 Month	2-3 to 6 Months	6 to 12 Months	Over 1 year	Total
<b>Financial Assets</b>					
Cash and cash equivalents	145,947,617				145,947,617
Restricted funds	376,750				376,750
HTM investments	37,446,838	251,481,177			288,928,015
Receivables	160,112,564				160,112,564
Other receivables and other non-current assets				70,512,705	70,512,705
Prepayments and other current assets			37,462,621		37,462,621
	<b>43,883,769</b>	<b>251,481,177</b>	<b>37,462,621</b>	<b>70,512,705</b>	<b>703,340,272</b>
<b>Financial Liabilities</b>					
Interest bearing debts	514,052	2,603,830	4,390,257	324,548,314	332,056,453
Consumer deposits				136,365,215	136,365,215
Retirement liability				143,537,489	143,537,489
Trade and accrued expenses			268,786,119		268,786,119
Power supply payable	264,917,756				264,917,756
	<b>265,431,808</b>	<b>2,603,830</b>	<b>273,176,376</b>	<b>604,451,018</b>	<b>1,145,663,032</b>
<b>Net Liquidity (Gap)</b>	<b>78,451,961</b>	<b>248,877,347</b>	<b>(235,713,755)</b>	<b>(533,938,313)</b>	<b>(442,322,760)</b>

The fair values of financial instruments approximate their carrying value as of December 31, 2011.



Market Risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Cooperative's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimizing the return on risk.

The Cooperative is not exposed to foreign exchange and price risk because it does not have foreign currency denominated financial assets and liabilities nor holds investments in equity securities classified as available for sale or at fair value through profit or loss, respectively. It is not engaged in commodity trading; hence, is not exposed to commodity price risk.

The Cooperative follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Cooperative is not exposed to interest rate risk as the Cooperative's interest rate on bank loans is fixed.

35. CAPITAL MANAGEMENT

The primary objective of the Cooperative's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The BOD has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Cooperative's external environment and the risks underlying the Cooperative's business operations and industry.

The Cooperative through the Finance function sets operational targets and performance indicators in order to assure that the capital and returns requirements are achieved. Appropriate monitoring and reporting systems accompany these targets and indicators to assess the achievement of Cooperative goals and institute appropriate action.

The Cooperative monitors capital on the basis of the debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is equivalent to total liabilities shown in the statement of financial position. Total equity comprises all components of equity including membership and accumulated loss.

The Cooperative's debt-to-equity ratio is computed below.

	2011	2010
Debt	981,038,481	1,145,663,032
Cash	102,137,381	145,947,617
Net debt	878,901,100	999,715,415
Equity	1,588,163,789	516,840,423
<b>Net debt to equity ratio</b>	<b>0.55</b>	<b>1.93</b>

There were no changes in the Cooperative's approach to capital management during the period. The Cooperative is not subject to externally imposed capital requirements.

36. SUPPLEMENTARY INFORMATION REQUIRED UNDER BIR REVENUE REGULATION 15-2010

In accordance with BIR Revenue Regulation No. 15-2010 dated November 25, 2010, the following information were provided by and/or gathered from the cooperative:

- a. VAT output tax declared based on operating revenues on electricity distribution, supply, and metering services:

Particulars	Amount
VAT output	48,947,669
Operating revenues	407,897,238



- b. VAT input taxes claimed:

Particulars	Amount
VAT input	23,164,046
Purchases	193,033,718

- c. Withholding taxes:

Particulars	Base	Amount
Withholding tax on compensation	58,860,546	11,907,186
Creditable withholding tax	33,811,856	1,690,593
Final withholding tax	37,206,009	1,516,011
Tax in banks	748,286	148,982
<b>Total</b>	<b>130,626,697</b>	<b>15,262,772</b>

- d. DST on loan instruments, shares of stock and other Transactions subject thereto;

500,926

- e. Taxes, licenses, and fees:

Particulars	Amount
Real Estate Tax	267,783
Licenses and Permit Fees	732,565
<b>Total</b>	<b>1,000,348</b>



BY-LAWS OF THE
BENGUET ELECTRIC COOPERATIVE, INC.
As amended during the Special General Membership Assembly
on May 28, 2005 and
Approved by the National Electrification Administration (NEA)
on September 20, 2005

ARTICLE I
MEMBERSHIP

SECTION 1. REQUIREMENTS FOR MEMBERSHIP. Any person, firm, association or body politic or subdivision thereof may become a member in Benguet Electric Cooperative, Inc. (hereinafter called the "Cooperative") by:

- a) filing a written application for membership therein;
b) agreeing to purchase from the Cooperative electric energy as herein specified in Section 6, Article 1;
c) agreeing to comply with and be bound by the Articles of Incorporation and By-Laws of the Cooperative, any rule and regulations adopted by the Board, and requirements of the National Electrification Administration;
d) paying the membership fee herein specified, provided however, that no person, firm, association, corporation or body politic or subdivision thereof shall become a member unless and until the membership fee has been accepted by the Board; and,
e) any person applying for membership must specifically state in his/her application the number of the house he/she lives (if any), the street or sitio and/or barangay where he/she resides.

No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in this By-Laws.

No bonafide applicant for membership who is able and willing to satisfy and abide by all such terms and conditions shall be denied arbitrarily, capriciously or without good cause.

SECTION 2. MEMBERSHIP CERTIFICATES. Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall be signed by the President and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto and/or member's identification card duly signed by the President and by the Secretary of the Cooperative and the member including an attached one inch by one inch photo of the member. No membership certificate or identification card shall be issued for less than one for less than membership fee fixed in this By-Laws, nor until such membership fee has been fully paid. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued thereof upon such uniform terms and indemnity to the Cooperative as the Board may prescribe.

SECTION 3. JOINT MEMBERSHIP. A husband and wife may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. Any application for membership by a husband or a wife alone shall automatically be deemed to be an application for joint membership to include the spouse, whose name shall likewise be indicated thereon. Any application failing to indicate thereon the name of the applicant's spouse shall be deemed as application for single membership. The term member, as used in this By-Laws shall be deemed to include a husband and wife holding joint membership, and any provision relating to the rights and liabilities of membership shall apply equally with respect to the holders of joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions or in respect to the holders of a joint membership shall be as follows:

- a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of meeting;
b) The vote of either separately or both jointly shall constitute a joint waiver;
c) A waiver of notice signed by either or both shall constitute a joint waiver;
d) Notice to either shall constitute notice to both;
e) Expulsion of either shall terminate the joint membership; and,
f) Either but not both may be elected or appointed as officer or Board member, provided that the qualifications for such office are met.

SECTION 4. CONVERSION OF MEMBERSHIP.

- a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the Articles of Incorporation, By-Laws and rules and regulations adopted by the Board. The outstanding membership certificates shall be surrendered, and shall be re-issued by the Cooperative in such manner as shall indicate the changed membership status.
b) Upon death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered, and shall be re-issued in such manner as shall indicate the changed membership status, provided however, that the estate of the deceased shall not be released from any debts due to the Cooperative.

SECTION 5. RIGHTS OF THE MEMBERS. Every bonafide member shall have the following rights:

- a) to vote;
b) to hold elective office;
c) to be informed of cooperative affairs;
d) to examine the cooperative's book of accounts at any reasonable time during office hours;



- e) to bring charges against any Board member, officer or employee; and,
f) to receive one free permanent electric service connection upon payment of membership fee subject to existing rules and regulations.

SECTION 6. MEMBERSHIP FEE. The membership fee shall be Five Pesos (P5.00).

SECTION 7. PURCHASE OF ELECTRIC ENERGY. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used in the premises specified in his application for membership, and shall pay therefore at rates which shall, from time to time, be fixed by the Board. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished the members as capital and each member shall be credited with the capital so furnished as provided in Article VII of this By-Laws. Each member shall pay all amounts owed by him to the Cooperative as when the same shall become due and payable.

SECTION 8. TERMINATION OF MEMBERSHIP.

- a) Any member may withdraw from membership upon compliance with uniform terms and conditions as the Board may prescribe. The Board, through a resolution, by the affirmative vote or not less than two-thirds of all members of the Board, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, By-Laws, or rules and regulations adopted by the Board, but only if such member shall have been given written notice by the Cooperative and such failure shall have continued for at least ten (10) days after such notice was given that such failure makes him liable to expulsion.
b) The membership of a member who, for a period of six (6) months after service is available to him has not purchased energy from the Cooperative may be cancelled by resolution of the Board.
c) Upon withdrawal, death or expulsion of a member, the membership certificate of such member shall thereupon terminate, and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debt due the Cooperative.
d) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by him, provided however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debt or obligation owed by the member to the Cooperative.

ARTICLE II
PROPERTY RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. PROPERTY INTEREST OF MEMBERS. The members are the joint owners of the Cooperative, with their individual equity in its assets determined on the basis of their patronage. Upon dissolution, after [a] all debts and liabilities of the Cooperative shall have been paid; and [b] all capital furnished through patronage shall have been retired as provided in the By-Laws, the remaining property and assets of the Cooperative shall be distributed among members and former members in the proportion which aggregate patronage of each bears to the total patronage of all members during the ten (10) years next preceding the date of the filing of the certificate of dissolution, or if the Cooperative shall not have been in existing for such a period, during the period of its existence.

SECTION 2. NON-LIABILITY FOR DEBTS OF THE COOPERATIVE. The private property of the member shall be exempted from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debt or liability of the Cooperative.

ARTICLE III
MEETING OF MEMBERS

SECTION 1. ANNUAL MEETING. The annual meeting of members shall be held every first Saturday of December and every year thereafter at such date and place within the service area of the Cooperative as selected by the Board and which shall be designated in the notice of meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meetings. District meetings shall be held as provided in Article IV of this By-Laws for the purpose of electing Board members.

SECTION 2. SPECIAL MEETINGS. Special meetings of the members may be called by resolution of the Board, or upon written request signed by any three (3) Board members, by the President or by thirty (30) members of five percent (5%) of all the members, whichever shall be lesser and it shall thereupon be the duty of the Secretary to cause the notice of meetings to be given as hereinafter provided. Special meetings of the members may be held at any place within the area served by the Cooperative as designated by the Board and shall be specified in the notice of the special meeting.

SECTION 3. NOTICE OF MEMBERS MEETING. Written notice stating the purpose, place, day and hour of the meeting and, in case of special meeting or annual meeting at which business requiring special notice is to be transferred is called, shall be delivered not less than ten (10) days or more than twenty five (25) days before the date of meeting, either personally or by mail, by the Secretary or upon the failure to do same, by the persons calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the Philippine mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereupon prepaid. Where practical and necessary, broadcast media may be availed of.





SECTION 4. QUORUM. A quorum for the transaction of business at all meetings of the members of the Cooperative having not more than one thousand (1,000) members shall be five percent (5%) of all members, and of a cooperative having more than one thousand (1,000) members shall be five percent (5%) of all members or one hundred (100), whichever is lesser.

SECTION 5. ORDER OF BUSINESS. The order of business at annual meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meetings:

- a) Report on the number of members present in person in order to determine the existence of a quorum;
b) Reading of the notice of the meeting and the proof of the due publication or mailing thereof, or the waiver or waivers or notice of the meeting, as the case may be;
c) Reading of unapproved minutes of previous meeting of the members and the taking of necessary action thereon;
d) Presentation and consideration of reports of officers, manager and committees;
e) Unfinished business;
f) New business; and,
g) Adjournment.

SECTION 6. VOTING. Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a majority of the members present, except as otherwise provided by law or other provisions of this By-Laws.

ARTICLE IV
BOARD OF DIRECTORS

SECTION 1. GENERAL POWERS. The business and affairs of the Cooperative shall be the responsibility of the Board, including the General Manager sitting as an ex-officio member of such body, without voting power, which shall formulate and adopt policies and plans, promulgate rules and regulations for the management, operations and conduct of the business of the Cooperative, and exercise all the powers of the Cooperative, except such as By-Laws, Articles of Incorporation, or this By-Laws conferred upon or reserved to the members of the Cooperative, or reserved by the National Electrification Administration.

SECTION 2. ELECTION AND TENURE

- a) The persons named as Board members in the Articles of Incorporation shall compose the interim Board until the first annual meeting date, heretofore indicated, or until their successors shall have been elected and shall have qualified.
b) Prior to the first annual meeting, as heretofore provided in this By-Laws, first regular members shall be elected to office at district meetings. Each Board member shall represent one of the districts, and shall be elected in conformance with the procedures as herein after described except that the term of office for each will be as follows:
1. The Board members representing District I, III and IV, all within Baguio City, shall each be elected to serve for one year until their successors shall have been elected and shall have qualified.
2. The Board members representing Districts V (Bokod), VII (La Trinidad), and X (Tublay) shall each be elected to serve two years or until their successors shall have been elected and shall have qualified.
3. The Board members representing Districts II (Baguio City), VI (Itogon), VIII (Sablan) and IX (Tuba) shall each be elected to serve for three years until their successors shall have been elected and shall have qualified.
Beginning with the expiration of the terms of office of the Board members elected to fill vacancies caused by expiration of the incumbents' terms of office shall each be elected for three year terms.
c) Newly elected Board members shall assume office on the first day of January of the year following their election.

SECTION 3. QUALIFICATION. No person shall be elected as a Director unless he is a bonafide member of the Cooperative, at least 21 years of age and a resident of the municipality or district he shall represent for at least six (6) months.

- No person shall be eligible to become or remain as Board member of the Cooperative who:
a) is not a member and bonafide resident of the district he represent in the area served or to be served by the Cooperative;
b) is any way employed or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing, appliances, fixtures or supplies to the members of the Cooperative;
c) holds an elective office in the government above the level of a Barangay Captain;
d) has convicted of a crime involving moral turpitude; and,
e) has been terminated for cause.

Upon establishment of the fact that a Board member is holding the office in violation of the foregoing provisions, the Board shall remove such Board member from office. Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any



meeting of the Board.

SECTION 4. DISTRICTS.

- a) DEFINITION. A District is a segment or portion of the territory served or to be served by the Cooperative which shall be represented by one member of the Board of Directors.
b) COMPOSITION. A District may be composed of a barangay determined by the Board or a city, or a group or portions thereof, as may be determined by the Board in accordance with provisions hereof and duly approved by the National Electrification Administration.
c) NUMBER. The Cooperative shall have not less than five (5) districts but in no event shall the number thereof exceed fifteen (15). Unless and until changed, the Cooperative shall consist of the City of Baguio and the entire Province of Benguet as follows:

Table with 2 columns: DISTRICTNUMBER and MUNICIPALITY/BARANGAY. Rows include DISTRICT I through DISTRICT XI and their corresponding municipalities like BAGUIO CITY, LA TRINIDAD, and ITOGON/BOKOD/KABAYAN.

As additional barangays, municipalities or cities or portions thereof are integrated in the Cooperative, the aforementioned districts may be increased provided that the total number specified herein is not exceeded.

SECTION 5. REDISTRICTING. In case the integration of additional barangays, municipalities or cities will require redistricting of the territory in order that all will be duly and equitably represented in the Board, then the Board shall, subject to the approval of the National Electrification Administration, undertake a redistricting thereof in accordance with the following criteria:

- a) Each district shall be composed of barangays or municipalities or cities or portions thereof that are contiguous to each other geographically and interconnected by roads and/or other means of transportation facilities.
b) The number of members or potential members in each district shall, as much as possible, be equal.
c) Each district shall, to the extent possible, have common dialect.

SECTION 6. NOMINATIONS. The procedure for examinations shall be determined by the Board subject to the NEA rules and regulations regarding the same.

SECTION 7. DISTRICT MEETINGS. District meetings shall be conducted in not less than thirty (30) days nor more than sixty (60) days before any annual meeting. On the occasion of the annual anniversary (October) of the Cooperative, the Board shall call a meeting of the members of each district in which the term of the incumbent Board member is due to expire for the purpose of electing one Board member to represent the members located within each of such districts. Each Board member shall be elected by ballot at the district meeting held in the district he will represent, by and from the members of the office or until his successor shall have elected and shall have qualified.

The Board shall appoint a three-man District Election Committee composed of a Chairman and two members who must be members of the Cooperative. The Chairman shall be a public school teacher. The committee on elections shall act within fifteen (15) days upon receipt on any election protest and the decision of the committee shall be final and unappealable.

SECTION 8. NOTICE OF DISTRICT MEETING. Written notice of district meetings stating the purpose, place, day and hour of the district meeting shall be delivered not less than seven (7) days before the date of each meeting, either personally or by mail to each of the members of the district. Broadcast media may be availed of if practical and necessary.

SECTION 9. QUORUM. Five percent (5%) of the members or one hundred (100) members, whichever is lesser, in the district shall constitute a quorum for the transaction of business at the district meeting. If less than a quorum is present at any district meeting, a majority of those present in person may adjourn the meeting from time to time without further notice.

SECTION 10. VOTING. Each member in attendance at the district meeting shall be entitled to one vote. No member shall be permitted to vote by proxy or by mail at any district meeting.



SECTION 11. COMPLAINTS AGAINST BOARD MEMBERS, OFFICERS OR EMPLOYEES. Any bonafide member of the Cooperative may bring action against any member of the Board of Directors, officer or employee of the Cooperative by filing a sworn statement with the Board Secretary.

The Board shall refer the written complaint to the arbitration committee within fifteen (15) days from receipt thereof, after a meeting is called for the purpose. The arbitration committee shall decide the case within thirty (30) days from the time it will convene.

The arbitration committee shall be composed of three (3) members, one designated member of the Board of Directors, one representative of NEA and one bonafide member of the Cooperative who is of good moral character and who is acceptable to all parties concerned. The committee shall act as fact-finding body and if it finds the action meritorious, it may either warn, suspend or remove the Director, officer or employee concerned, otherwise, it shall dismiss the case.

SECTION 12. VACANCY. The remaining members of the Board Directors, by majority vote, shall fill any vacancy occurring in the Board due to death, incapacity, disability, removal, resignation, or other similar cases from among nominees of the district where the vacancy occurs, who shall serve for the unexpired portion of the term.

SECTION 13. COMPENSATION. Board members shall not receive any salary for their services as such, but shall be entitled to a fixed fee for every attendance in Board meeting. Board members carrying out cooperative business authorized by the Board may be entitled to per diem and/or reimbursements for actual expenses incurred, subject to the existing policies and regulations of the NEA. No Board members shall receive compensation for serving the Cooperative in any other capacity.

ARTICLE V  
MEETINGS OF THE BOARD

SECTION 1. REGULAR MEETING. A regular meeting of the Board shall be held without notice, immediately after, and at the same place as the annual meeting of the members. A regular meeting of the Board shall also be held once a month at the principal office of the Cooperative at such time as designated by the Board. Such regular monthly meeting may be held without notice other than such resolution fixing the time thereof, provided that the date and time of the Board meeting shall be posted in the office of the Cooperative.

SECTION 2. SPECIAL MEETING. Special meetings of the Board may be called by the President or by any three Board members, and it shall be thereupon the duty of the Secretary to cause a notice of such meeting to be given as hereinafter provided. The President or Board members calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 3. NOTICE OF SPECIAL BOARD MEETING. Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each Board member either personally or by mail, by or at the directions of the Secretary, or upon default in duty by the Secretary, by the President or by the Board members calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the Philippine mail addressed to the Board member at his address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five (5) days before the date of the meeting.

SECTION 4. QUORUM. A majority of the Board shall constitute a quorum provided that if less than such majority of the Board is present at said meeting, a majority of the Board present may adjourn the meeting from time to time, and provided further, that the Secretary shall notify any absent Board member of the time and place of such adjourned meeting. The act of the majority of the Board members present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in this By-Laws.

ARTICLE VI  
OFFICERS

SECTION 1. NUMBER. The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer, PRO and such other officers as may be determined by the Board from time to time. The offices of Secretary and Treasurer may be held by the same person.

SECTION 2. ELECTION AND TERM OF OFFICE. The officers shall be elected by ballot annually, by and from the Board at the meeting of the Board immediately after the annual meeting of the members. If the election of officers shall not be held at such meetings, such election shall be held as soon as possible thereafter, as convenient. Each officer shall hold office until the first meeting of the Board following the next succeeding meeting of the members or until his successors shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

SECTION 3. REMOVAL OF OFFICERS AND AGENTS OF THE BOARD. Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interest of the Cooperative will be served thereby.

SECTION 4. PRESIDENT. The President shall:

- a) be the principal officer of the Cooperative and unless otherwise determined by the members of the Board, shall preside at all meetings of the Board;
- b) sign, with the secretary, certificates of membership he issue of which shall have authorized by the Board or the members, and may sign any deed, mortgage, deed or trust, note, bond, contract or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by this By-Laws to some other officers and agents of the Cooperative, or shall be required by law to be otherwise signed or executed; and,



- c) in general, perform all duties incidental to the office of the President and such other duties as may be prescribed by the Board from time to time.

SECTION 5. VICE PRESIDENT. In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President. The Vice President shall also perform other duties as may be assigned to him by the Board from time to time.

SECTION 6. SECRETARY. The Secretary shall be responsible for:

- a) keeping the minutes of the meetings of the members and of the Board in books provided for that purpose and kept in a secured file in the office of the Cooperative;
- b) seeing that all notices are duly signed in accordance with this By-Laws or as required by law;
- c) the safekeeping of the corporate books and record and the seal of the Cooperative and affixing the seal of the Cooperative to all certificates of membership prior to the issue thereof, and to all documents the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of this By-Laws;
- d) keeping a register of the names and post office address of all members;
- e) signing with the President certificates of membership, the issuance of which shall have been authorized by the Board or the members;
- f) keeping on file at all times a complete copy of the Articles of Incorporation and By-Laws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, furnishing any member upon request; and,
- g) in general, performing all duties incidental to the office of the Secretary and such other duties as from time to time may be assigned to him by the Board.

SECTION 7. TREASURER. The Treasurer shall be responsible for:

- a) assuring proper custody of all funds and securities of the Cooperative;
- b) assuring the proper receipt of and issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such bank or banks shall be selected by the Board in accordance with the requirements of the National Electrification Administration; and,
- c) the general performance of all the duties incidental to the office of the Treasurer and such other duties as from time to time may be assigned to him by the Board.

SECTION 8. PUBLIC RELATIONS OFFICER (PRO). The PRO shall coordinate public relations between the Board, management and the general public. The PRO shall also perform such other duties as from time to time may be assigned to him by the Board.

SECTION 9. GENERAL MANAGER. The Board shall appoint a General Manager who shall be responsible to the Board for the management of the Cooperative in conformance with guidelines established upon the manager to keep the Board fully informed of all aspects of the operations and activities of the Cooperative. Appointment and dismissal of the manager shall require approval of NEA.

No incumbent member of the Board may hold or apply for the position of General Manager unless resigned six (6) months prior to application.

SECTION 10. BONDS OF OFFICERS. The Treasurer and any other officer or agent of the Cooperative charged with the responsibility for the custody of any of its funds or property shall be bonded in such sum as the Board shall determine. The Board, in its discretion, may also require any other officer, agents or employees of the Cooperative to be bonded in such amount as it shall determine.

ARTICLE VII  
NON-PROFIT OPERATION

SECTION 1. INTEREST OF DIVIDENDS ON CAPITAL PROHIBITED. The Cooperative shall at all times be operated on a non-profit basis for the mutual interest of its patrons. No interest or dividends shall be paid or shall be payable by the Cooperative on any capital furnished by its patrons.

SECTION 2. PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC ENERGY.

- a) In the furnishing of electric energy with the Cooperative's operations shall be so conducted that members and non-members alike will, through patronage, furnish capital for the cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons, members and non-members alike, for all accounts received and receivable from the furnishing of electric energy in excess of operating cost and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating cost and expenses at the amount of receipt by the Cooperative are received with the understanding that they are furnished by the members and non-members alike as capital. The Cooperative is obligated to pay credit to a capital account for each patron all such amounts in excess of operating cost and expenses.
- b) The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year, the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account.
- c) All other amounts received by the Cooperative from its operation in excess of cost and expenses shall, insofar as permitted by law



be [1] used to offset any losses incurred during the current or any prior fiscal year, and [2] to the extent not needed for that purpose, allocated included as part of the capital credited to the accounts of the patrons, as herein provided.

- d) In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credited to the patrons' accounts shall be retired without priority on a non-rate basis for any payment is made on account of property rights of members. If at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to the patrons' accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired.
- e) Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors-in-interest or successors-in-occupancy in all or part of such patron's premises served by the Cooperative unless the Board, acting under policies of general application, shall determine otherwise.
- f) Notwithstanding any other provisions of this By-Laws, the Board, at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of this By-Laws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon, provided however, that the financial condition of the Cooperative will not be impaired thereby.
- g) The patrons of the Cooperative, by dealing with the Cooperative, acknowledged that the terms and provisions of the Articles of Incorporation and By-Laws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of the Articles of Incorporation and By-Laws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

ARTICLE VIII  
DISPOSITION OF PROPERTY

SECTION 1. The Cooperative may not otherwise sell, lease or except by consolidation or merger, otherwise dispose of its property (other than merchandise and property which shall represent not in excess of ten percent (10%) of the value of the Cooperative's total asset, or which, in the judgment of the Board, are not necessary or useful in operating the cooperative) unless such sale, lease or except in consolidation or merger, other disposition is authorized at a meeting of the members thereof by the affirmative and consented to by the NEA and any other lending source which holds lien or any of the Cooperative properties, provided, however, that notwithstanding anything therein contained, the Board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize execution and delivery of a mortgage or a deed of trust, or the pledging of encumbering otherwise, or any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired, and wherever situated, as well as the revenue therefrom, all upon such terms and conditions as the Board shall determine, to secure any borrowing by or indebtedness of the Cooperative to the government of the Philippines or any instrumentality or agency thereof or any lending institution approved by the NEA.

ARTICLE IX  
SEAL

SECTION 1. The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the cooperative, date of incorporation, and the word SEAL engraved thereon.

ARTICLE X  
FINANCIAL TRANSACTIONS

SECTION 1. CONTRACTS. Except as otherwise provided in this By-Laws, the Board may authorize any officer or officers or agents to enter into any contract or execute and deliver any instrument in the name and in behalf of the Cooperative, and such authority may be general or confined to specific instance, except as limited or authorized in the loan agreement with the National Electrification Administration.

SECTION 2. CHECKS, DRAFTS, ETC. All checks, drafts or other orders for payment of money, and all notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative shall be signed and/or countersigned by such officer or officers, agent, employee or employees of the Cooperative and in accordance with NEA rules and regulations.

SECTION 3. DEPOSITS. All funds except petty cash of the Cooperative shall be deposited to the credit of the Cooperative in such bank or banks as the Board may select, subject to the approval of NEA.

SECTION 4. CHANGE OF RATES. Changes in the rates charged by the Cooperative for electric energy become effective only after approval by NEA except that temporary charges based upon increase in the direct cost of fuel for generating power may be added to the consumer's bill in order to avoid deficit operation of the Cooperative.

SECTION 5. FISCAL YEAR. The fiscal year of the Cooperative shall begin on the first day of each year and shall end on the last day of the same year.



ARTICLE XI  
MISCELLANEOUS

SECTION 1. MEMBERSHIP IN OTHER ORGANIZATIONS. The Cooperative may, upon the authorization of the Board and approval of the National Electrification Administration, purchase stock in or become a member of any other cooperative or corporation organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification.

SECTION 2. AUDIT. The Board shall, after the close of each fiscal year, cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the members at the next following meeting.

SECTION 3. AREA COVERAGE. The Board shall make diligent effort to see the electric service is extended to all unserved persons within the Cooperative service area who [a] desire such service; and, [b] meet all reasonable requirements established by the Cooperative as a condition of such service, provided that the financial viability of the Cooperative will not be impaired.

SECTION 4. NEPOTISM. No relative of the General Manager nor any member of the Board up to the third degree of relationship, either in consanguinity or affinity, shall be employed by the Cooperative or receive compensation for service to the Cooperative.

ARTICLE XII  
AMENDMENTS

SECTION 1. This By-Laws may be altered, amended or repealed only by affirmative vote or not less than the majority of the Cooperative present at a regular or special meeting and, provided further that the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

If any member or members desire to offer an amendment of any of said articles or sections, such member or members shall deposit a copy of said proposed amendment with the Secretary of the Board at least twenty (20) days before the meeting in which such resolution is to be offered and the said Secretary shall cause a copy of said proposed resolution to be included in the notice of meeting. All amendments to this By-Laws shall be subject to NEA approval.

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**The BENECO  
Management Staff**

**Mr. Gerardo P. Verzosa**  
General Manager

**Atty. Luz L. Balisong**  
Internal Auditor

**Joselito B. Villarey, PEE**  
Executive Planning Officer

**Mr. Artemio M. Bacoco**  
Manager, Northern Sub- Area Department

**Atty. Delmar O. Cariño**  
Manager, Human Resource Management and Development Dept  
and Legal Officer

**Ms. Brenda B. Carling**  
Manager, Corporate Services Department

**Engr. Mauricio A. Labitoria**  
Manager, Management Information Systems Department

**Engr. Melchor S. Licoben**  
Manager, Engineering Department

**Engr. Ricardo S. Pallogan**  
Manager, Operations & Maintenance Department

**Mr. Alejandro G. de los Santos, Jr.**  
Manager, Consumer Services Department