





BENECO

BENGUET ELECTRIC COOPERATIVE, INC.

YEAR 2012 ANNUAL REPORT

33rd Annual General Membership Assembly



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)



Theme:

*"The Challenge of Sitio Electrification:
BENECO's Undying Commitment"*

December 7, 2013
Easter College Gymnasium
Easter Road, Baguio City

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.



The BENECO Board of Directors



Dir. Michael L. Lawana
District 1



Dir. Benny O. Bomogao
District 2



Dir. Rocky M. Aliping
District 3



Dir. Ferdy K. Bayasen
District 4



Dir. Peter B. Busaing
District 5



Dir. Virgilio D. Orca Jr.
District 6



Dir. Joey J. L. Marrero
District 7



Dir. Jerry A. Marave
District 8



Dir. Alfredo B. Santos, Jr.
District 9



Dir. Erminio D. Suclad
District 10



Dir. Gaspar Leung
District 11



Mr. Gerardo P. Verzosa
Ex-Oficio Member /
General Manager



PROGRAMME

7:30 a. m. -10:00 a. m.	-----	Registration by District
10:00 a. m.-11:00 a. m.	-----	Program Proper
Invocation	-----	Rev. Father MELVIN M. ODSEY Parish Priest Holy Innocents' Church
National Anthem	-----	Ms. ELIZABETH D. GANGOSO Engineering Department
Welcome Remarks	-----	Engr. FERDY K. BAYASEN Director, District 4
Introduction of the Guests of Honor and Speaker	-----	Atty. BENNY O. BOMOGAO Director, District 2
Message	-----	Hon. EGARDO R. MASONGSONG 1-CARE Representative
		Hon. MICHAEL ANGELO C. RIVERA 1-CARE Representative
Intermission Number	-----	BENECO employees
Awarding of Plaques of Appreciation to Guests of Honor and Speaker	-----	Mr. PETER B. BUSAING Board President
		Mr. GERARDO P. VERZOSA General Manager
Awarding of Plaques of Recognition to Outgoing Board of Directors	-----	Mr. PETER B. BUSAING Board President
		1. Engr. MICHAEL L. LAWANA, District 1 2. Mr. ROCKY M. ALIPING, District 3 3. Atty. ALFREDO A. SANTOS Jr., District 9 4. Mr. ERMINIO D. SUCLAD, District 10 5. Engr. JOEY J.L. MARRERO, District 7 6. Atty. JERRY A. MARAVE, District 8
11:00 a. m. -4:00 p. m.	-----	Business Meeting Mr. PETER B. BUSAING BOD President / Presiding Officer
4:00 p.m.-5:00 p.m.	-----	(12:00 noon -1:00 p. m. -Lunch Break) RAFFLE
		Masters of Ceremonies:
Mr. JAMES C. PALICDON		Engr. AMYLYN P. TIMPAC



Order of Business:

- I. Report on the number of members present to determine the existence of a quorum;
- II. Reading of the notice of meeting and proof of publication or mailing thereof;
- 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:
 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 as per BENECO by Laws.
(Proponent: BARP Multi-Purpose Cooperative.)
Action taken: Deferred, referred to the appropriate Board Committee.
 2. Proposed AGMA Resolution for BENECO to form a separate corporation for its mini-hydro projects and open to member-consumers the purchase of shares of stocks.
(Proponent: Mr. Jack I. Dulnuan, District 7)
Action Taken: Proponent to submit detailed study for discussion.
 3. Proposal to split BENECO management for Baguio City and Benguet.
(Proponent: Mr. Bial Palaez, District 7)
Action Taken: For further study
- VII. New Business:
 1. For assembly approval of the 2013-2016 Capital Expenditure (CAPEX) Plan with authority to secure loan. (Proposed by BENECO Management)
 2. Update on the proposed project at the South Drive lot.
 - a.) Date of start of the construction of the headquarters and the power sub-station.
 - b.) Possibility of selling lot if requirements for the putting up of a substation are not obtained and use the proceeds to pay the loan. (Proponent: BARP Foundation)
 3. Update on the mini-hydro project at Man-asok, Buguias.
 - a.) Expenses as of date
 - b.) Source of funding
 - c.) Target date of operation
 - e.) Expected rate reduction (Proponent: BARP Foundation)
 4. Sun Star publication dated November 13, 2013 re: tax delinquency of BENECO to La Trinidad.
 5. Update on the Balbalan Electrification program audited by COA.
 6. Update on Camp 7 BENECO housing lot.

VIII. Adjournment



MALACAÑAN PALACE
MANILA

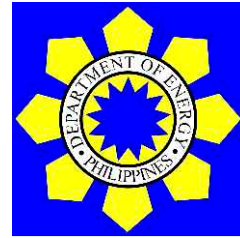


My warmest greetings to the Benguet Electric Cooperative, Inc. as you hold your 33rd Annual General Membership Assembly.

The cooperative system has been an effective mechanism in bolstering our efforts towards revitalization. As government reform has spurred vital citizen participation in matters of public interest, our institutions are beginning to reap the benefits of transparency and accountability. Our resources are properly allocated, trust between the public and private sectors is reinforced, and inclusiveness allows us to help those who have been historically relegated to the margins. May you continue in both your personal and professional lives to add to our momentum on the path to change.

This event is a timely opportunity for you to further optimize our Sitio Electrification and Barangay Line Enhancement Programs. Your contributions to these comprehensive electrification programs have uplifted the people of Benguet, allowing them greater access to a basic necessity. May you sustain your community, empower its residents to pursue their own aspirations with excellence and determination, and open up more opportunities to realize our shared goal of lasting, equitable progress.


BENIGNO S. AQUINO III



Republic of the Philippines
DEPARTMENT OF ENERGY
Energy Center, Rizal Drive cor. 34th Street, Bonifacio Global City, Taguig



MESSAGE

It is with great joy that I greet the officers, board of directors, and member-consumers of the Benguet Electric Cooperative, Inc. (BENECO) on the occasion of your 33rd Annual General Membership Assembly.

The province of Benguet is endowed with the wonders of nature: cool climate, picturesque mountainous sceneries, and abundant natural resources. Aside from these God-given treasures, tourism and economy play pivotal parts for progress in this land of peace-loving and hospitable people. In view of this, all essential infrastructures that fuel development, such as energy are kept intact and issues surrounding it are properly addressed.

Certainly, BENECO do the province a great service for valuing integrity, dedication, and excellence to attain sustainable growth. Likewise, beyond your electrification efforts of the countryside, you empower the people and communities you serve. Hence, the Department of Energy is pleased to note your exemplary performance and outstanding management practices that is worth emulating by other cooperatives.

May the feasts you have reached inspire you more to move forward, and reach for greater strides in all your endeavors. The Department hopes for your continued success, as we remain partners in carrying out our noble objectives for the people.

Mabuhay and more power!

CARLOS JERICHO L. PETILLA
Secretary



NATIONAL ELECTRIFICATION ADMINISTRATION
"The 1st Performance Governance System-Institutionalized
National Government Agency"
57 NIA Road, Government Center, Diliman, Quezon City 1100



MESSAGE

Warm greetings to the 155,742 Member-Consumers, Board of Directors, Officials and Employees of Benguet Electric Cooperative, Inc. (BENECO) on your 33rd Annual General Membership Assembly on December 7, 2013.

With the government's prioritization of the Rural Electrification (RE) Program in effecting socio-economic progress in the countryside, ECs, like BENECO will play a more vital part in pursuing this end.

For more than thirty years now, your cooperative has always been a dependable partner of NEA in implementing the RE Program. Your performance in the past years and in 2012 clearly illustrates your strong commitment and dedication through the accomplishment of a single-digit system loss at 9.62% and collection efficiency at 102%. But there is much to be done. Twenty four percent more of potential sitios in your area coverage remain unlit and seven percent more of the potential consumers depend on you.

May this occasion serve as an avenue in dynamic sharing of ideas needed to develop more feasible and responsive plans and programs that will help sustain the gains that you have achieved. Let us be one in pursuing a more comfortable life for the beloved people of Benguet.

More power!

EDITAS S. BUENO
Administrator



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

MESSAGE

My warmest greetings to BENGUET ELECTRIC COOPERATIVE, INC. (BENECO) as you hold your 33rd Annual General Membership Assembly on December 7, 2013.

Your commitment to the success of rural electrification is crucial in this era of social transformation. Your organization is tasked with the vital role of securing Benguet's energy supply and ensuring that every household and every sitio in you community has access to this basic necessity.

Let this event motivate you and challenge you to improve further your service and work harder for consumers' satisfaction. I urge you to remain steadfast in your duties and take pride as Filipinos who are committed to serve our people.

May I take this opportunity to congratulate GM Gerardo P. Verzosa, the Board of Directors, all employees and most especially Member-Consumers of BENECO for your unflinching support. It is both an honor and a privilege to represent our esteemed consumers association in the House of Representatives. . .the I-CARE Party List (1st Consumers Alliance for Rural Energy, Inc.). I will remain to be at your service and push for reforms that will benefit our sector.

Let us keep our hands clasped together in unity and with one voice let us keep our pledge of support towards a stronger electric cooperative. Together we will make the tough choices to ensure consumers' leading role in the country's crucial energy future.

Mabuhay and more power to BENECO!

Michael Angelo C. Rivera
Representative I-CARE



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

MESSAGE

I would like to extend my felicitations and congratulations to the esteemed leaders and member-consumers of the Benguet Electric Cooperative, Inc. on the celebration of their Annual General Membership Assembly (AGMA) on 7th December 2013.

As a member of the 16th Congress representing the 1st Consumers Alliance for Rural Energy (1-CARE) Party-list, this humble representation wishes you all the best in the years to come as you continue to thrive for quality service and boost the efficiency of your operations in your coverage area. Indeed, your enthusiasm and commitment are necessary values for the country's Rural Electrification Program (REP), which is endeavored to empower communities and spur socio-economic development in the rural areas.

In turn, as your representative in the 16th Philippine Congress, I am motivated to actively push for legislations and advocacies to support the vigorous electrification of all rural areas and other measures for the benefit of electric cooperatives and the consumers. These include, among others, the following:

1. Immediate resolution to the power crises that beset not just Mindanao, but the power industry in general;
2. Prevent the increase, if reduction is no longer feasible, of power cost brought by the failed EPIRA;
3. Uniform taxation, if not tax exemption, for the electricity in order to reduce the power cost;
4. Sustain the rural electrification program through the sitio electrification and barangay line enhancement program through the ECs that are non-stock, non-profit and registered with NEA;
5. Revise, if not repeal, EPIRA or RA 9136;
6. Enact Magna Carta for the Electric Cooperatives; and
7. Building the movement for the Electric Consumers in general, the Rural Energy Consumers in particular.

Finally, this Representation hereby expresses his gratitude for the valuable contributions of BENECO in providing the most needed votes for 1-CARE Party-List which garnered a total votes of 933,831 nation-wide, representing 3.49% of the 26,722,131 total Party-list votes casted and ranked No. 4 in the roster of winning Party-list groups

Again, congratulations and more power to the Benguet Electric Cooperative, Inc.!

EDGARDO 'ERM' RAMA MASONGSONG
Representative I-CARE



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




My family and I together with the City officialdom celebrate with you on your 33rd annual General Membership Assembly.

The Benguet Electric Cooperative has for years been providing lights to the City of Baguio literally and symbolically. Literally for your continuous effort to improve the City's electricity services and symbolically for supporting the different community and development projects by government and non-government agencies.

As you continue planning for better services, may you continue to work closely with the government and communities for more improved and efficient community services.

Once again my congratulations and we're looking forward for more years of continuous service.


Nicasio M. Aliping Jr.
Congressman
Baguio City



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




MESSAGE

My warmest greetings to the men and women of Benguet Electric Cooperative, Inc. (BENECO).

It has been forty years since October 5, 1973 when the National Electrification Commission granted BENECO sole franchise to operate an electric light and power service company for Baguio City and the Province of Benguet. Since then, BENECO has been tirelessly working to provide quality and reliable power supply to its clients.

And now BENECO is holding its 33rd Annual General Membership Assembly in order to further improve the delivery of its services. As the company details its significant accomplishments for last year, it would be beneficial to remember that there is always room for improvement. We wish you a fruitful gathering because your success in this endeavor will surely redound to the benefit of our people.

Congratulations to all.


RONALD M. COSALAN
Representative
Lone District of Benguet



Republic of the Philippines
PROVINCE OF BENGUET
La Trinidad
OFFICE OF THE GOVERNOR



MESSAGE

On the occasion of BENECO's 33rd Annual General Assembly on December 07, 2013, to be held at the Easter College Gymnasium, Guisad, Baguio City, we extend our warmest greetings to all consumer-members. Likewise to management and the rank and file employees for their commitment and dedication displayed for such a long span of time.

Serving the member-consumers for more than three decades is indeed an achievement which every consumer-member should be proud of.

May we, therefore, take this occasion to once again remind all concerned that in our desire of making the cooperative grow and develop, unity and cooperation should always be given importance.

LGUs play an important role in the implementation of the programs of Electric Cooperatives anywhere else in the country, thus the need for a closer and regular coordination. We are very happy that management of BENECO never failed in coordination with our office major projects which is implemented.

With all of us working together – BENECO, LGUs and member-consumers, there is no reason that we cannot achieve our goals, as presented in this year's General Assembly.

Congratulations and Happy General Assembly.

Thank you.

NESTOR B. FONGWAN
Provincial Governor



Republic of the Philippines
PROVINCE OF BENGUET
La Trinidad
OFFICE OF THE VICE-GOVERNOR



MESSAGE

“Sirib eti umili, asenso ti ili”

Greetings!

We congratulate BENECO on its Annual General Membership Assembly (AGMA). Time and again, BENECO proved its mettle in the distribution of power within its franchise area. Baguio City, the province of Benguet and the thirteen towns of Benguet could not have attained their economic and social strides at this time if not for the supply of electricity, courtesy of one of the most recognizable electric cooperatives in the country which is your own electric cooperative. Indeed, we are witnesses to the aggressive and efficient management on the operations of BENECO. We are not neglectful of what BENECO has achieved over the years. No doubt BENECO's performance has been remarkable. And the indicators cannot lie – single digit system loss, consistent high collection efficiency, ability to fulfill debt amortizations, timely payment of power suppliers and efficient technical operations

The province of Benguet in particular wishes to take this occasion of your AGMA to express its deepest gratitude for the efforts to bring electricity to the remotest sitios of the province. We salute your endeavor of gambling on a one P 100 million loan from the National Electrification Administration (NEA) to continue what has been the electric cooperative's struggle since the 1990s and that is to bring electricity to far flung areas. The current administration is now bent to energize all sitios by 2016. This has underscored a national mandate which we know BENECO has been doing long before the said Sitio Electrification Program (SEP) was launched.

Being also a member consumer, I join other consumers in this year's AGMA celebration since the continuous patronage of consumers has vastly contributed to the continuing improvement of the electric cooperative. As member consumers, we do not only pay our monthly bills but we are also the market which BENECO has sworn to serve. Let us not then be passive member consumers but become active members by way of understanding how the cooperative operates.

BENECO, with all its member consumers, and the men and women on its employ, deserves a pat on a job well done. Benguet has all the reason to feel indebted to BENECO for always including the remote barrios in its energization map despite the huge cost of bringing electric cables, transformers and poles to geographically unfavorable areas. This, despite the fact that there is no return of investment on the huge cost that was spent. The fact also remains that the recoupment of investment will take years. Yet, BENECO is always there, dedicated and undaunted.

Congratulations on your AGMA. God bless.

NELSON DANGWA
Vice Governor



Republic of the Philippines
OFFICE OF THE CITY MAYOR
City Government of Baguio



MESSAGE

In behalf of my family, the people and officialdom of Baguio City, we would like to extend our warmest greetings to the management, the Board of Directors, staff and members of the Banquet Electric Cooperative (BENECO) on the occasion of our 33rd Annual General Membership Assembly (AGMA) on 07 December 2013 at the Easter College Gymnasium, Guisad, Baguio City.

We commend the management and staff of BENECO for continuously adhering to good practices of rural electric cooperatives and sustaining our competitiveness in the country's power industry sector. For over three decades now, BENECO has been instrumental in sustaining the growth and development of the Baguio and Banquet areas through the effective and efficient supply of quality and reliable power to residential, commercial and industrial consumers.

Despite the numerous issues that have confronted both BENECO and the city government through the past years, we were able to settle our conflicts through the conduct of regular dialogues and consultations geared towards achieving a lasting solution beneficial to the consumers. May we continue to be soild partners in the establishment of a sustainable power system that will effectively and efficiently address the current problems of your existing system that will help in effectively and efficiently lessen our single digit systems loss and convince more investors to directly buy power to the existing franchise holder.

Let us continue to set the examples of quality conflict resolution that will be beneficial to our consumers since we work for the greater majority of our people.

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

Mabuhay tayong lahat!

MAURICIO G. DOMOGAN
City Mayor



Republic of the Philippines
Province of Benguet
Municipality of Atok
OFFICE OF THE MUNICIPAL MAYOR



MESSAGE

My warmest greeting to you all as you hold your 33rd Annual General 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 the technologies which we basically use in sustaining our endeavor of service are all the 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
Province of Benguet
Municipality of Bakun
OFFICE OF THE MUNICIPAL MAYOR



MESSAGE

In behalf of the Officialdom of Bakun and the People of Bakun, let me extend my warmest greetings and congratulations to the Benguet Electric Cooperative, Inc. (BENECO) on its 33rd Annual General Assembly (AGMA).

As partner in development, allow me to offer my sincerest gratitude for the cooperative's earnest effort in pursuing the vision of lighting all houses even to the remotest locality. It is my prayer that as we work hand and hand, we could attain such lofty goal the soonest time.

SALA-SALAMAT!!!

MATAGOTAGO TAKO AMIN!!!

FAUSTO T. LABINIO
Municipal Mayor



Republic of the Philippines
Province of Benguet
Municipality of Bokod
OFFICE OF THE MUNICIPAL MAYOR



MESSAGE

The LGU – Bokod conveys its warmest felicitations and congratulations to the BENECO Management and staff, and members/consumers, as you highlight the 33rd Annual General Membership Assembly (AGMA) thru show –casing your achievements this current year 2013.

The continuing growth of the energization sector despite challenges of globalization plays essential role in your quest for total energization and remarkable economic reversal in recent years. Updating thru show casing strategy of your achievements in the light of regional realities is significant in view of the over all development efforts of BENECO Management.

The occasion will not only help identify the problems and shortfalls of the Cooperative but will also facilitate the continuing development and modernization of this sector while effectively responding to the inevitable changing demands of globalization. Along with everybody's cooperation, I feel elated and certain that you will strive and achieve more by targeting the ball's eye of the recurrent energy interruption in all remote areas of Bokod, Benguet.

MAURICIO T. MACAY
Municipal Mayor



Republic of the Philippines
Province of Benguet
Municipality of Buguias
OFFICE OF THE MUNICIPAL MAYOR



MESSAGE

Warm Greetings!

With the unending support and sustenance of our own Benguet Electric Cooperative (BENECO) family, we're giving our best accolade and regards for the accomplishments you've achieved years back on your 33rd Annual General Membership Assembly (AGMA) dated December 07, 2013 to be held at the Easter College Gymnasium, Guisad, Baguio City.

On behalf of the officialdom, constituents and consumer members of Buguias, we dearly appreciate your services rendered through the years that even these times could enjoy and feel the significance of electricity in our locality, Buguias.

Thank you and once again CONGRATULATIONS for a job well done!!!

Mabya-mabyag tako amin! God Speed!

MELCHOR D. DICLAS, M. D.
Municipal Mayor



Republic of the Philippines
Province of Benguet
Municipality of Itogon
OFFICE OF THE MUNICIPAL MAYOR



MESSAGE

This 33rd Annual General Membership Assembly is an occasion of revelation. A revelation of accomplishment, of progressive and developmental undertakings, so much so that, we members and consumers clap our hands in affirmation.

The efforts of Benguet Electric Cooperative (BENECO) crept to almost areas of Benguet. Along the way, BENEVO taught us that power and light is not a matter of privilege but a matter of right. So when we look around, access to electric power has grown fast. So many backyard industries have grown; demand for appliances have increased; communications are quick; recreations have expanded; dexterity and skills with computers is the fashion of the day; food processing is more convenient. Name the benefits electrical power can do and we derive them. In short, Benguet Electric Cooperative made life more bearable and enjoyable.

The demands of our time are getting complicated yet such demands challenge the sensitivity and responsiveness of BENECO management and personnel. So far, they've made the right steps with right decisions and right directions. With this drive and motivation, the answer to the question: "What will BENECO be decades from now?" will be less burdensome.

We hope BENECO will mold more and more the ethics and philosophy of service, all for the sake of the growing number of members and consumers.

CONGRATULATIONS!

ATTY. VICTORIO T. PALANGDAN
Municipal Mayor



Republic of the Philippines
Province of Benguet
Municipality of Kabayan
OFFICE OF THE MUNICIPAL MAYOR


MESSAGE

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 needs reinforcement to keep them going. As member-consumers of the BENECO, let us also do our part to maintain a sound partnership. With regards the on-going 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.

On the part of our humble municipality, we offer full support to the activities and programs of our cooperative as they continue to expand and extend power supplies to our remote barangays. Rest assured our services and facilities are always ready in assisting BENECO in providing efficient service to all member-consumers.

Mystical Kabayan extends its warmest greetings to the officials, employees and member-consumers of the Benguet Electric Cooperative (BENECO) on the celebration of its 33rd Annual General Membership Assembly. May this occasion usher in more years of success and continuous upholding of BENECO's philosophy, "Quality Service is our Way of Life".


FAUSTINO MINASAQUISAN
Municipal Mayor



Republic of the Philippines
Province of Benguet
Municipality of Kapangan
OFFICE OF THE MUNICIPAL MAYOR

MESSAGE

It is with a great deal of pride that I offer my congratulations to the BENGUET ELECTRIC COOPERATIVE, INC. (BENECO) on the occasion of the cooperative's 33rd Annual General Membership Assembly (AGMA). Happy anniversary and thanks to all the employees who are dedicated to serve the members.

Our municipality is indebted to your success in energizing the far-flung sitios. It is indeed a gift to the people as they are already enjoying the technologies powered by electricity. I am upbeat that five years from now there will be no more family who will live in darkness in our municipality. I salute the crew for withstanding the agonies of bringing the heavy materials to the far-flung sitios to fulfill their missions of bringing light to the people. I hope that you will remain steadfast and I join my constituents in prayer for your health and continuous service.

To the member-consumers, I enjoin you to be with the BENECO family on December 7, 2013 at the Easter College Gymnasium, Guisad, Baguio City to join in this annual assembly. Let us all together celebrate the success of the cooperative that has served us for years.


ROBERTO K. CANUTO
Municipal Mayor



Republic of the Philippines
Province of Benguet
Municipality of Kibungan
OFFICE OF THE MUNICIPAL MAYOR



MESSAGE

On behalf of the Municipal Government and the townspeople of Kibungan, I extend our warmest greetings on the occasion of the 33rd Annual General Membership Assembly of the Benguet Electric Cooperative, Inc.

For four decades now, Benguet Electric Cooperative has been one of the consistent pillars of our economic development. Since a decade ago, it has consistently provided electricity to our homes, schools, hospitals, offices, business establishments and to our local industries, which demonstrates that it is still committed to its life-long motto.

As compared to other electric cooperatives in the country, we could take pride in the fortitude of BENECO in meeting the challenges of our times. Again, one of the foreseen challenges in the coming decade (in this information age) is the considerable increase in our electric consumption due to the relentless boom of information technology. The impending ASEAN economic integration could also very well test the competitiveness of BENECO. Yet, we could only trust and hope that BENECO has greatly prepared financially and technically for these coming challenges. But as member-consumers, we could already give BENECO a head start by conserving energy, using our electric equipment wisely, and by being responsible members.

As member-consumers of BENECO, we could only hope to see that BENECO would reach its 50th year of existence and still committed to its life-long motto. And from there on, we could very well set our sights higher.

Cheers!

HON. BENITO D. SIADTO
Municipal Mayor



Republic of the Philippines
Province of Benguet
Municipality of La Trinidad
OFFICE OF THE MUNICIPAL MAYOR



MESSAGE

The officials and people of La Trinidad are one in extending their congratulations to the Benguet Electric Cooperative, Inc. (BENECO) on the occasion of its 33rd Annual General Membership Assembly on December 7, 2013. This is another milestone of BENECO in its pursuit for a better effective and efficient delivery of electrical services and maintenance of its electric facilities for the benefit of member consumers.

We are witness to the growth and development of BENECO and indeed, it has come a long way. It is our hope that this development be sustained in order that the glow and magic of electrification would continue touching the lives of the people of Baguio and Benguet.

We commend the Board of Directors, the General Manager, staff and work force for their dedication and commitment to uphold BENECO's mission to bring light to the communities since electrification contributes to the development of the people and country as a whole.

Mabuhay and God bless.

EDNA C. TABANDA
Municipal Mayor



Republic of the Philippines
Province of Benguet
Municipality of Mankayan
OFFICE OF THE MUNICIPAL MAYOR



MESSAGE

On behalf of the officialdom and people of the municipality of Mankayan, I take the opportunity and honor of extending our sincere greetings and best wishes to the Benguet Electric Cooperative, Inc. (BENECO) during its 33rd Annual General Membership Assembly (AGMA) on December 07, 2013, to be held at the Easter College Gymnasium, Guisad Road, Baguio City.

Indeed, for the last Thirty-Three (33) years of its existence BENECO did its part well. During its early lighting the far flung Barangays was only a dream among the inhabitants. Today that dream came to reality. BENECO with industry, proper management and hard work was able to bring the light to every home. Surely, BENECO, deserves our best wishes and greetings on its Thirty-Three (33) years of existence. "Switch on the light and do your works, Switch off the light and dream what tomorrow will bring."

To all members, continue whatever support you have extended to BENECO and hope for better years ahead.

May the merciful God Bless us all.

Thank you.

Atty. MATERNO R. LUSPIAN
Municipal Mayor



Republic of the Philippines
Province of Benguet
Municipality of Sablan
OFFICE OF THE MUNICIPAL MAYOR



MESSAGE

On behalf of the officialdom, employees and constituents of the Municipality of Sablan, we extend our warmest Congratulations! to the Board of Directors, Management Staff, Employees and Member-Consumers of the Benguet Electric Cooperative on the occasion of its 33rd Annual General Membership Assembly (AGMA).

For the past four decades, we have witnessed BENECO's struggle for quest of excellence in providing efficient and affordable electric service to its member-consumers. Indeed, it has gone a long way as a catalyst of economic growth and development of the Municipalities of Benguet and Baguio City. We are ever grateful that with access to electric power, even the people in the remote sitios of Sablan now enjoy the amenities brought about by the advancement of technology.

While you have obtained a remarkable performance, the challenge continues as you face another decade of BENECO's existence. May you continue to uphold your mission to deliver efficient, reliable and affordable service to your member-consumers and live up to your motto "Quality Service is our Way of Life".

We pray for the success of BENECO's 33rd Annual General Membership Assembly (AGMA).

Mabuhay ang BENECO!

ARTHUR C. BALDO
Municipal Mayor



Republic of the Philippines
Province of Benguet
Municipality of Tuba
OFFICE OF THE MUNICIPAL MAYOR



MESSAGE

Greetings to all the officers and members of the Benguet Electric Cooperative! The Municipality of Tuba, with its officials, employees and constituents, warmly congratulate BENECO as it holds its 33rd Annual General Assembly.

We are again thankful for BENECO's part in Tuba's progress in the past decades. The many years of providing competent services in delivering our basic need for electricity, to the other relevant services it now offers including its members' savings program, has made BENECO a household name. We can say that indeed, BENECO has evolved into a self-made institution.

We eagerly look forward to BENECO's steady presence as a partner in improving the lives of Tuba's constituents.

Godspeed and God bless!



FLORENCIO V. BENTREZ
Municipal Mayor



Republic of the Philippines
Province of Benguet
Municipality of Tublay
OFFICE OF THE MUNICIPAL MAYOR



MESSAGE

In behalf of the people of our municipality that I represent, my greetings to the member-consumers on the occasion of this 33rd Annual General Assembly of the cooperative.

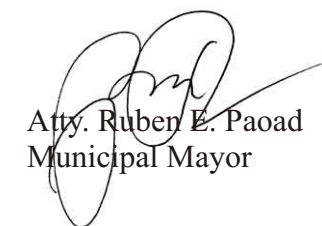
Like any other organization, the cooperative will continue to grow and attain its mission if its members remain steadfast in the vigilance in the affairs of the cooperative. While every three (3) years, the consumers express their will by electing the board of directors whom they entrust the management 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.

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



BENGUET ELECTRIC COOPERATIVE, INC.
Alapang, La Trinidad, Benguet, 2601 Philippines
Office of the Board of Directors



MESSAGE

On behalf of the Board of Directors I wish to extend our greeting to every member consumer in these 33rd annual gatherings of our cooperative.

We laud the management and its staff in keeping our electric bills affordable the cheapest in the region, providing reliable power, staying committed to our communities and always looking forward for better services for our consumers.

This cooperative is locally owned and controlled by you members consumer, that is why this annual general membership assembly is so important for you, to input on the direction you want your electric cooperative to take and to ventilate issues you want to clarify in its operation. With out a doubt the electrical industry is changing amidst these very challenging time. Thus keeping you informed every step of the way is very important, make sure that you participate in this endeavor and had the opportunity and understand the operation of our electric cooperative.

Thank you for being member consumer of BENECO. I encourage you to read this 2013 annual souvenir which highlights your cooperative accomplishment this part year and includes a look at our future plans. And no matter what the future brings, Let us continue to carry the torch in every household in our communities.

PETER B. BUSAING
BENECO Board President



BENGUET ELECTRIC COOPERATIVE, INC.
Alapang, La Trinidad, Benguet, 2601 Philippines
Office of the General Manager



MESSAGE

To BENECO's member consumers:

We take the occasion of this year's Annual General Membership Assembly (AGMA) to report that your electric cooperative is well on track of its Sitio Electrification Program (SEP) in compliance with the national government's thrust to energize all sitios by 2016. As of today, your electric cooperative has energized 159 sitios with an expenditure of P81,056,186.91 under the government subsidized SEP. We have started to move in 2011 and barring any unforeseen circumstances, we will be able to achieve our quota by 2016.

We wish to make of record, however, that BENECO has long been aggressive in the pursuit of rural and sitio electrification. Even before the launching of Pres. Aquinos SEP, BENECO had always been there to champion the struggle of bringing electricity to the far flung sitios of Benguet. We have brought light and power to areas that are geographically exhausting to reach such as Nagawa in Kayapa, Bakun; Badeo, Dalipey and Takadang in Kibungan. We have also reached sitios Ampongot in Kapangan, Tawangan in Kabayan and sitios Matae in Ampucao, Itogon and Lugay in Camp 1, Tuba to name a few. In 2011, 25 sitios saw light at the cost of P12,884,676.62. In 2012, there were 134 sitios energized with a cost of P68,171,510.29.

We mention these accomplishments not for accolades or arrogance. We just want to emphasize that as your electric cooperative, BENECO has never reneged on its commitment to provide electricity to all households within its franchise area regardless of their location, cost of energization and the fact that they are unviable..

It may sound as a broken record but BENECO is the first and only electric cooperative in the country to pursue a P100 million loan from the National Electrification Administration (NEA) to energize sitios in Benguet. There was no SEP or Pres. Aquino then but BENECO was bold enough to take the risk and put forward the cables, poles and transformers along rugged terrains and dangerous mountain slopes just to reach far flung communities which are in dire need of electricity.



The management is seeking the condonation of the P100 million loan as a way to offset the seeming inequity created by the subsidy granted by the SEP to electric cooperatives which were not in the groove of pursuing sitio electrification then compared to BENECO's initial efforts to secure loans to finance its sitio electrification projects. It's just quite absurd that the rest of the country's electric cooperatives suddenly found sitio electrification attractive because of the SEP subsidy. BENECO found itself at the mercy of paying a loan for an initiative it decided to take even before the national government again took a renewed interest at sitio electrification and allocated billions in subsidy.

The SEP is a national flagship that started in 2010. But sitio electrification was BENECO's own flagship since the 1990s. It is understandable then if BENECO will now knock on the doors of Congress to seek the condonation of the loan in an effort to level the playing field.

To the member consumers of BENECO, we recognize and thank you for your continuous support to the management and the Board of Directors. Rest assured that this year's AGMA will not end in mere celebration but as a continuing bid for inspired electrification work.

Happy AGMA.


GERARDO P. VERZOSA
General Manager



TECHNICAL HIGHLIGHTS

I. EXPANSION PROJECTS

A. SUBSIDY PROJECTS FUNDED BY NATIONAL ELECTRIFICATION ADMINISTRATION UNDER SITIO ELECTRIFICATION PROGRAM (SEP)

ITEM	MUNICIPALITY		POLE REQUIREMENT						KILOMETERS OF LINES					DT REQ	FUND UTILIZATION		
			STEEL		CONCRETE				3-P	2-P	1-P	U. B.	O.S.			QTY	
	Sitio	Brgy.	30	35	30	35	40	45									
ATOK																	
1	Lower Sapián, Lower Bato	Abiang	8										0.75		353,085.88		
2	Balat, Patadan, Lower Peril-Tibangan, Km. 24(lower)	Caliking	12										0.25	0.65	573,827.77		
3	Lower Oyusan	Cattubo	4										0.35		158,771.21		
4	Lower Pegdeyto, Lower Bayating, Pual, Lower Cadian, Lower Nalseb	Topdac	25										0.28	1.66	893,466.58		
5	Upper Siguib	Paoay	2										0.18		89,941.80		
6	Lower Dam-ayan, Upper Sipsip, Besdang, Upper Pinanchay	Poblacion	13	5									0.4	0.2	1.23	1	785,744.64
Sub-total			64	5	0	0	0	0	0	0	0	0.4	0.73	4.805	1	2,854,837.89	
BAKUN																	
1	Lower Kilong	Gambang	15	3									0.44		0.66		675,766.78
2	Datakan, Balite, Nasongyoan		5													0.51	
Sub-total			20	3	0	0	0	0	0	0	0	0.44	0	1.17			882,000.22
BOKOD																	
1	Upper Kawa-Minac, Inidian West	Ambuklao	6	2	3										0.51		403,149.85
2	Camp Jappas	Bobok	3										0.75	0.2	1		256,663.43
3	Logdeck	Bobok - Bisal	3	16							1.56		1.56	0.33	1		821,119.50
4	Pagal, Katikman, Bangki, Lower Bonagan	Daclan	9												0.7		269,759.04
5	Upper Pelley	Karao	2												0.06		85,985.12
6	Lower Tongdow	Nawal	5												0.35		155,301.89
7	Ambayek East, Lower Cobabeng	Poblacion	3												0.21		141,717.51
Sub-total			31	18	3	0	0	0	0	0	1.56	0	2.31	2.355	2		2,133,696.33



ITEM	MUNICIPALITY		POLE REQUIREMENT				KILOMETERS OF LINES					DT REQ	FUND UTILIZATION		
			STEEL		CONCRETE		3-P	2-P	1-P	U. B.	O. S.			QTY	
	Sitio	Brgy.	30	35	30	35						40	45		
BUGUIAS															
1	Pelpedit, Pangkikian, Bangsalan	Baculungan Norte	47	61						4.31	1.06	3.05	2	4,188,544.42	
2	Naptet, Upper Cotcot	Bangao	14	6		19				1.19	0.13	1.75	2	1,623,363.11	
3	Papasok	Buyacaoan	8									0.54		279,924.00	
4	Dontog & Palakad	Catubong	17							0.46	0.34	0.76	1	761,776.70	
5	Upper Ludeg and Becaeg	Loo	13	12						0.8		1.85	1	1,265,081.61	
6	Nabalatan, Andampal	Natubleng	11	14						0.85	0.38	0.38	0.66	1	1,180,560.10
Sub-total			110	93	0	19	0	0	0	0.85	7.14	1.91	8.608	7	9,299,249.95
ITOGON															
1	Makaag, Dupa	Virac	11	3						0.2		0.2	0.7	1	847,713.02
Sub-total			11	3	0	0	0	0	0	0.2	0	0.2	0.7	1	847,713.02
KABAYAN															
1	LowerLebeng, Lower Bato	Bashoy	8							0.05	0.47				333,506.75
2	Upper Cotcot	Cotcot	5									0.85			90,795.76
3	Lusod Proper	Lusod	14									1.15			443,491.38
4	Akongab-Bhekkko, Eyabhat, Kissit, Pakac to Salecuban	Kabayan Barrio	9			22				1.63		0.25	0.76	1	1,537,689.43
Sub-total			36	0	0	22	0	0	0	1.63	0	0.3	3.225	1	2,405,483.32
KAPANGAN															
1	Lower Gambang	Cuba	1	4								0.25			140,373.34
2	Amponget, Napala, Lod-on	Gadang	35	8						1.84	0.12	3.26	2	2,314,055.71	
3	Amabaga, Timok	Sagubo	1	5								0.34			219,595.03
4	Apunan	Taba-ao	1	1								0.11			35,766.38
Sub-total			38	18	0	0	0	0	0	1.84	0.12	3.96	2	2,709,790.46	
KIBUNGAN															
1	Baclayen	Lubo	5									0.21			159,856.83
2	Patullo, Lower Tonguey, Lower Taliboy-oc	Madaymen	16									0.8	1		708,333.23
3	Cayapes, Talipey Sapdaa-n (site 1), Talipey Sapdaa-n (site 2)	Sagpat	11	8						0.49	0.49	0.95	1		946,772.98
Sub-total			32	8	0	0	0	0	0	0.49	0.49	1.955	2	1,814,963.03	



ITEM	MUNICIPALITY		POLE REQUIREMENT				KILOMETERS OF LINES					DT REQ	FUND UTILIZATION				
			STEEL		CONCRETE		3-P	2-P	1-P	U. B.	O. S.			QTY			
	Sitio	Brgy.	30	35	30	35						40	45				
LA TRINIDAD																	
1	Pa-o	Alno	3	10								0.98	0.24	0.26	1	591,848.54	
2	Aduyon, Talinguroy	Wangal	10										0.615			351,138.79	
Sub-total			13	10	0	0	0	0	0	0	0	0.98	0.24	0.875	1	942,987.33	
MANKAYAN																	
1	Upper Palatong	Tabio	2	3									0.28			171,010.90	
2	Mabilig, Nan-ipil, Tetteg	Cabiten	32									1.19	0.72	2.92	1	1,246,603.45	
Sub-total			34	3	0	0	0	0	0	0	0	1.19	0.72	3.2	1	1,417,614.35	
SABLAN																	
1	Divang	Balluay	2	17								1.16		0.74	0.6	1,011,583.64	
2	Kinakawan	Bayabas	6											0.35		204,084.25	
3	Matal-og-Kayapa, Sawili	Poblacion	13	1									1.16		0.175	532,532.34	
4	Bayayeng	Pappa	20	1									0.1		0.865	1	740,224.71
Sub-total			41	19	0	0	0	0	0	0	0	1.16	1.26	0.74	1.99	1	2,488,424.94
TUBA																	
1	Calipayan, Ataki,	Camp 1	14											1.6		495,262.78	
2	Upper Mangga	Camp 3	2											0.1		84,144.87	
3	Upper Coplo	Nangalisan	6											0.335		206,920.08	
4	Cobal	Taba-an	11											0.79		390,118.14	
5	Tawalan-Angdil, Dunot, Beleng	Taloy Sur	19	10		2						1.15	0.45	2.14	1	1,236,771.56	
Sub-total			52	10	0	2	0	0	0	0	0	1.15	0.45	4.965	1	2,413,217.43	
TUBLAY																	
1	Baryan, Nalseb, Talite, Nalseb	Ambassador	21										1.23	0.41	0.945	2	924,654.67
2	Bua	Ambongdolan		14		8							1.76	0.04	0.05	1	978,347.77
3	Pinan	Basil			6	17							1.12	0.27	0.42	1	987,637.07
4	Ponopon, Shomolpot Site II, Balangabang(TY01 401)	Ba-ayan	27	27			1						0.6	0.3	0.6		1,615,296.67
5	Paykek, Koneg	Tuel	7	6									0.74	0.29	305.6	1	632,008.03
Sub-total			55	47	6	25	1	0	0	0	0	5.45	1.31	307.6	5	5,137,944.21	
Total SEP			537	237	9	68	1	0	0	5.4	20.3	9.51	345.4	25	35,347,922.48		



B. SUBSIDY PROJECTS FUNDED BY NATIONAL ELECTRIFICATION ADMINISTRATION UNDER BARANGAY LINE ENHANCEMENT PROGRAM (BLEP)

ITEM	MUNICIPALITY		POLE REQUIREMENT					KILOMETERS OF LINES					DT REQ	FUND UTILIZATION
			STEEL		CONCRETE			3-P	2-P	1-P	U. B.	O.S.		
	Sitio	Brgy.	30	35	30	35	40						45	
KABAYAN														
1	Tabeo-Ballay Orasan and Tawangan Proper		149	22						12	3.83	2.77	1	7,418,817.71
	Total		149	22	0	0	0	0	0	12	3.83	2.77	1	7,418,817.71

C. EXTENSION OF LINES FUNDED BY INTERNAL GENERATED FUND (IGF)

ITEM	MUNICIPALITY		POLE REQUIREMENT					KILOMETERS OF LINES					DT REQ	FUND UTILIZATION	
			STEEL		CONCRETE			3-P	2-P	1-P	U. B.	O.S.			
	30	35	30	35	40	45	QTY								
1	BAGUIO CITY (32 Areas)		22	19	8	15	2	17	2.6	0.02	0.32	0.93	7.724	1	2,191,472.23
8	ATOK (2 Areas)		17			42							11.9	4	1,963,634.64
12	BAKUN (2 Areas)		7											2	303,715.43
5	BOKOD (2 Areas)										0.8	0.3			84,960.55
12	BUGUIAS (2 Areas)		6											3	260,327.51
4	ITOGON (14 Areas)		20	7						0.65			5.044	4	815,618.80
3	KABAYAN (1 Area)		9	13						1.83	2.13	0.689		1	601,102.29
2	LA TRINIDAD (13 Areas)		21	3	1	1	14	1	2.1	0.09	0.41	1.35	1.878	1	1,312,169.04
12	MANKAYAN (2 Areas)		4											2	173,551.67
9	KAPANGAN (3 Areas)		20	1						1.36	0.68	0.48		1	699,324.62
10	KIBUNGAN (1 Areas)											0.25			13,758.65
6	SABLAN (2 Areas)		6									1.5			195,510.63
7	TUBA (8 Areas)		15	7		2	1		1.2			0.13	2.58	2	538,527.12
11	TUBLAY (3 Areas)		4	2	3							1.5			182,917.45
	Total		151	52	12	60	17	18	5.9	0.76	15.8	6.02	23.02	21	9,336,590.63

TOTAL FOR EXPANSION PROJECT	837	311	21	128	18	18	5.9	6.16	48.2	19.4	371.2	47	52,103,330.82
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II. REHABILITATION, UPGRADING AND MAINTENANCE OF LINES

A. UPGRADING OF PRIMARY, SECONDARY AND SERVICE DROP LINES

ITEM	DISTRICT/SITIO / BARANGAY / MUNICIPALITY		POLE REQUIREMENT					KILOMETERS OF LINES					DT REQ	FUND UTILIZATION	
			STEEL		CONCRETE			3-P	2-P	1-P	U. B.	O.S.			
	30	35	30	35	40	45	QTY								
1	DISTRICT I					3		9	0.8	0.22		0.43	1.128	1	929,544.53
2	DISTRICT II		14		2		3	2				0.49	3.637	6	726,716.51



3	DISTRICT III	5							0.2			0.33	0.61	7	652,656.97
4	DISTRICT IV	1											0.157	2	401,299.50
5	DISTRICT V					1						0.41	0.954		149,079.87
6	DISTRICT VI		5		5		2	0.2		0.18	1.24	2.175	1	573,613.23	
7	DISTRICT VII	27	46		6	3	7	5.4	1.57	0.28	3.82	8.506	9	3,726,054.42	
8	DISTRICT VIII	42	4	4	9	1			1.99	0.15	2.78	6.681	6	1,672,154.87	
9	DISTRICT IX	13	9	2	2						0.2	3.268	4	844,610.97	
10	DISTRICT X					2	2					3.77	5	672,096.55	
11	DISTRICT XI	67	77		22	3	2						14	2,657,777.37	
	Total	169	141	8	48	12	24	6.6	3.78	0.61	9.69	30.89	55	13,005,604.79	

B. TRANSFORMER OPTIMIZATION

ITEM	DISTRICT/SITIO / BARANGAY / MUNICIPALITY	DISTRIBUTION TRANSFORMER REQUIREMENTS	FUND UTILIZATION
		QUANTITY	
1	DISTRICT I	29	3,453,025.21
2	DISTRICT II	34	2,406,398.23
3	DISTRICT III	19	2,263,898.16
4	DISTRICT IV	10	993,227.35
5	DISTRICT V	13	1,599,880.32
6	DISTRICT VI	18	3,444,476.23
7	DISTRICT VII	32	2,410,113.07
8	DISTRICT VIII	31	1,758,612.84
9	DISTRICT IX	34	1,961,500.88
10	DISTRICT X	4	71,461.54
	Total	224	20,362,593.83

C. PRIMARY BACKBONE UPGRADING

ITEM	DISTRICT/SITIO / BARANGAY / MUNICIPALITY	KILOMETERS OF LINES	FUND UTILIZATION
		THREE (3) - PHASE	
1	DISTRICT I	5	718,240.93
2	DISTRICT III	1.264	239,117.67
3	DISTRICT IV	0.95	153,338.27
4	DISTRICT V	1.982	317,846.23
5	DISTRICT VI	6.25	926,242.82
6	DISTRICT VII	11.659	1,705,336.90
7	DISTRICT IX	0.42	80,754.88
	Total	27.525	4,140,877.70



D. REPLACEMENT OF BUSTED / INSTALLATION OF SOLE USE DISTRIBUTION TRANSFORMERS AND LINES

ITEM	DISTRICT/SITIO / BARANGAY/ MUNICIPALITY	POLE REQUIREMENT						KILOMETERS OF LINES					DT REQ QTY	FUND UTILIZATION
		STEEL		CONCRETE				3-P	2-P	1-P	U. B.	O.S.		
		30	35	30	35	40	45							
1	DISTRICT I	1			2	3	1	0.2		0.05		0.312	16	2,753,238.49
2	DISTRICT II	1			2							0.192	18	1,867,071.66
3	DISTRICT III							0.1					13	1,164,050.72
4	DISTRICT IV				1			0.2					4	220,251.84
5	DISTRICT V							0.6	0.43		0.05	0.187	23	2,346,417.48
6	DISTRICT VI		2				9	1.2		0.35	0.36		29	3,080,797.53
7	DISTRICT VII		1									0.13	21	2,194,625.64
8	DISTRICT VIII	2	7					0.6	1.95		0.65		10	1,824,653.44
9	DISTRICT IX	7	7				1	1.4	0.14	0.16	0.88	0.9	16	1,786,640.79
	Total	11	17	0	2	6	11	4.2	2.52	0.56	1.94	1.721	150	17,237,747.59

TOTAL FOR REHABILITATION, UPGRADING AND MAINTENANCE OF LINES	180	158	8	50	18	35	38	6.3	1.17	11.6	32.61	429	54,746,823.91
	POLE REQUIREMENT						KILOMETERS OF LINES					DT REQ QTY	FUND UTILIZATION
	STEEL		CONCRETE				3-P	2-P	1-P	U. B.	O.S.		
	30	35	30	35	40	45							
GRAND TOTAL FOR THE EXPANSION, REHABILITATION, UPGRADING AND MAINTENANCE OF LINES	1023	469	31	169	35	52	44	12.5	39.3	31	403.8	471	106,392,809.81

III. REPLACEMENT OF OLD ELECTRO-MECHANICAL KWHR METER TO ELECTRONIC METER

ITEM	DISTRICT/SITIO / BARANGAY/ MUNICIPALITY	2W, L-to-G		Conversion from 3W to 2W			TOTAL	FUND UTILIZATION
		CLASS	CLASS	CLASS				
		200	100	10(60)	200	100		
1	DISTRICT I			23		221	244	440,881.25
2	DISTRICT II			1724	3	357	2084	2,017,652.00
3	DISTRICT III			28			28	21,574.00
4	DISTRICT IV			421			421	324,380.50
5	DISTRICT V			22	29	36	87	141,409.75
6	DISTRICT VII	1	138				701	699,171.25
7	DISTRICT VIII		193				193	148,706.50
8	DISTRICT IX			894		221	1115	1,111,986.75
9	DISTRICT XI		306				306	174,857.58
	TOTAL FOR REPLACEMENT OF KWHR METER	1	637	3112	32	835	5,179.00	5,080,619.58



IV. SUBSTATION AND POWER DEVELOPMENT PROJECTS

A.	UP-RATING OF THE 20MVA TO 50MVA POWER TRANSFORMER	1	NSC SUBSTATION	29,804,895.00
B.	5MVA ATOK SUBSTATION IMPROVEMENT			
1	SCADA SYSTEM (PHASE III)	1	ATOK SUBSTATION	2,634,000.00
2	INSTALLATION OF 69 CIRCUIT BREAKER AND MOTORIZED DISCONNECT SWITCHES	1	ATOK SUBSTATION	2,073,600.00
3	INSTALLATION OF 69KV POTENTIALS TRANSFORMERS	1	ATOK SUBSTATION	1,767,857.13
4	INSTALLATION OF IP (CCTV) CAMERAS	1	ATOK SUBSTATION	85,000.00
5	INSTALLATION OF BATTERY CHARGERS AND INDUSTRIAL BATTERIES	1	ATOK SUBSTATION	320,000.00
C.	MAN-ASOK MINI HYDRO	1	DETAILED ENGINEERING STUDY	5,270,000.00
	TOTAL			41,955,352.13

V. OTHER PROJECTS

1	INSTALLATION OF GROUNDING MATS	5	LOCATIONS	60,000.00
2	INSTALLATION OF GROUNDING CAPSULE	19	LOCATIONS	1,596,000.00
3	RIGHT OF WAY CLEARING	458	KILOMETERS	775,800.00
4	TESTING OF POWER TRANSFORMERS	3	POWER X'MERS	240,000.00
5	RECLOSER INSTALLATION AND DISCONNECT SWITCHES	36	LOCATIONS	3,537,000.00
6	INSTALLATION / REPAIR AND MAINTENANCE OF STREET LIGHTS	2946	LOCATIONS	4,392,439.01
7	VARIOUS CONSUMERS REQUEST INSPECTED	1260	REQUESTS	
	TOTAL			10,601,239.01
	GRAND TOTAL			164,030,020.53



DISTRICT REFERENCE

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

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

DISTRICT III - RIZAL MONUMENT, BURNHAM-LEGARDA, AZCKO, KAYANG EXTENSION, PALMA-URBANO, MRR-QUENN 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

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

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

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, BROOKSPOINT, 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

DISTRICT VII - LA TRINIDAD

DISTRICT VIII - BOKOD, ITOGON AND KABAYAN

DISTRICT IX - ASIN ROAD, IRISAN, SABLAN AND TUBA

DISTRICT X - ATOK, TUBLAY, KAPANGAN AND KIBUNGAN

DISTRICT XI - BUGUIAS, MANKAYAN



INFORMATION TECHNOLOGY HIGHLIGHTS

CCTV INSTALLATIONS

BAGUIO CITY (BCPO MAIN) = 12 units
BAGUIO CITY (BCPO STATION 2) = 6 units
LA TRINIDAD = 8 units

* including wireless communication connectivity, monitoring systems and recording equipments.



TOTAL AMOUNT DONATED = P4M



BENECO SMS

In enhancing our value added services to our consumers, we have included Text Messaging Services to be able to reach out to consumers and respond immediately to billing inquiries, scheduled power interruptions and disseminate updates and important information.

REGISTERING YOUR CELLULAR NO. FOR BILLING INQUIRY

YOUR ACCOUNT NO.
Ex. *REG[Space]7130048123 → SEND TO 0917-878-2400

BILLING INQUIRY

YOUR ACCOUNT NO.
Ex. BILL[Space]7130048123 → SEND TO 0917-878-2400

SCHEDULED POWER INTERRUPTION INQUIRY

YOUR ACCOUNT NO.
Ex. INTE[Space]7140568132 → SEND TO 0917-878-2400

SEND TO
0917-878-2400
(GLOBE)



INSTITUTIONAL HIGHLIGHTS

1	TOTAL NUMBER OF MEMBERSHIP	116,188
2	TOTAL NUMBER OF HOUSE CONNECTIONS	151,618
	A. BAGUIO	84,433
	B. BENGUET PROVINCE	67,185
3	TOTAL NUMBER OF BARANGAYS ENERGIZED	269
4	TOTAL NUMBER OF UNENERGIZED BARANGAYS	0
5	TOTAL NUMBER OF SITIOS ENERGIZED	2,084
6	TOTAL NUMBER OF UNENERGIZED SITIOS	430
7	SPECIAL PROJECTS	
	A. GIS MAPPING OF THE SEWERAGE SYSTEM OF BAGUIO CITY	115 Barangays Surveyed
	C. TESDA and BENECO PARTNERSHIP IN TECHNICAL VOCATIONAL SKILLS TRAINING (Establishing BENECO Abatan TechVoc School)	
8	PREMEMBERSHIP SEMINARS	
	A. NUMBER OF SEMINARS CONDUCTED	
	In-house	171
	Outreach	8
	B. NUMBER OF PARTICIPANTS	
	In-house	3,867
	Outreach	1,299
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	69
	C. KAPIHAN/PRESS CONFERENCES	4
10	ANNUAL GENERAL ASSEMBLY	2
11	SPECIAL EVENTS CO-SPONSORHIP	
	A. COMPETENCY BUILDING ACTIVITIES	
	1. Youth Empowerment and Skills Training	
	Lecture on Climate Change (Tublay School of Home Industries)	
	Lineman Training for Out-of-School Youth (Batch 10 and 11)	
	Support in Daily Vacation Bible School among Religious Sectors	
	B. ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE ADVOCACIES	
	Support for the Balili River Revitalization Movement	
	Support in CEPMO's Riverways Clean-up	
	Support to CEPMO's Water Dialogue with City Barangay Officials	



	Maintenance of Adopted Area in Buyog Watershed	
	Maintenance of Coffee and Pine Tree Nursery	
	C. OUTREACH ACTIVITIES	
	Philippine Red Cross Blood Donation	
12	CONSUMER EDUCATION CAMPAIGNS	
	A. NUMBER OF INFORMATION EDUCATION CAMPAIGNS CONDUCTED	128
	B. NUMBER OF PARTICIPANTS	4,343
13	ON-SITE MEMBERSHIP UPDATING AND SANITATION PROGRAM	
	A. NUMBER OF ACTIVITIES CONDUCTED	14
	B. NUMBER OF PARTICIPANTS	1,180
14	NUMBER OF ACCOUNTS SANITIZED THROUGH CHANGE OF ACCOUNT NAME AND CORRECTIONS	3,277
15	APPLICATIONS FOR SENIOR CITIZEN DISCOUNT	1,500
16	AWARDS RECEIVED FOR THE YEAR	
	A. Category A+	
	B. Single Digit System Loss	
	C. 100 Percent Collection Efficiency	
	D. Consistent Collection Efficiency for 15 Years	
	E. Special Award on Effective Use of Communication Technologies	

BENECO HOTLINE CONTACT NOS.

Consumer Welfare	442-2186
Installation & Metering	442-5337
Meter Reading & Billing	444-9637
Consumer Services	444-8395 (tel/fax)
Eng'g, Alapang	422-6532 (tel/fax)
Operations & Maintenance	444-9201
	444-9638 (tel/fax)
Radio Room	442-6663, 442-2295
	0908-865-7202 (S)
	0917-592-1698 (G)
Comp. Asstd. Calls	422-2226, 442-4515
	422-5480, 422-5670
Abatan Office	0917-580-7814





STATUS OF BARANGAY ELECTRIFICATION AND HOUSEHOLD CONNECTIONS				
As of December 2012				
AREA COVERAGE	POTENTIAL BARANGAYS	ENERGIZED BARANGAYS	PERCENT	HOUSE CONNECTIONS
Baguio City	129	129	100%	84,433
Benguet Province				
Atok	8	8	100%	2,591
Bakun	7	7	100%	2,199
Bokod	10	10	100%	2,054
Buguias	14	14	100%	6,972
Itogon	9	9	100%	9,241
Kabayan***	13	13	100%	1,661
Kapangan	15	15	100%	2,793
Kibungan	7	7	100%	1,979
La Trinidad	16	16	100%	22,051
Mankayan	12	12	100%	4,464
Sablan	8	8	100%	2,006
Tuba	13	13	100%	6,424
Tublay	8	8	100%	2,750
TOTAL	269	269	100%	151,618

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

STATUS OF MEMBERSHIP		
As of December 2012		
DISTRICT	CITY/MUNICIPALITY	NO. OF MEMBERS
Districts I - VI	Baguio City	56,839
	Benguet Province	
District VII	La Trinidad	15,554
District VIII	Itogon	9,009
	Bokod	2,048
	Kabayan	1,719
District IX***	Tuba	5,374
	Sablan	1,587
District X	Atok	2,462
	Tublay	2,357
	Kapangan	2,778
	Kibungan	1,727
District XI	Mankayan	5,260
	Buguias	6,741
	Bakun	2,733
TOTAL		116,188

*** Asin Road and Irisan included in Baguio City



BSDTC

BENECO SKILLS DEVELOPMENT TRAINING CENTER

BEKES, BUYACAOAN, BUGUIAS, BENGUET



TOTAL NUMBER OF GRADUATES

MUNICIPALITY	COURSES OFFERED		TOTAL
	EIM NC II	SMAW NC II	
ATOK	5	22	27
BAKUN	27	11	38
BUGUIAS	105	43	148
BOKOD	3	3	6
ITOGON	12	0	12
KABAYAN	2	2	4
KAPANGAN	0	0	0
KIBUNGAN	2	1	3
LA TRINIDAD	7	2	9
MANKAYAN	67	28	95
TUBA	0	2	2
TUBLAY	2	1	3
SABLAN	0	0	0
BAGUIO CITY	19	15	34
TOTAL	251	130	381

EIM - ELECTRICAL INSTALLATION AND MAINTENANCE NC II
SMAW - SHIELDED METAL ARC WELDING NC II

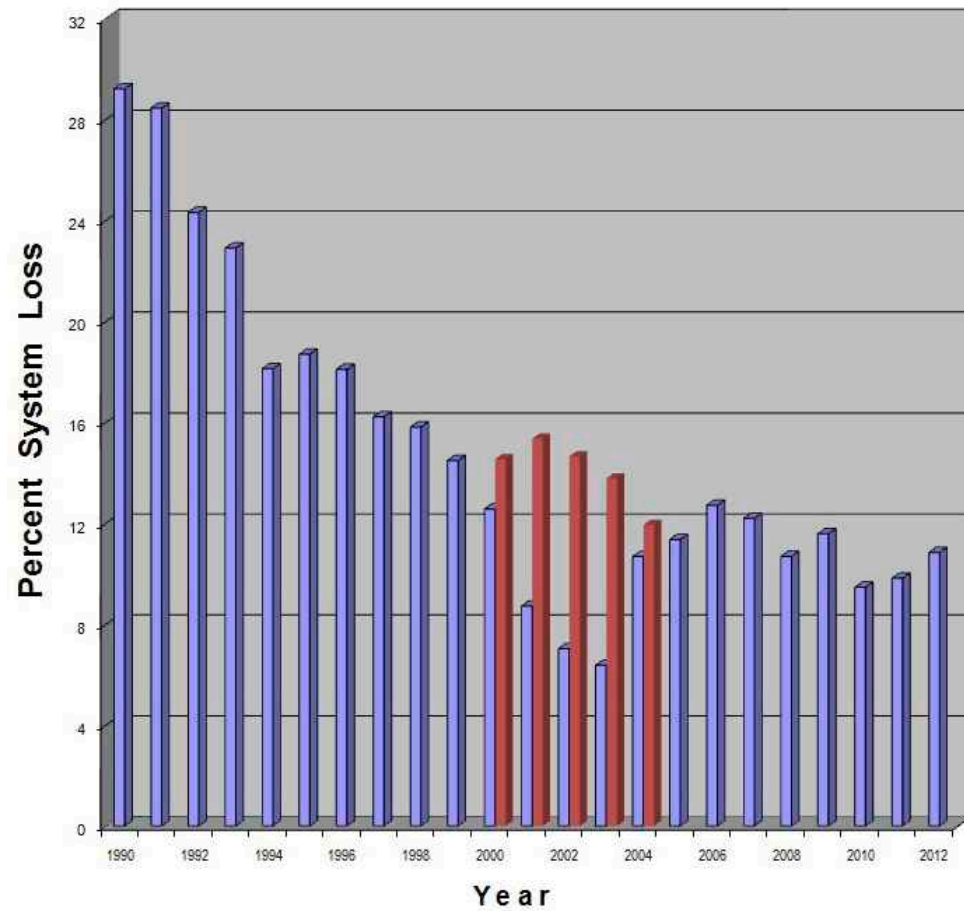
COURSES OFFERED:
ELECTRICAL INSTALLATION AND MAINTENANCE NCII - WTR1115032063
SHIELD METAL ARC WELDING NCII - WTR201315032008

OTHER COURSES:
MESSAGE THERAPY NCII
TILE SETTING
LINEMAN TRAINING COURSES
OTHERS





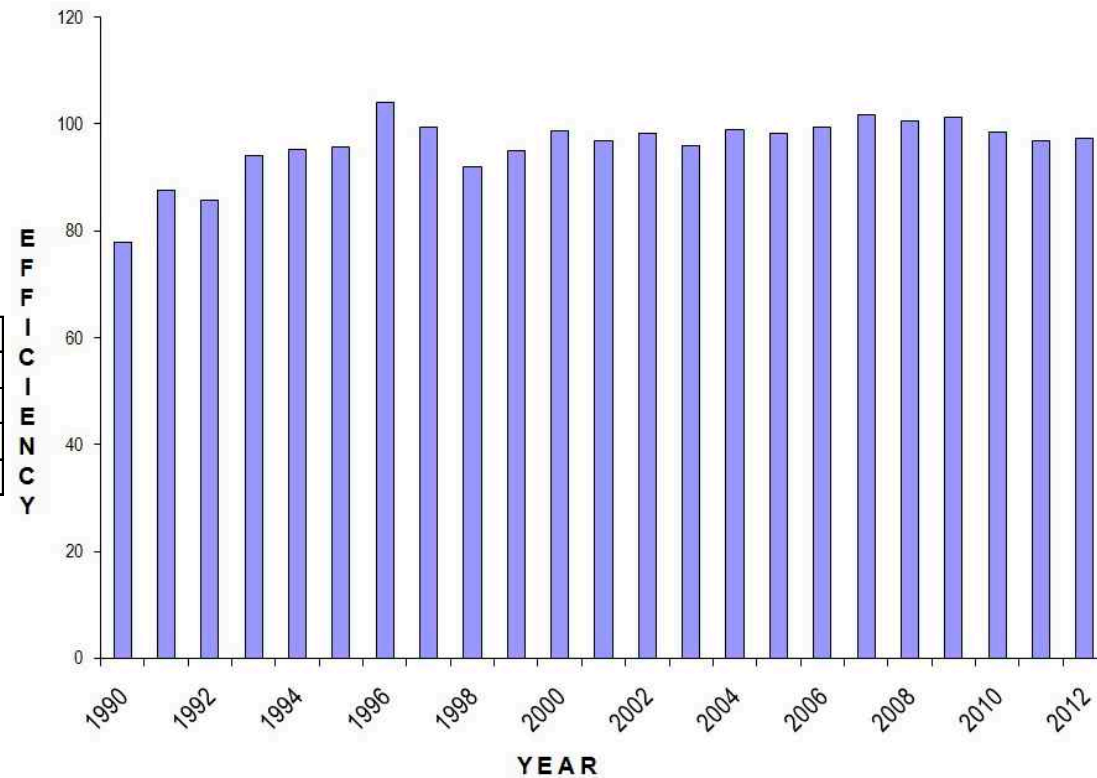
COLLECTION EFFICIENCY PROFILE 1990-2012



Year	Collection Efficiency (%)
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
2012	97.26

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*	14.54
2001	8.71*	15.35
2002	7.03*	14.65
2003	6.37*	13.77
2004	10.68*	11.93
2005	11.35	
2006	12.71	
2007	12.19	
2008	10.68	
2009	11.58	
2010	9.46	
2011	9.82	
2012	10.84	

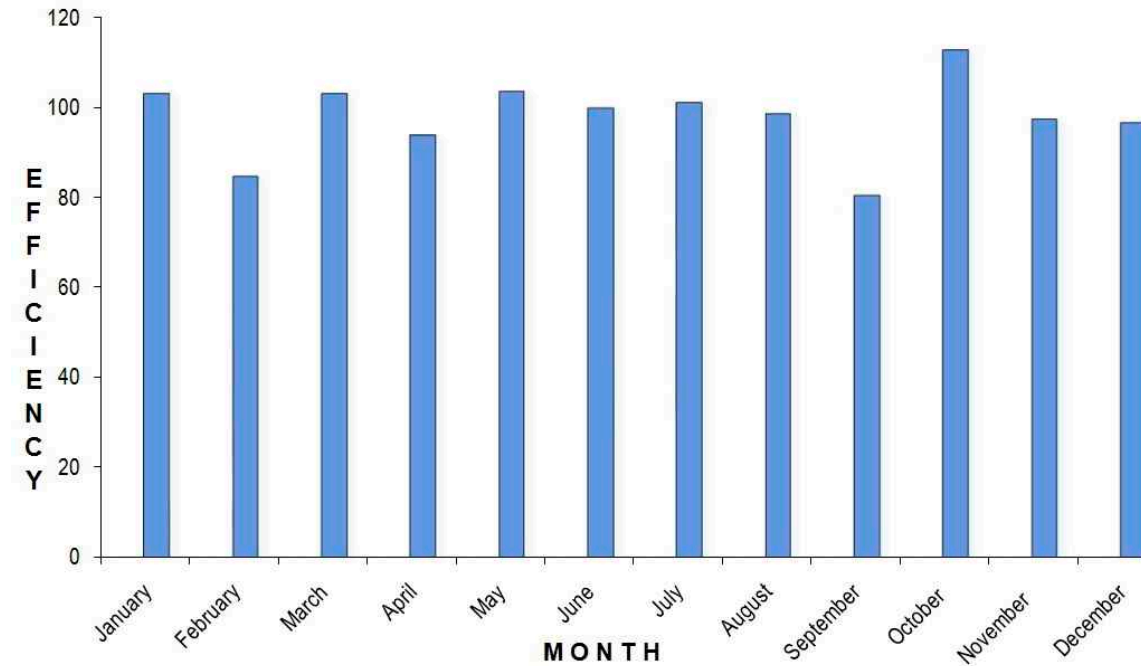
SYSTEM LOSS PROFILE 1990-2012



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



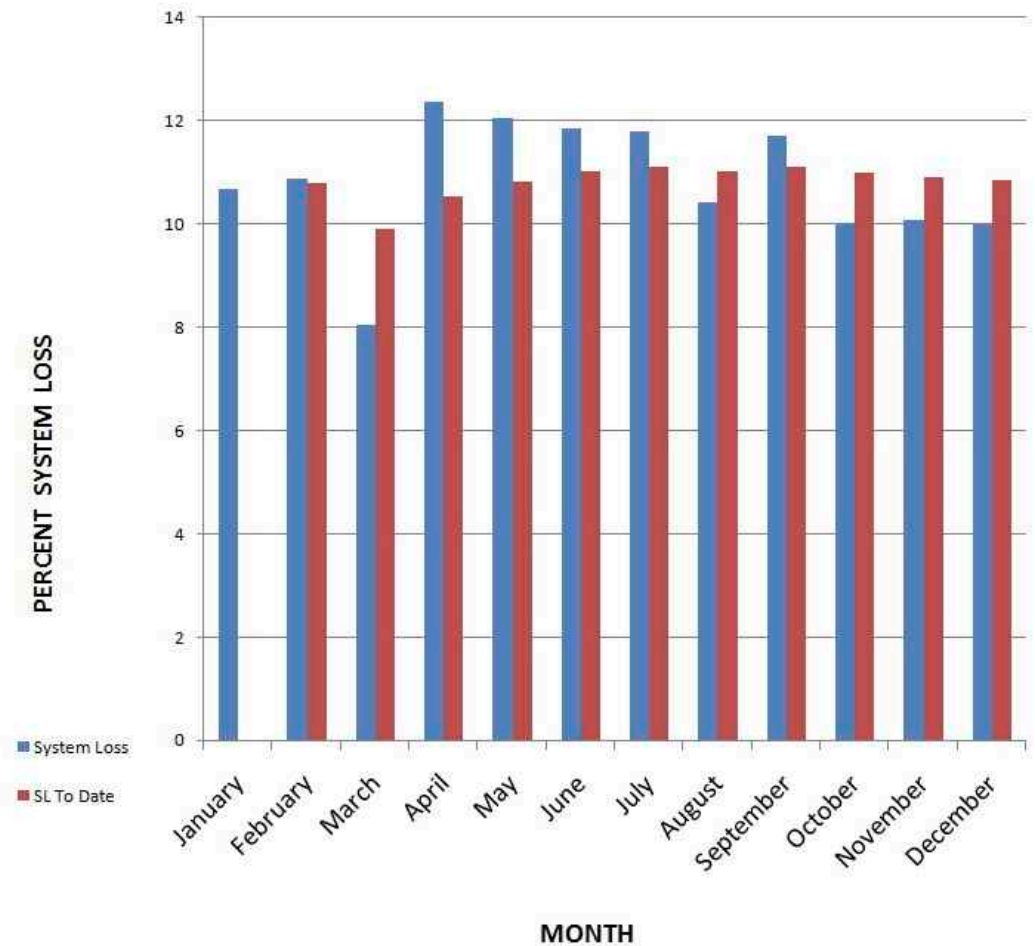
COLLECTION EFFICIENCY PROFILE January to December 2012



Year	Collection Efficiency (%)
January	102.77
February	84.29
March	102.58
April	93.52
May	103.12
June	99.56
July	100.66
August	98.33
September	80.12
October	112.40
November	96.90
December	96.14

SYSTEM LOSS PROFILE January to December 2012

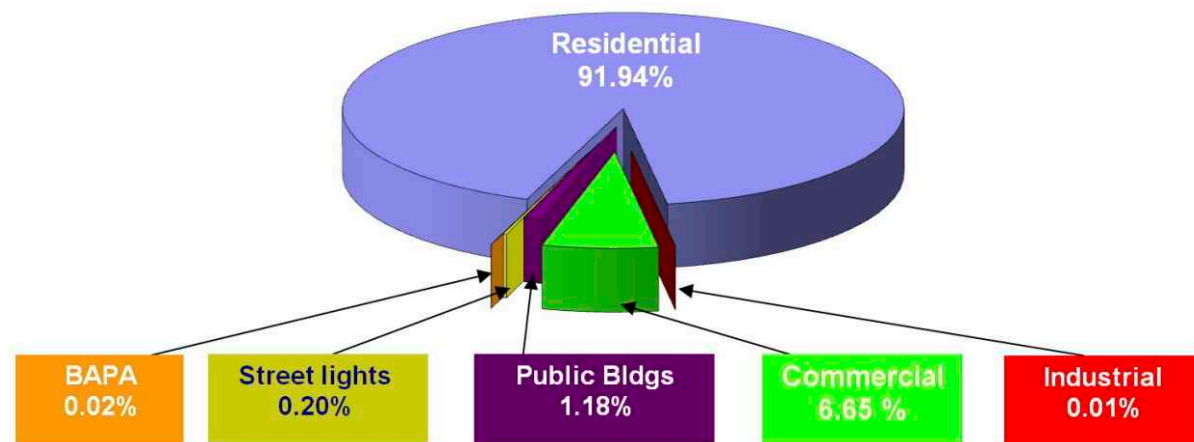
Month	System Loss	SL To Date
January	10.67	
February	10.88	10.78
March	8.05	9.91
April	12.38	10.53
May	12.06	10.83
June	11.85	11.01
July	11.79	11.12
August	10.43	11.03
September	11.71	11.11
October	10.02	11
November	10.09	10.92
December	9.99	10.84





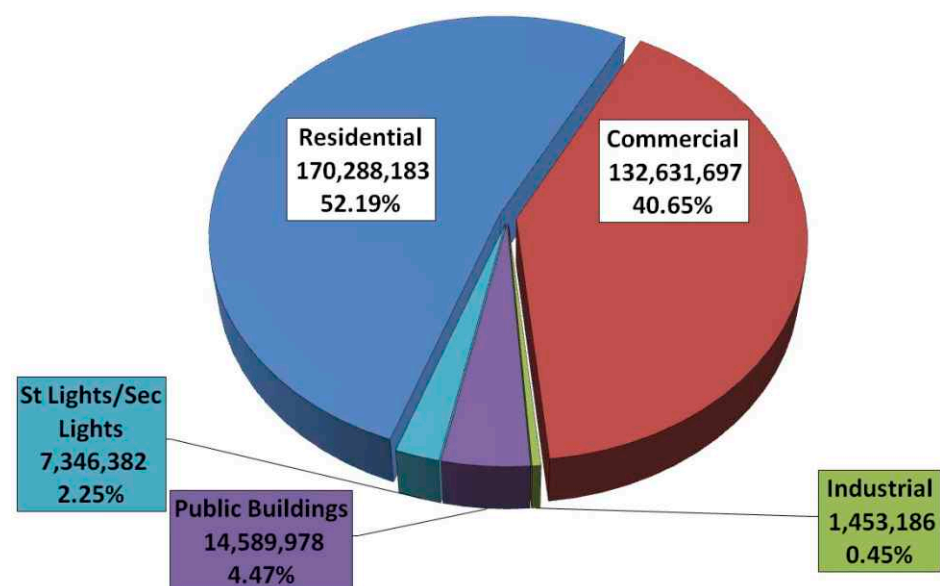
COMPARATIVE CONSUMER CLASSIFICATION Year 2012 vs. Year 2011

Type of Consumer	2012		2011		Increase/(Decrease)	
	# of Consumers	%	# of Consumers	%	# of Consumers	%
Residential	138,586	91.94	133,550	91.79	5,036	4%
Industrial	19	0.01	16	0.01	3	19%
Commercial	10,027	6.65	9,835	6.76	192	2%
Public Buildings	1,783	1.18	1,692	1.16	91	5%
St. lights / Sec.	296	0.20	274	0.19	22	8%
BAPA	29	0.02	134	0.09	(105)	-78%
Total	150,740	100	145,501	100	5,239	



COMPARATIVE SALES ANALYSIS Year 2012 vs. Year 2011

Type of Consumer	2012			2011		
	SALES (Pesos)	SALES (kwh)	%	SALES (Pesos)	SALES (kwh)	%
Residential	1,343,298,673.46	170,288,183	52.19	1,204,297,339.00	165,488,330	51.93
Commercial	976,233,650.21	132,631,697	40.65	859,270,761.00	129,537,775	40.65
Industrial	12,148,503.96	1,453,186	0.45	12,246,599.00	1,550,364	0.49
Public Buildings	123,028,603.25	14,589,978	4.47	120,032,886.00	14,780,997	4.64
St Lights/Sec Lights	54,009,692.12	7,346,382	2.25	48,623,220.00	7,297,010	2.29
Total	2,508,719,123.00	326,309,426	100	2,244,470,805.00	318,654,476	100



KEY PERFORMANCE INDICATORS

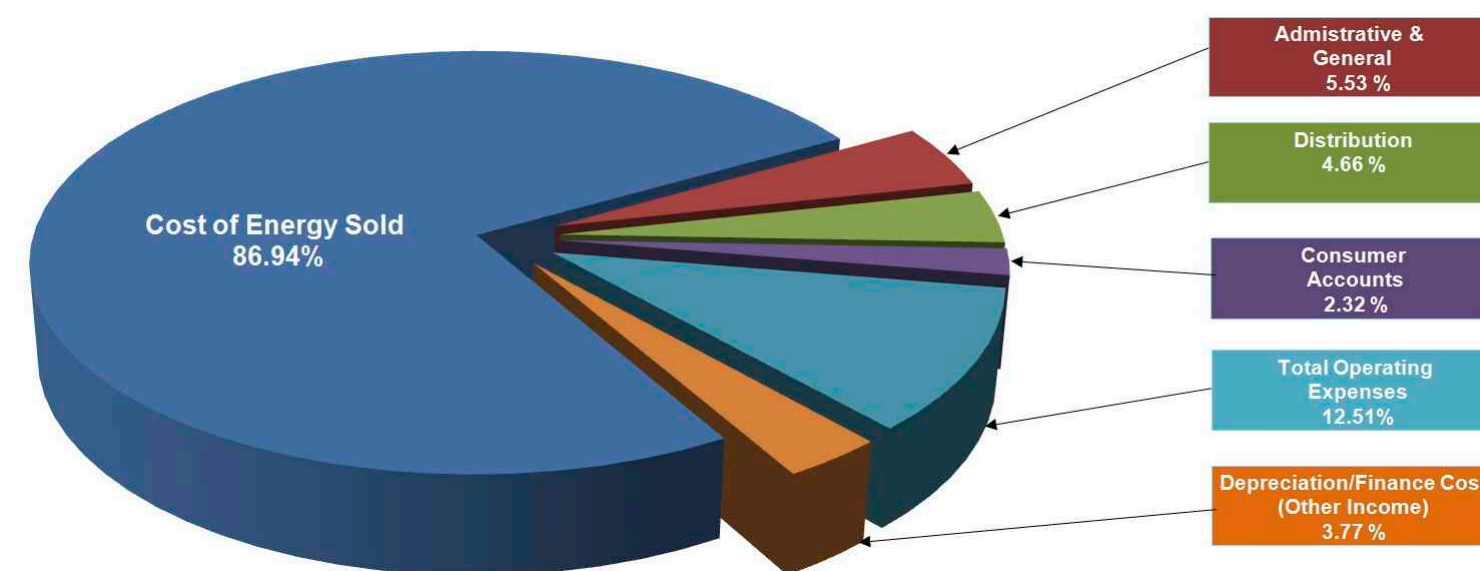
PARTICULARS	YEAR 2012		YEAR 2011		NEA STANDARD
	AMOUNT	%	AMOUNT	%	
Net Energy Sold	2,508,719,123.00	100	2,244,470,805.00	100	
Cost of Energy Sold	2,181,123,585.00	86.94	1,920,444,535.00	85.56	50 - 60 %
Gross Operating Income	327,595,538.00		324,026,270.00		
Operating Expenses:					
Administrative & General	138,611,665.00	5.53	136,429,412.00	6.08	10 - 15 %
Distribution	116,931,166.00	4.66	100,013,170.00	4.46	5 - 8 %
Consumer Accounts	58,182,439.00	2.32	44,473,272.00	1.98	3 - 5 %
Total Operating Expenses	313,725,270.00	12.51	280,915,854.00	12.52	
Total Cost of Energy and OPEX	2,494,848,855.00	99.45	2,201,360,389.00	98.08	90 - 95 %
Other Income/(Expenses)					
Depreciation	(129,448,801.00)		(76,608,805.00)		
Finance Cost	(13,286,074.00)	(3.77)	(15,777,009.00)	(2.14)	
Other Income	48,141,688.00		44,261,668.00		
Net Income/ (Loss)	(80,722,919.00)	-3.22	(5,013,730.00)	-0.22	5%

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 GOES





Annual Report 2012

Report of 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 the statements of financial position as of December 31, 2012 and 2011, 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 the 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 for 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, 2012 and 2011, 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



Annual Report 2012

of P438,519,331 and P526,412,916 as of December 31, 2012 and 2011, respectively, including the net losses of P80,722,919 and P5,013,730 for the years then ended.

Said losses already impaired about 36.5% of its equity base of P1,202,299,998 in 2012 and 47.2% of its equity base of P1,714,643,218 in 2011, and may have consequent effect on the financial condition and viability of operation of the electric cooperative.

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, 2012 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.

ODSINADA, RIVERA & CO.

DIOSCORO O. ODSINADA

Partner
CPA License No. 18098
TIN 113-345-240 (Individual)
TIN 008-372-356 (Firm)
PRC/BOA Accreditation No. 5090
SEC Accreditation No. 0235-F (Firm)
SEC Accreditation No. 1162-A (Individual)
PTR No. 7823135B, Jan. 31, 2013
Quezon City

March 27, 2013
Quezon City, Philippines



Annual Report 2012

BENGUET ELECTRIC COOPERATIVE, INC.

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

STATEMENT OF FINANCIAL POSITION

	Notes	As of December 31,	
		2012	2011
ASSETS			
Noncurrent Assets			
Property and equipment	8 & 15	2,146,444,170	2,109,263,632
Other non-current assets	10	124,790,385	92,473,212
Total Noncurrent Assets		2,271,234,555	2,201,736,844
Current Assets			
Cash and cash equivalents	4	129,248,380	102,137,381
Investments	6	82,988,005	42,459,652
Receivables	5	169,884,289	175,787,074
Materials and supplies inventories	9	21,546,504	18,803,755
Prepayments and other current assets	7	15,289,029	28,277,564
Total Current Assets		418,956,207	367,465,426
TOTAL ASSETS		2,690,190,762	2,569,202,270
EQUITIES AND LIABILITIES			
Equities			
Membership	11	618,770	600,520
Donated capital	12	334,964,949	318,387,440
Members' contribution for sustainable CAPEX	13	866,716,279	795,655,258
Accumulated loss	14	(438,519,331)	(526,412,916)
Revaluation surplus	15	922,179,502	999,933,487
Total Equities and (Loss)		1,685,960,169	1,588,163,789
Noncurrent Liabilities			
Long-term debt	16	189,776,128	159,031,811
Consumers' deposit	17	170,523,244	150,497,820
Retirement liability	20	169,341,191	147,787,780
Total Noncurrent Liabilities		529,640,563	457,317,411
Current Liabilities			
Accounts payables and accrued expenses	18 & 19	474,590,030	523,721,070
Total Current Liabilities		474,590,030	523,721,070
TOTAL LIABILITIES AND EQUITIES		2,690,190,762	2,569,202,270

See Accompanying Notes to Financial Statements



Annual Report 2012

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year Ended December 31,	
		2012	2011
NET ENERGY SALES	23	2,508,719,123	2,244,470,805
COST OF ENERGY SOLD	25	2,181,123,585	1,920,444,535
GROSS INCOME		327,595,538	324,026,270
OPERATING EXPENSES			
Administrative and general	27	138,611,665	136,429,412
Distribution	26	116,931,166	100,013,170
Consumers' accounts	26	58,182,439	44,473,272
		313,725,270	280,915,854
DEPRECIATION	8, 26 & 27	129,448,801	76,608,805
FINANCE COST	28	13,286,074	15,777,009
TOTAL EXPENSES		456,460,145	373,301,668
LOSS FROM OPERATION		(128,864,607)	(49,275,398)
OTHER INCOME	24	48,141,688	44,261,668
NET LOSS		(80,722,919)	(5,013,730)

See Accompanying Notes to Financial Statements

STATEMENT OF CHANGES IN EQUITIES AND LOSS

	Notes	Year Ended December 31,	
		2012	2011
EQUITIES			
Membership	11		
Balance beginning		600,520	579,540
Receipt of additional membership		18,250	20,980
		618,770	600,520
Donated capital	12		
Balance, beginning		318,387,440	318,387,440
Receipt of additional donations		16,577,509	-
		334,964,949	318,387,440
Members' contribution for sustainable CAPEX	13		
Balance, beginning		795,655,258	726,261,271
Receipt of additional contributions		71,061,021	69,393,988
		866,716,279	795,655,258
LOSS			
Accumulated loss	14		
Balance, beginning		(526,412,916)	(528,387,828)
Prior period adjustment, net		168,616,504	6,988,642
Net loss for the year		(80,722,919)	(5,013,730)
		(438,519,331)	(526,412,916)
REVALUATION SURPLUS	15		
Balance, beginning		999,933,487	-
Revaluation surplus adjustment		(77,753,985)	999,933,487
		922,179,502	999,933,487
TOTAL EQUITIES AND LOSS		1,685,960,169	1,588,163,789

See Accompanying Notes to Financial Statements



BENGUET ELECTRIC COOPERATIVE, INC.

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

STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31,	
		2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss		(80,722,919)	(5,013,730)
Depreciation and amortization	8, 26 & 27	129,448,801	76,608,805
Prior period adjustment	14	168,616,504	6,988,642
Revaluation surplus	15	(77,753,985)	999,933,487
Operating income before working capital changes		139,588,401	1,078,517,204
Decrease (increase) in:			
Receivables	5	5,902,785	(15,674,510)
Materials and supplies inventories	9	(2,742,749)	(11,062,672)
Other current assets	7	12,988,535	9,561,807
Other noncurrent assets	10	(32,317,173)	(21,960,507)
Increase (decrease) in:			
Trade payables and accrued expenses	18 & 19	(49,131,040)	(17,382,933)
Consumers' deposit	17	20,025,424	14,132,605
Other non current liability	20	21,553,411	4,250,291
Net cash provided by operating activities		115,867,594	1,040,381,285
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Property and equipment	8 & 15	(166,629,339)	(1,234,450,337)
Investments	6	(40,528,353)	246,468,363
Net cash used in investing activities		(207,157,692)	(987,981,974)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in:			
Long-term debt	16	30,744,317	(165,624,514)
Membership	11	18,250	20,980
Donated capital	12	16,577,509	-
Members' contribution for sustainable CAPEX	13	71,061,021	69,393,987
Net cash provided by (used in) financing activities		118,401,097	(96,209,547)
NET INCREASE (DECREASE) IN CASH		27,110,999	(43,810,236)
CASH AT BEGINNING OF YEAR	4	102,137,381	145,947,617
CASH AT END OF YEAR	4	129,248,380	102,137,381

See Accompanying Notes to Financial Statements



BENGUET ELECTRIC COOPERATIVE, INC.

(A Non-stock Non-profit Membership Electric Cooperative)

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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 cooperatives 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 March 26, 2013.

• 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 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



the contractual provisions of the instrument. Debt instruments can be measured at amortised cost (net of any write-down for impairment) if two conditions are met: (1) business model test, and (2) cash flow characteristics test. All other debt instruments must be measured at FVTPL.

IFRS 10, Consolidated Financial Statements: - This establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This refers to the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity. Parent is an entity that controls one or more entities. Subsidiary is an entity that is controlled by another entity. An investor controls an investee when:

- (a) the investor has power over the investee;
- (b) investor has exposure or rights, to variable returns from its involvement with the investee;
- (c) investor has the ability to use its power over the investee to affect the amount of the investor's returns.

Under IAS 27, a parent that was a wholly-owned or a virtually wholly-owned subsidiary is not required to prepare consolidated financial statements (control is intended to be temporary).

IFRS 11, Joint Arrangements: - This outlines the accounting by entities that jointly control an arrangement. Joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement (in writing) which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint control is classified: as joint venture (parties have rights to the net assets of the arrangements or joint operation (parties have rights to the assets, and obligations for liabilities, relating to the arrangements). Separate vehicle (outside of IFRS 11, not a joint arrangement) is a separately identifiable financial structure, including separate legal entities recognized by statute, regardless of whether those entities have a legal personality.

The core principle under this standard is that a party to a joint arrangement determines the type of joint arrangement in which it is involved, by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12, Disclosures: - This standard provides ample disclosures on financial instruments and basic information on financial risk management objectives and policies, cash flow interest rate risk, credit risk, liquidity risk and capital management. Also, the standard requires disclosure of interests in other entities that have an interest in a subsidiary, a joint arrangements, an associate or an unconsolidated structural entity. An entity shall disclose the terms of any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated structured entity, including events or circumstances that could expose the reporting entity to a loss. The BOD reviews and agrees on the policies for managing each of these risks and the effects of such disclosures.

IFRS 12, Fair Value Measurements: - This standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. To increase consistency and comparability in fair value measurement and related disclosures, this standard establishes a fair value hierarchy that categorizes into 3 levels the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 inputs) and the lowest priority to unobservable inputs (Level 5 inputs).

(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) or at amortized cost. 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.



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.

(2) Effective in 2012

PAS 1	Amendments, Grouping of items of OCI
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:

PAS 1, Amendments Grouping Items of Other Comprehensive Items (OCI) – Grouping items of OCI into (a) items that might be classified to P/L in subsequent periods; and (b) items that will not be reclassified in subsequent periods. The entity may present items of OCI either as net of related tax effects with one amount shown for the aggregate amount of income tax relating to those items or before related tax effects with one amount shown for the aggregate amount of income tax relating to those items. The amendments retain the option to present P/L and OCI in either a single continuous statement or in two separate but consecutive statements. Effective for annual periods beginning on or after July 1, 2012.

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.

(3) Effective in 2013

IAS 19	Revised Standards on Fringe Benefits
PAS 28	Investment in Associates and Joint Ventures
IFRS 9	Financial Statements, Reporting of Financial Assets
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Ventures/Arrangements
IFRS 12	Disclosures
IFRS 13	Fair Value Measurements

IAS 19, Revised Defined Benefit Components: - The defined benefit cost comprises service cost and net interest on the net defined benefit liability or asset (both in profit or loss); and the re-measurements recognized in OCI. The service cost comprises current service cost, past service cost, and gains or losses on curtailments and settlements. Net interest on defined benefit liability (asset) shall be determined by multiplying the net defined benefit liability (asset) by the discount rate. Deferral of actual gains and losses (AGL) is not permitted. AGLs are recognized immediately in OCI. Reclassifications to profit or loss is not permitted. All changes in the net defined benefit liability (asset) which arise from changes in the defined benefit plan are included in “service cost” and recognized fully in profit or loss when they occur. Items of re-measurements include AGL, the differences between the return on plan assets and interest income on plan assets and changes in asset ceiling.

IAS 28, Investment in Associates & Joint Ventures: - This prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

IFRS 9, Financial Statements, Financial Reporting of Financial Assets: - This establishes principles for the reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows. The entity shall recognise a financial asset in its statements of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. Initially, all financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs. Subsequently, financial assets (currently in the scope of IAS 39) are divided into two classifications: (1) those measured at amortised cost, and (2) those measured at fair value. The classification is made at the time the financial asset is initially recognized, namely: when the entity becomes a party to



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, 2012 and 2011, 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, 2012 and 2011, 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, 2012 and 2011, the Cooperative's cash, receivables, due from a related party and advances to officers and employees are classified as loans and receivables.

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 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 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, 2012 and 2011, 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, 2012 and 2011, the Cooperative has inventory items on hand amounting to P21,546,504 and P18,803,755, 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, 2012 and 2011, 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;
- ©.) 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, 2012 and 2011, the Cooperative has outstanding lease contracts that can be considered as a finance lease amounting to P1,151,708 and P1,151,742 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 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, 2012 and 2011, financial assets recognized in the statement of financial position amounted to P522,200,088 and P441,134,883, respectively, and financial liabilities amounted to P1,005,282,301 and P981,038,481, 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 P2,275,964 in 2012. Consumer's receivable accounts, net of allowance for doubtful accounts, amounted to P169,884,289 in 2012. Previous year's balance amounted to P175,787,074 (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 P2,010,391,188 as of December 31, 2012. 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 P2,018,017,196 (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 P169,341,191 and P147,787,780 at December 31, 2012 and 2011, 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	2012	2011
General and other funds		
General fund	128,232,032	99,157,100
Share capital	-	1,076,845
	128,232,032	100,233,945
Cash on hand	432,621	1,304,709
Petty cash fund	111,727	134,727
Revolving/Change fund	472,000	464,000
	1,016,348	1,903,436
Total	129,248,380	102,137,381

5. RECEIVABLES - NET

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

Items	2012	2011
Consumers' accounts receivable	172,160,253	177,304,917
Less, allowance for doubtful/uncollectible accounts	2,275,964	1,517,843
Net Realizable Value	169,884,289	175,787,074



Management has provided an allowance for doubtful accounts amounting to P2,275,964 to cover normal losses that may be sustained from uncollectible accounts. This represents about 1.32% of consumers' accounts for collection.

6. 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	2012	2011
Temporary cash investment		
BDO	43,312,839	-
MBTC	39,675,166	3,575,679
	82,988,005	3,575,679
Treasury bills (DBP)	-	38,883,973
Total	82,988,005	42,459,652

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	2012	2011
Prepayments		
Various suppliers	6,527,268	20,039,338
Insurance	1,010,145	835,873
Others	7,080,949	7,020,724
	14,618,362	27,895,935
Restricted fund		
Membership (Note 11)	615,551	326,692
Members' contribution for CAPEX (Note 13)	55,116	54,937
	670,667	381,629
Total	15,289,029	28,277,564

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	2012	2011
Utility plant in-service	4,730,192,332	4,609,188,549
Less, accumulated depreciation	2,719,801,144	2,591,171,353
Net Book Value	2,010,391,188	2,018,017,196
Construction work in progress	136,052,982	91,246,436
Total	2,146,444,170	2,109,263,632



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 P121,003,783.

In 2012, depreciation charged to cost of service amounted to P107,540,919 and to operating expenses amounted to P21,907,882.

The details of utility plant are recapitulated below:

Items	Depreciation Rate	Acquisition Cost	2012 Depreciation	Accumulated Depreciation	Net Book Value
DISTRIBUTION PLANT					
Line transformers	3.33%	790,940,841	18,182,664	335,951,522	454,989,319
Overhead conductors and devices	5%	665,654,617	24,658,578	302,120,448	363,534,169
Meters	4%	901,431,467	19,595,301	578,710,094	322,721,373
Wooden poles and others	5%	840,247,674	17,997,907	603,805,861	236,441,813
Concrete poles	3.33%	253,400,187	5,280,364	150,212,703	103,187,484
Station equipment	10%	384,197,120	14,281,501	281,621,781	102,575,339
Transportation equipment -heavy	20%	210,583,781	7,544,604	188,303,385	22,280,396
		4,046,455,687	107,540,919	2,440,725,794	1,605,729,893
GENERAL PLANT					
Land and land rights	-	319,512,076	-	-	319,512,076
Structures and improvements	10%	163,111,576	3,217,712	140,026,558	23,085,018
Transportation equipment - light	25%	108,549,550	10,725,142	90,209,820	18,339,730
Buildings	10%	17,307,333	1,604,494	1,922,526	15,384,807
Tools, shop & garage equipment	10%	16,596,167	1,305,824	2,992,419	13,603,748
Office furniture and fixtures	20%	38,811,007	4,043,940	30,301,740	8,509,267
Communication equipment	10%	5,561,634	646,195	646,195	4,915,439
Laboratory equipment	10%	2,928,803	364,575	1,617,593	1,311,210
Miscellaneous equipment	20%	254,585	-	254,585	-
		672,632,731	21,907,882	267,971,436	404,661,295
COMPLETED CONSTRUCTION					
NOT CLASSIFIED		11,103,914	-	11,103,914	-
TOTALS		4,730,192,332	129,448,801	2,719,801,144	2,010,391,188



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

Items	Balance Beginning	Additions	Adjustments/ Disposals	Balance Ending
DISTRIBUTION PLANT				
Meters	886,746,615	15,470,732	(785,880)	901,431,467
Wooden poles and others	830,969,203	10,204,835	(926,364)	840,247,674
Line transformers	739,281,836	90,235,208	(38,576,203)	790,940,841
Overhead conductors and devices	645,968,084	20,787,819	(1,101,286)	665,654,617
Station equipment	381,111,279	-	3,085,841	384,197,120
Concrete poles	247,769,455	5,596,804	33,928	253,400,187
Transportation equipment - heavy	210,583,781	-	-	210,583,781
	3,942,430,253	142,295,398	(38,269,964)	4,046,455,687
GENERAL PLANT				
Land and land rights	331,436,996	-	(11,924,920)	319,512,076
Buildings	14,456,033	2,851,300	-	17,307,333
Office furniture and equipment	32,755,199	6,055,808	-	38,811,007
Transportation equipment - light	107,266,978	1,282,572	-	108,549,550
Tools, shop and garage equipment	3,019,395	13,576,772	-	16,596,167
Structures and improvements	162,448,446	66,130	-	163,111,576
Communication equipment	1,849,761	3,711,873	-	5,561,634
Laboratory equipment	2,273,518	655,285	-	2,928,803
Miscellaneous	148,056	106,529	-	254,585
	665,654,382	28,903,269	(11,924,920)	672,632,731
COMPLETED CONSTRUCTION				
NOT CLASSIFIED	11,103,914	-	-	11,103,914
TOTALS	4,609,188,549	171,198,667	(50,194,884)	4,730,192,332

9. MATERIALS AND SUPPLIES INVENTORY

This account consists of inventoriable items, as follows:

Items	2012	2011
Electric distribution items	14,422,793	12,586,282
Housewiring	6,670,957	5,822,698
Others	452,754	394,775
	21,546,504	18,803,755
Less, allowance to reduce value to NRV	-	-
Total	21,546,504	18,803,755

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 P18,838,664 (materials and supplies), P337,743 (electric and housewiring) and P6,525,981 (special equipment).

10. OTHER NON-CURRENT ASSETS

This account consists of other accounts receivables, as follows:

Items	2012	2011
Other accounts receivable		
Officers and employees' account	8,596,515	10,739,805
Other customer accounts	8,254,530	9,431,363
Others	71,722,677	55,766,311
	88,573,722	75,937,479
Less, allowance for probable loss	-	-
Net Realizable Value	88,573,722	75,937,479
Investment in equity securities		
Input VAT and other taxes	26,603,751	3,892,641
Security deposits-Transco (Note 18)	2,698,392	2,698,391
Mini hydro-project	1,400,000	1,400,000
Telephone	20,000	20,000
Other assets	(505,480)	2,524,701
	30,216,663	10,535,733
Total	118,790,385	86,473,212
Investment in equity securities		
Rural Electrification Financing Corporation	6,000,000	6,000,000
Total	124,790,385	92,473,212

11. MEMBERSHIP ACCOUNT

Membership equivalent to 123,754 members at P5 per member has already been subscribed. As at December 31, 2012, this already amounted to P618,770, from the previous year's balance of P600,520. The amount is maintained in a restricted fund with its depository bank (Note 7).



12. DONATED CAPITAL

This account consists of the following:

Items	2012	2011
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	36,039,857	29,270,800
NPC	13,856,094	13,856,094
Provincial government	5,000,000	5,000,000
APEC party	400,000	400,000
Others	9,808,452	-
	200,073,127	183,495,618
Total	334,964,949	318,387,440

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. MEMBERS' CONTRIBUTION FOR SUSTAINABLE CAPEX

This account consists of the following:

Items	2012	2011
Contributions for reinvestment	663,684,856	663,684,856
Members' contribution for CAPEX	202,604,594	131,543,573
Consumers capital contribution	426,829	426,829
Total	866,716,279	795,655,258

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, 2012, 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, 2012, this already amounted to P202,604,594.



14. ACCUMULATED LOSS

The changes in the accumulated loss account follow:

Items	2012	2011
Accumulated loss, beginning	(526,412,916)	(528,387,828)
Correction of prior years, net	168,616,504	6,988,642
Corrected balance, beginning	(357,796,412)	(521,399,186)
Net loss for the year	(80,722,919)	(5,013,730)
Accumulated loss, ending	(438,519,331)	(526,412,916)

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, 2012, the electric cooperative was faced with accumulated losses of P438,519,331, including the net loss for the year of P80,722,919, as explained and tabulated above.

The composition of prior period adjustments follows:

Items	2012	2011
Transfer from revaluation surplus	77,753,985	-
Sales adjustments	18,877,816	-
Provision for depreciation	17,637,367	-
ICERA adjustments	13,048,752	-
Retirement liability	-	10,385,237
Provision for probable loss on consumers' Accounts for collection	-	11,364,008
Power bill adjustments	-	6,317,836
Others	(41,298,584)	(21,078,439)
Total	168,616,504	6,988,642

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).

The carrying balance of revaluation increment amounted to P922,179,502 as at December 31, 2012 and P999,933,487 as at December 31, 2011. Amortization of revaluation increment that was transferred to "accumulated losses" in the Statements of Financial Position amounted to P77,753,985 for December 31, 2012.



16. LONG TERM DEBT

This account consists of balances of loans, as follows:

Items	2012	2011
NEA		
Construction loan	83,575,448	88,301,223
Calamity loan	23,428,874	24,767,901
Restructured loan	20,474,334	21,617,078
Overseas Economic Cooperation Fund	1,053,564	1,095,802
	128,532,220	135,782,004
Matured long term debt and interest	6,891,807	5,177,955
	135,424,027	140,959,959
BDO (formerly EPCIB)		
Car loan	13,040,473	18,826,293
Transformer loan	45,876,392	-
	58,916,865	18,826,293
Rural Electrification Financing Corp.		
	4,084,460	6,645,687
	198,425,352	166,431,939
Current Portion	8,649,224	7,400,128
Total	189,776,128	159,031,811

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	2012	2011
Advances for construction	84,204,926	64,975,033
Meters and accessories	75,044,955	75,044,955
Energy	11,145,958	10,350,427
Others	127,405	127,405
Total	170,523,244	150,497,820

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:

Accounts	2012	2011
Mirant (now Team Phils. Energy Corp.)	135,589,259	111,909,778
PEMC-WESM	32,370,797	26,514,139
National Grid Corporation of the Phils.	22,226,528	57,475,564
LUELCO	284,454	604,245
Hedcor	145,828	287,781
Asin Hydro	-	2,849,770
Total	190,616,866	199,641,277



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 2012 amounted to P1.634 Billion. At December 31, 2012, the outstanding power supply account amounted to P135.589 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, 2012, the outstanding power supply account to WESM amounted to P32.37 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 2012 amounted to P291.096 Million. At December 31, 2012, outstanding transmission service account inclusive of VAT amounted to P22.226 Million included under "accounts payable and accrued expenses" account in the statement of financial position.

At December 31, 2012, 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.

Accounts	2012	2011
Trade payables		
Net settlement – WESM	99,646,675	108,764,468
Various suppliers	32,655,467	23,715,092
	132,302,142	132,479,560
VAT payable		
System Loss	16,886,341	17,152,398
Transmission	9,193,266	11,862,879
Generation	1,302,328	89,959,628
BIR	2,170,466	(589,645)
	29,552,401	118,385,260
Accrued Liabilities		
NEA Subsidy	39,582,922	-
PSALM, Universal charges billed (Note 21)	17,495,914	17,411,101
EVAT billed to consumers	14,762,879	15,367,827
Katas ng VAT	76,173	120,611
SSS, Philhealth, HDMF and taxes	8,594,477	1,364,023
	80,512,335	34,263,562
Others		
VAT Refund	11,848,192	11,848,192
Current portion of Long-term debt	8,649,224	7,400,128
Due to other ECs	5,154,285	5,154,285
Current portion of obligation under finance lease	1,051,708	1,151,742
Others	14,902,877	13,397,064
	41,606,286	38,951,411
Total	283,973,164	324,079,793

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, 2012 and 2011, the Cooperative has already recognized the amount of P169,341,191 and P147,787,780, 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 2012 are as follows:

	Rate
Missionary electrification	.1163/kwh
Environmental charges	.0025/kwh

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

	2012	2011
Billings	38,709,798	22,833,683
Collections	38,624,924	22,263,174
Remittances	38,624,924	22,263,174

As of December 31, 2012 and 2011, accrued fees due to PSALM already amounted to P17,495,914 and P17,411,101, 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, 2012, the amount applied amounted to P35,589,327.

23. ENERGY SALES

This account represents revenues generated during the years 2012 and 2011 from sale of energy, as follows:

Accounts	2012	2011
Residential	1,343,306,142	1,204,297,339
Commercial	976,224,837	859,270,761
Public building and facilities	123,029,054	120,032,886
Public street and highways	54,010,545	48,623,220
Industrial sales	12,148,545	12,246,599
Total	2,508,719,123	2,244,470,805



24. OTHER INCOME

This account includes the following:

Accounts	2012	2011
Rental income	4,483,753	4,158,763
Interest income (Note 4)	2,947,200	2,528,041
	7,430,953	6,686,804
Others		
Surcharges	31,235,295	30,262,985
Transformer rental,etc	7,611,564	4,207,408
Retrobilling	391,977	595,028
Penalties	509,747	487,831
Others,net	962,152	2,021,612
Total	48,141,688	44,261,668

25. COST OF ENERGY SOLD

This account consists of:

Accounts	2012	2011
Power purchased	2,227,888,439	1,960,168,722
Less prompt payment discount		
net Power Act reduction	46,764,854	39,724,187
Total	2,181,123,585	1,920,444,535

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, 2012 and 2011 are as follows:

	2012	2011
Kilowatt-hour sold	326,309,426	318,654,476
Kilowatt-hour purchased	366,395,944	353,797,371



26. COST OF SERVICES

The compositions of cost of services follow:

Accounts	2012	2011
Distribution		
Structures	34,126,410	33,910,682
Overhead lines	29,173,809	24,900,179
Line transformer	15,050,135	8,456,412
Meters	8,498,665	9,977,964
Supervision and engineering	8,387,079	5,303,270
Station equipment	7,716,788	6,798,209
Street lighting and signal system	5,538,306	4,125,762
Consumer installation	1,728,974	406,432
Miscellaneous	6,711,435	6,134,260
	116,931,166	100,013,170
Consumers' accounts		
Meter reading	24,930,617	13,055,037
Miscellaneous consumer services	17,095,915	16,832,009
Records and collection	9,167,718	7,532,071
Supervision	3,107,767	2,931,561
MECS and BAPA	1,877,928	1,169,147
Information, instructional & advertising	1,236,372	1,435,604
Uncollectible accounts	758,122	1,517,843
Campus journalism	8,000	-
	58,182,439	44,473,272
Depreciation (Note 8)	107,540,919	57,848,441
Total	282,654,524	202,334,883



27. OPERATING EXPENSES

The compositions of operating expenses follow:

Accounts	2012	2011
General and administrative		
Employees pension and benefits	38,148,661	38,797,694
Salaries	37,206,179	37,379,478
Outside services employed	11,882,909	10,655,737
Training and travel	11,594,789	11,217,339
Officers allowance and benefit	7,699,227	8,304,433
Office supplies	5,457,879	7,102,673
Utilities	4,986,238	4,633,803
Maintenance of office and general plant	4,615,621	2,772,773
Injuries and damages	3,870,268	2,232,136
Regulatory	2,397,438	2,051,608
Property insurance	2,292,506	2,709,436
Taxes and licenses	1,702,837	268,467
Employees insurance	1,014,996	1,610,025
Rent	892,735	903,489
Financial Assistance	398,340	731,792
Association and membership dues	118,700	92,900
Chattel mortgage fee	31,238	109,798
Miscellaneous	4,301,104	4,855,831
	138,611,665	136,429,412
Depreciation (Note 8)	21,907,882	18,760,364
Total	160,519,547	155,189,776

28. FINANCE COST

This represents the following:

Items	2012	2011
NEA		
Overseas Economic Cooperation Fund	3,562,213	6,439,628
Construction loan	2,612,332	2,773,151
Restructured loan	-	2,298,784
	6,174,545	11,511,563
BDO (formerly EPCIB)		
Car loan	2,402,373	2,649,220
Metropolitan Bank & Trust Co.	-	536,056
Rural Electrification Financing Corp.	487,977	804,023
LTD-Service	-	-
Others	4,221,179	276,147
	4,709,156	1,616,226
Total	13,286,074	15,777,009



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, 2012 and 2011, the balance of obligation amounted to P1,051,708 and P1,151,742, 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	2012	2011
Short term employees' benefits		
Key management personnel	1,980,300	1,973,434
Directors	3,200,000	3,608,750
Total	5,180,300	5,582,184



31. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2012, 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 Petition for review with the court of tax appeals	Appeal on the dismissal by the RTC BENECO's case questioning the garnishment of BENECO's bank deposit by the Municipality of La Trinidad.	18,039,448.63
2	BENECO V. LA TRINIDAD Appeal under sec.195 of the local government code RTC	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
3	BENECO V. MANKAYAN Appeal under sec.195 of the local government code RTC	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
4	BENECO V. NPC Injunction- Court of Appeals	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	157,740,000.00
5	SPOUSES RONALD AND ANNIE ROSE PARAAN For damages	The case was filed to sue BENECO for damages on their Volvo vehicle which was damaged by an electric pole which fell at the height of a strong typhoon. Case is still on trial	1,125,000.00
6	BENECO V. TRANSCO Injunction- submitted before RTC 8 of La Trinidad, Benguet	To enjoin TRANSCO from collecting alleged under billing in the amount of P21.5 million.	



32. KEY PERFORMANCE INDICATORS

The key financial performance indicators as of and for the year's ended December 31, 2012 and 2011 follow:

	2012	2011
Cost of power purchased ratio	87%	86%
Non-power cost ratio	16%	15%
Administrative and general	6%	6%
Distribution	5%	4%
Consumers' accounts	2%	2%
Days sales in receivables	24 days	28 days
Days payable – power	32 days	37 days
Net margin ratio	(3.22%)	(0.22%)

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, 2012 and 2011, due to their relatively short-term maturities, as follows:

	December 31, 2012		December 31, 2011	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets:				
Loans and receivables				
Cash and cash equivalents	129,248,380	129,248,380	102,137,381	102,137,381
Restricted funds	670,667	670,667	381,629	381,629
Investments	82,988,005	82,988,005	42,459,652	42,459,652
Consumer Receivables	169,884,289	169,884,289	175,787,074	175,787,074
Other receivables and other non-current	124,790,385	124,790,385	92,473,212	92,473,212
Prepayments and other current assets	14,618,362	14,618,362	27,895,935	27,895,935
	522,200,088	522,200,088	441,134,883	441,134,883
Financial Liabilities:				
Loans and borrowings				
Interest bearing debts	199,477,060	199,477,060	166,431,939	166,431,939
Consumers deposits	170,523,244	170,523,244	150,497,820	150,497,820
Retirement liability	169,341,191	169,341,191	147,787,780	147,787,780
Trade and accrued expenses	275,323,940	275,323,940	316,679,665	316,679,665
Power supply payable	190,616,866	190,616,866	199,641,277	199,641,277
	1,005,282,301	1,005,282,301	981,038,481	981,038,481



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	2012	2011
Cash and cash equivalents	129,248,380	102,137,381
Restricted funds	670,667	381,629
Investments	82,988,005	42,459,652
Consumer Receivables	169,884,289	175,787,074
Other receivables and other non-current assets	124,790,385	92,473,212
Prepayments and other current assets	14,618,362	27,895,935
Total	522,200,088	441,134,883

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, 2012 and 2011, management has already provided an allowance for probable losses amounting to P2,275,964 and P1,517,843 representing 1.32% and 0.9%, 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:

	2012	2011
Balance at beginning of year		
Receivables	1,517,843	11,364,008
Other assets	-	1,223,403
	1,517,843	12,587,411
Movement during the year		
Receivables	758,121	(9,846,165)
Other receivables	-	(1,223,403)
	758,121	(11,069,568)
Balance at end of year		
Receivables	2,275,964	1,517,843
Other assets	-	-
Total	2,275,964	1,517,843



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, 2012 and 2011, based on contractual repayment arrangements, is tabulated below:

	December 31, 2012				
	Up to 1 Month	2-3 to 6 Months	6 to 12 Months	Over 1 year	Total
Financial Assets					
Cash and cash equivalents	129,248,380	-	-	-	129,248,380
Restricted funds	670,667	-	-	-	670,667
Investments	-	-	-	82,988,005	82,988,005
Receivables	169,884,289	-	-	-	169,884,289
Other receivables and other non-current assets	-	-	-	124,790,385	124,790,385
Prepayments and other current assets	-	-	14,618,362	-	14,618,362
	299,803,336	-	14,618,362	207,778,390	522,200,088
Financial Liabilities					
Interest bearing debts	1,940,186	2,910,279	4,850,467	189,776,128	199,477,060
Consumer deposits	-	-	-	170,523,244	170,523,244
Retirement liability	-	-	-	169,341,191	169,341,191
Trade and accrued expenses	-	-	275,323,940	-	275,323,940
Power supply payable	190,616,866	-	-	-	190,616,866
	192,557,052	2,910,279	280,174,407	529,640,563	1,005,282,301
Net Liquidity (Gap)	107,246,284	(2,910,279)	(265,556,045)	(321,862,173)	(483,082,213)
	December 31, 2011				
	Up to 1 Month	2-3 to 6 Months	6 to 12 Months	Over 1 year	Total
Financial Assets					
Cash and cash equivalents	102,137,381	-	-	-	102,137,381
Restricted funds	381,629	-	-	-	381,629
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
	317,190,057	3,575,679	27,895,935	92,473,212	441,134,883
Financial Liabilities					
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
	200,238,152	3,023,402	320,459,516	457,317,411	981,038,481
Net Liquidity (Gap)	116,951,905	552,277	(292,563,581)	(364,844,199)	(539,903,598)

The fair values of financial instruments approximate their carrying value as of December 31, 2012



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.

	2012	2011
Debt	1,004,230,593	981,038,481
Cash	129,248,380	102,137,381
Net debt	874,982,213	878,901,100
Equity	1,685,948,406	1,588,163,789
Net debt to equity ratio	0.52	0.55

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	48,740,771
Operating revenues	406,173,093

b. VAT input taxes claimed:

Particulars	Amount
VAT input	22,134,528
Purchases	184,454,404

c. Withholding taxes:

Particulars	Base	Amount
Withholding tax on compensation	75,096,735	17,387,477
Creditable withholding tax	29,416,871	1,470,844
Final withholding tax	605,786,531	12,433,053
Tax in banks	355,402	71,080
Total	710,655,539	31,362,454

d. DST on loan instruments, shares of stock and other

Transactions subject thereto:	544,977
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e. Taxes, licenses, and fees:

Particulars	Amount
Real Estate Tax	406,102
Licenses and Permit Fees	969,690
Total	1,375,792



**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. However on matters pertaining to making decisions on the possible entry of private capital into BENECO, be it in the form of a joint venture, build-operate-transfer, or merger or whatever type allowed by NEA, the quorum shall be cumulative of fifty one percent (51%) of all members excluding juridical membership who may meet on a per district basis inasmuch as there is no single venue available to accommodate 51% of all members-consumers. If less than a quorum is present at any meeting, a majority of those present may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain a list of the members present in person. Failure to obtain a quorum at an annual membership meeting shall not prevent a Board member duly elected at a district meeting from taking office.

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. 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 meetings of the Board.

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:

<u>DISTRICTNUMBER</u>	<u>MUNICIPALITY/BARANGAY</u>
DISTRICT I	BAGUIO CITY
DISTRICT II	BAGUIO CITY
DISTRICT III	BAGUIO CITY
DISTRICT IV	BAGUIO CITY
DISTRICT V	BAGUIO CITY
DISTRICT VI	BAGUIO CITY
DISTRICT VII	LA TRINIDAD
DISTRICT VIII	ITOGON/BOKOD/KABAYAN
DISTRICT IX	TUBA/SABLAN/ASIN ROAD/IRISAN
DISTRICT X	ATOK/TUBLAY/KAPANGAN/KIBUNGAN
DISTRICT XI	MANKAYAN/BUGUIAS/BAKUN

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. In an election of the Board members shall not be held on the day designated herein for the district meeting or any adjournments thereof, a special meeting shall be held within a reasonable time thereafter but not later than provided for under this By-Laws. Failure to hold the district meeting at the designated time shall not work for a forfeiture or dissolution of the Cooperative. The President, or, in his incapacity or absence, the Vice President or Secretary of the Cooperative may act as chairman and preside any district meeting or a chairman may be elected by the members present. A Secretary may be provided by the Cooperative or selected by the members present and shall record the proceedings of said meeting and together with the Chairman shall certify said proceedings to the Board. The certification of the Chairman and the Secretary of the election of the Board member by any district meeting shall be taken by the Cooperative as verification of the election of such Board member at such district meetings.

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:

- 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;
- 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,



- 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:

- 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;
- seeing that all notices are duly signed in accordance with this By-Laws or as required by law;
- 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;
- keeping a register of the names and post office address of all members;
- signing with the President certificates of membership, the issuance of which shall have been authorized by the Board or the members;
- 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,
- 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:

- assuring proper custody of all funds and securities of the Cooperative;
- 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,
- 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.

- 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.
- 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.
- 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



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



Engr. Joselito B. Villarey, PEE
Executive Planning Officer



Ms. Brenda B. Carling
Manager, Corporate Services
Department



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



Engr. Melchor S. Licoben
Manager, Engineering
Department



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



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



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



The BENECO Incorporators

Manuel E. Gonzales, Jr.	District I, Baguio City
Nicasio T. Aliping	District II, Baguio City
Marcelo P. Cabato	District III, Baguio City
Manuel B. Carantes	District IV, Baguio City
Basanio Tello	Bokod, Benguet
Juan B. Tiongan	Itogon, Benguet
Jack Dulnuan	La Trinidad, Benguet
Pedro G. Pimentel	Sablan, Benguet
Carlos M. Dumasi	Tuba, Benguet
Mahong S. Muscara	Tublay, Benguet

