

○ P.R.O.G.R.A.M.M.E

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8:00 a.m. - 10:00 a.m. ....	<b>Registration by District</b>
10:00 a. m. - 11:00 a.m. ....	<b>Program Proper</b>
Invocation .....	<b>Rev. Father JONATHAN C. OBAR</b> <i>Director, District 11, Benguet</i>
National Anthem .....	<b>Ms. JOVELYN S. REYES</b> <i>Consumer Services Department</i>
Welcome Remarks .....	<b>Hon. ROBERTO K. CANUTO</b> <i>Mayor</i> <i>Municipality of Kapangan, Benguet</i>
Messages .....	<b>Hon. RONALD M. COSALAN</b> <i>Congressman, Province of Benguet</i>
	<b>Hon. NESTOR B. FONGWAN</b> <i>Governor, Province of Benguet</i>
Introduction of the Guest of Honor & Speaker .....	<b>Engr. JEFFRED S. ACOP</b> <i>Director, District 7, Benguet</i>
Message .....	<b>Hon. CARLOS JERICH0 L. PETILLA</b> <i>Secretary</i> <i>Department of Energy</i>
Awarding of Plaques of Appreciation .....	<b>Mr. PETER B. BUSAING</b> <i>Director, District 5, Baguio City</i> <i>Board President</i> <i>w/</i> <b>Mr. GERARDO P. VERZOSA</b> <i>General Manager</i>
Awarding Plaques of Recognition for Outgoing Board of Directors	1. <b>Engr. Ferdy K. Bayasen</b> , <i>District 4, Baguio City</i> 2. <b>Engr. Virgilio D. Orca Jr.</b> , <i>District 6, Baguio City</i>
11:00 a. m. - 4:00 p.m. ....	<b>Business Meeting</b> <b>Mr. PETER B. BUSAING</b> <i>President of the Board</i> <i>Presiding Officer</i>

**\* \* \* 12:00 noon - 1:00 p. m. — Lunch Break\* \* \***

4:00 p. m. - 5:00 p. m. .... R A F F L E

**Masters of Ceremonies**

**Mr. Joel M. Cervantes**  
*Human Resource Management*  
*& Development Department*

**Ms. Rowina MC. Damian**  
*Corporate Services Department*

## ○ ORDER OF BUSINESS

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- 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's and General Manager's Report
- VI. New Business:

### 1. AGMA RESOLUTIONS:

Resolution requesting the National Electrification Administration-NEA to expedite the crafting and issuance of the guidelines and mechanics on the appointment of Independent Directors to the Electric Cooperative as provided in R.A. 10531, Section 6, letter c.

### 2. PROPOSED AMENDMENTS TO THE BENECO BY-LAWS:

Amending:

- (A) Article IV – Board of Directors: Elections and Tenure,
- (B) Article V – Meeting of the Board
- (C) Article X – Financial Transactions.

*Explanatory notes:*

1. *There is a need to amend some provisions of the by-laws to harmonize them with the new law, R.A. 10531-AN ACT STRENGTHENING THE NATIONAL ELECTRIFICATION ADMINISTRATION, FURTHER AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 269, AS AMENDED, OTHERWISE KNOWN AS THE "NATIONAL ELECTRIFICATION ADMINISTRATION DECREE";*
2. *Some provisions on elections do not comply with the District Election Guidelines promulgated by the National Electrification Administration (NEA) pursuant to R.A. 10531;*
3. *To establish a regular yearly schedule in the conduct of District Election to avoid vacancies in the Board, and*
4. *Consistency in the preparation of the annual work plan and budget preparation.*

*(Details of proposed amendments follows.)*

Proposed Amendments to the BENEKO Constitution & By-Laws

(A) Article IV – Board of Directors: Elections and Tenure,

Existing:	Proposed:
<p>ARTICLE IV, SECTION 2. ELECTION AND TENURE</p> <p>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.</p> <p>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:</p> <p><u>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.</u></p> <p><u>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.</u></p> <p><u>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.</u></p> <p>c) Newly elected Board members shall assume office on the first day of January of the year following their election.</p>	<p style="text-align: center;"><i>Numbers 1,2,3 under letter b shall be amended to read as follows:</i></p> <p>ARTICLE IV, SECTION 2. ELECTION AND TENURE</p> <p><b>A. ELECTION:</b></p> <p>"a)... &lt;same&gt;</p> <p>b)... ...follows:"</p> <ol style="list-style-type: none"> <li>1. The Board members representing District II, III, all within Baguio City and District IX-Tuba and Sablan, Benguet shall each be elected to serve for one year until their successors shall have been elected and shall have qualified.</li> <li>2. Board members representing Districts I, IV, V, and VI, all in Baguio City shall each be elected to serve two years or until their successors shall have been elected and shall have qualified.</li> <li>3. Board members representing Districts VII-La Trinidad, District XIII-Itogon, Bokod, Kabayan), District X (Atok, Tublay, Kapangan, Kibungan), District XI (Bakun, Buguias, Mankayan) 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.</li> </ol> <p>c) Schedule of Election: The following shall be the schedule of election for the following Districts:</p> <ol style="list-style-type: none"> <li>1. January 31, 2015-defered election with NEA approval: Districts II, III, Baguio City and District IX, Tuba and Sablan, Benguet.</li> <li>2. October 2016: District I, IV, V, VI, Baguio City.</li> <li>3. October 2017: Districts: VII-La Trinidad, District VIII-Itogon, Bokod and Kabayan, District X-Atok, Tublay, Kapangan, Kibungan, District XI-Bakun, Buguias, Mankayan.</li> </ol> <p><b>B. TENURE</b></p> <ol style="list-style-type: none"> <li>a. The term of office of a regularly elected member of the Board of Directors shall be three (3) years. Such member shall be entitled to only two consecutive re-elections.</li> <li>b. A member of the Board who is elected in a special election under Section 3(3.2) of the District Election Guidelines or in a postponed regular election conducted after the Annual Meeting date of the year in process, shall take his/her Oath of Office Immediately after proclamation and shall serve until the Annual Meeting date of the year of the unexpired portion of his/her term.</li> <li>c. A member of the Board who is considered resigned per NEA Memo No. 2012-16 dated 06 July 2012, or its subsequent amendment thereto if applicable, may not be re-appointed by the Board to serve the unexpired portion of his term.</li> <li>d. A board of director who has just completed his consecutive terms or an equivalent tenure of nine (9) years in office shall no longer be eligible for appointment to a board vacancy per Section 3 (3.2) of the District Election Guidelines.</li> <li>e. Newly elected board members shall assume office on the first day of January of the year following their election.</li> </ol>

Article IV – Board of Directors: Elections and Tenure, ...*(continued)*

EXISTING:	PROPOSED:
<p>Article IV, 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.</p> <p>No person shall be eligible to become or remain as Board member of the Cooperative who:</p> <ul style="list-style-type: none"> <li>a) is not a member and bonafide resident of the district he represent in the area served or to be served by the Cooperative;</li> <li>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;</li> <li>c) holds an elective office in the government above the level of a Barangay Captain;</li> <li>d) has convicted of a crime involving moral turpitude; and,</li> <li>e) has been terminated for cause.</li> </ul> <p>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."</p>	<p>Article IV, Section 3. QUALIFICATIONS. No person shall be elected as a Director unless he posses the following qualifications:</p> <ul style="list-style-type: none"> <li>1) He or she is a Filipino citizen;</li> <li>2) He or she is a graduate of a four (4) year course;</li> <li>3) He or she is between twenty one (21) and seventy (70) years old on the date of election;</li> <li>4) He or she is of good moral character; Good moral character may be established with the submission of a certificate issued by any of the following: <ul style="list-style-type: none"> <li>a. Barangay where the candidate resides;</li> <li>b. National Bureau of Investigation;</li> <li>c. Philippine National Police; or</li> <li>d. Leader of religious sect where the candidate is affiliated</li> </ul> </li> <li>5) He or she is a member of the EC in good standing for the last five (5) years immediately preceding the election or appointment and shall continue to be a member in good standing during his or her incumbency; A member of good standing shall mean that said member: <ul style="list-style-type: none"> <li>a. Has no unsettled or outstanding obligation to the cooperative during his membership in the cooperative whether personal or commercial or industrial connection of which he or she is the owner or a co-owner; three (3) months prior to the time of filling of certificate of candidacy; provided that for incumbent members of the EC Board who will seek re-election, unsettled or outstanding obligation shall be deemed to include power bills, cash advances, disallowances (including NEA audit findings) and materials and equipment issuances, reckoned from the time of filing of certificate of candidacy.</li> <li>b. Has not been apprehended for electric pilferage; A mere apprehension of electric pilferage by the EC, even without conviction for such offense by any court, shall be a valid ground for disqualification. The word "apprehension" should be taken in the strict context as used in Republic Act No. 7832, otherwise known as "Anti-Electricity and Electric Transmission Line or Materials Pilferage Act of 1994" which means that a person is caught in <i>flagrante delicto</i> for violating the provision of the said Act;</li> <li>c. Has not been removed for cause as a director or an employee from any EC ; <ul style="list-style-type: none"> <li>In general, removal or termination of service from the EC is caused by a grave offense or violation/s of policies, rules and regulations. A former director or employee with a record of termination/removal for cause from public service or for just causes as defined in Article 282 of the Labor Code as amended shall not be qualified to be elected or appointed as director of an EC.</li> </ul> </li> </ul> </li> <li>6) He or she is an actual resident and consumer in the district that he or she seeks to represent for at least two (2) years immediately preceding the election; and</li> <li>7) He or she has attended at least two (2) Annual General Membership Assemblies (AGMA) for the last five (5) years immediately preceding the election or appointment.</li> </ul>

Article IV – Board of Directors: Elections and Tenure, ...*(continued)*

EXISTING:	PROPOSED:
<p><i>None. Proposed Section is new.</i></p>	<p><b>SECTION 3-A: DISQUALIFICATIONS:</b>  Pursuant to Section 26-B of PD 269, as amended by the Act, any person shall be ineligible to be elected or be appointed as member of the board of directors or officers of an EC if:</p> <ol style="list-style-type: none"> <li>1. Such person or his or her spouse holds any public office. For purpose of disqualification, any person holding an elective position or an appointive position with a salary grade of sixteen (SG 16) or higher or its equivalent shall not be eligible to be elected as member of the Board of Directors or officers of an EC;</li> <li>2. Such person or his or her spouse has been a candidate in the last preceding local or national elections;</li> <li>3. Such person has been convicted by final judgment of a crime involving moral turpitude;</li> <li>4. Such person has been terminated from public office/government employment or private employment for just cause as defined in Article 282 of the Labor Code. For this purpose, termination from public office shall mean removal;</li> <li>5. Such person is related within the fourth civil degree of consanguinity or affinity to any member of the EC Board of Directors, Department Manager, NEA-appointed Project Supervisor (PS) or Acting General Manager (AGM) or its equivalent or higher position; and</li> <li>6. Such person is employed by or has financial interest in a competing enterprise or business of selling electric energy or electrical hardware to the cooperative or doing business with the EC including, but not limited to, the use or rental of poles; "Doing business" shall refer to the transaction related to the core or main line business of the EC, which is conveyance of electricity through its distribution facilities.</li> </ol>
<p><i>None. Proposed Section is new.</i></p>	<p><b>SECTION 3-B: Requirements for the filing of certificate of candidacy:</b></p> <ol style="list-style-type: none"> <li>1. Duly accomplished and notarized Certificate of Candidacy (3 copies) with (3) copies 2" x 2" picture;</li> <li>2. Court Clearance;(Municipal/Regional)</li> <li>3. Xerox copy of Tax Identification Number (TIN);</li> <li>4. Birth Certificate (NSO);</li> <li>5. Barangay Captain's certification that the candidate is an actual resident of the barangay/district he/she seeks to represent for the last two (2) years;</li> <li>6. Certification from the Commission on Election (COMELEC) that he/she was not a candidate on any election immediately preceding the Electric Cooperative District Election;</li> <li>7. Transcript of records or diploma (graduate of a 4 year course);</li> <li>8. Certificate of Good Moral Character issued by any of the following: Barangay, National Bureau of Investigation, Philippine National Police, Leader of Religious sect where the candidate is affiliated</li> <li>9. Certification from the EC: <ol style="list-style-type: none"> <li>a. That the candidate is a bonafide member-consumer of the cooperative in the district he/she seeks to represent for the last five (5) years and actual consumer for the last two (2) years.</li> <li>b. That the candidate is a member of the cooperative in good standing. That the candidate has attended at least two (2) Annual General Membership Assemblies' (AGMA) for the last five (5) years.</li> </ol> </li> </ol>

Article IV – Board of Directors: Elections and Tenure, ...*(continued)*

EXISTING:	PROPOSED:
<p>Article IV, Section 11. COMPLAINTS AGAINST BOARD MEMBERS, OFFICERS OR EMPLOYEES. <u>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 warn, suspend or remove the Director, officer or employee concerned, otherwise, it shall dismiss the case.</u></p>	<p>Article IV, Section 11. COMPLAINTS AGAINST BOARD MEMBERS, OFFICERS OR EMPLOYEES. <u>Any complaints against Board Members, General Manager, Department Managers, Area Manager and Members of the Bids and Awards Committee (BAC) shall be filed with the National Electrification Administration-Administrative Committee (NEA-ADCOM) who has the primary and exclusive jurisdiction of administrative Cases. (Pursuant to Section 7-Jurisdiction of NEA over Administrative Cases-IRR R.A. 10531)</u></p>

(B) Article V – Meeting of the Board

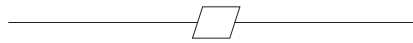
<p>ARTICLE V – MEETINGS OF THE BOARD Section 1. REGULAR MEETING. A regular meeting of the Board shall be held without notice, immediately after, and at the same place as the annual meeting of the members. A regular meeting of the Board shall also be held <u>once</u> a month at the principal office of 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.</p>	<p>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 <u>twice</u> 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.</p> <p><i>Amendment:</i> <i>Strike out “once” and replace with “twice”</i></p>
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(C) Article X – Financial Transactions.

<p>Article X – FINANCIAL TRANSACTIONS ... Section 4. CHANGE OF RATES. Changes in the rates charged by the Cooperative for electric energy become effective only after approval by <u>NEA except that temporary charges based upon increase in the direct cost of fuel for generating power may be added t the consumer's bill in order to avoid deficit operation of the Cooperative.</u></p>	<p>Article X – FINANCIAL TRANSACTIONS ... Section 4. CHANGE OF RATES. Changes in the rates charged by the Cooperative for electric energy become effective only after approval by <u>the Energy Regulatory Commission (ERC).</u></p> <p><i>Amendment:</i> <i>Strike out phrase starting with NEA to Cooperative and replace with “the Energy Regulatory Commission (ERC).”</i></p>
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BENGUET ELECTRIC COOPERATIVE, INC.  
(BENECO)

ANNUAL REPORT  
FY 2013



*presented on  
the occasion of the*

**34th  
Annual General Membership Assembly**

*held at the  
Kapangan Municipal Covered Court  
Lomon, Kapangan, Benguet*

*with  
Special Guest of Honor*

*Department of Energy Secretary*  
**HON. CARLOS JERICHO L. PETILLA**

*06 December 2014*

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MALACAÑAN PALACE  
Manila

**M**y warmest greetings to the Benguet Electric Cooperative Inc. (BENECO) as you hold your 34th Annual General Membership Assembly.

Organizations are galvanized by the vision of rendering quality services and creating positive impact on the lives of the people they cater to. I am heartened that you remain focused on these tasks and are gathered today to contemplate how to better contribute to the communities of Benguet.

May this dialogue empower you as you push the envelope in rural electrification and align your enterprise's growth with that of your constituency; may it provide you with a platform to bolster your present initiatives, strengthen the partnership between BENECO and its stakeholders, and augment your role in generating a healthy energy mix for our country.

Before our nation lie great challenges and opportunities; all of them surmountable in the face of the Filipinos' concerted efforts to build a more dynamic and empowered tomorrow. I call upon you as an ally in progress to help clear our path of advancement and accelerate our fellowmen's march on the straight and righteous path.

**BENIGNO S. AQUINO III**  
*President of the Philippines*

MESSAGE



Republic of the Philippines  
**DEPARTMENT OF ENERGY**  
Energy Center, Bonifacio Global City, Taguig

**G**reetings to the officers and member-consumers of the Benguet Electric Cooperative, Inc (BENECO) as you hold your 34th Annual General Membership Assembly (AGMA).

As an AA category electric cooperative (EC), BENECO is continuously raising the bar of excellence for their member-consumers. With this in mind, we are proud to say that your EC is doing a sustainable effort to develop their services and nurture a healthy relationship with all their stakeholders.

With the same confidence that the country will soon be energy secure and efficient, we enjoy BENECO to be an active partner in all the Department's programs and projects. In return, you can be assured of our unwavering and active participation in all your endeavors, as we believe that your mission and objectives form part of our common visions for a brighter future.

We look forward for more successes devoted to our people.

Mabuhay and more power!

A handwritten signature in black ink, appearing to read "C. Petilla".

**CARLOS JERICHO L. PETILLA**  
*Secretary*

MESSAGE



Republic of the Philippines  
**NATIONAL ELECTRIFICATION ADMINISTRATION**  
*"The 1st Performance Governance System-Institutionalized  
National Government Agency"*  
NIA Road, Government Center, Diliman, Quezon City

I wish to extend my greetings to the Member-Consumers, Board of Directors, Officials and Employees of the Benguet Electric Cooperative, Inc. (BENECO) on their 34th Annual General Membership Assembly on December 06, 2014 at the Kapangan Municipal Covered Court, Lomon, Kapangan, Benguet.

Baguio City remains to be the premier tourist destination in the country, the seat of topnotch educational institutions, center of government organizations and host to big commercial and techno hub facilities in northern Philippines. Benguet Province is still the principal producer of vegetables and flowers of the country. Hence, it is imperative for BENECO to provide adequate and reliable electric service to sustain economic growth in its area coverage.

NEA is cognizant of BENECO's valuable contribution in the country's development efforts through the energization of all the 289 Barangays, 2,316 Sitios serving 164,768 connections. Congratulations for achieving an AA rating in the first run of the NEA Key Performance Standards after two years of being rated a Category A+ Electric Cooperative.

Though challenges continue to abound in BENECO, it is best that as you gather to celebrate another milestone, your pool of ideas, resources and networks be tapped collectively, in order to surmount certain odds and respond to growing expectations.

Likewise, I seek your commitment in electrifying the remaining 774 Sitios in your area of coverage. I am confident that you can promote the power of electricity to every home and people in the Province of Benguet.

  
EDITA S. BUENO  
Administrator

MESSAGE



## NGCP

National Grid Corporation of the Philippines  
Diliman, Quezon City  
*"Stronger Transmission for a Stronger Philippines"*

**T**he National Grid Corporation of the Philippines extends its warmest compliments to Benguet Electric Cooperative (BENECO) on their 34th Annual General Membership Assembly (AGMA).

This special event is another achievement for BENECO as they continue to provide safe and reliable electricity to their member-consumers. The electric cooperative's continuous service has created opportunities that have helped the people of their franchise area.

The company salutes BENECO for their zealous implementation of projects. The NGCP remains committed to supporting their initiatives for sustained development and empowerment of services.

Let this AGMA be a testament of excellence, integrity and commitment to a reliable and efficient service for consumer satisfaction. To BENECO's Board of Directors, Management, Employees and Member-Consumers, congratulations and more power!



**HENRY T. SY, JR.**  
*President & CEO, NGCP*

MESSAGE



PHILIPPINE RURAL ELECTRIC COOPERATIVES  
ASSOCIATION, INC.  
(PHILRECA)

**O**n this very special occasion, it is my honor and privilege to greet the Board of Directors, Management and Staff as well as the Member-Consumers of Benguet Electric Cooperative, Inc. (BENECO) on its 34th Annual General Membership Assembly (AGMA) on December 06, 2014.

Over the years, you have lived up to your goal by transforming your cooperative into a strong and responsive organization. Indeed, BENECO or any other institution for that matter, functions best when all the players endeavor to excel in their respective areas of responsibility for the realization of its declared VISION and MISSION.

While laws, rules, regulations and policies continuously change, the fundamental goal of the electric cooperatives remains the same—to provide affordable, reliable and efficient electric service to each and every home. We therefore urge you to stand up to the challenges and translate them into opportunities. In doing so, it is imperative to empower the community and build stronger partnership with the stakeholders.

In the national perspective, let us uphold the UNITY OF PURPOSE and SPIRIT in dealing with the fast-shifting business climate of the power industry. Accomplishing said objective, equates to an enduring journey to progress for the country and our people.

May you have a successful annual gathering.

MABUHAY and more power!

WENDELL V. BALLESTEROS  
*General Manager*

MESSAGE



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

I would like to extend my sincerest felicitations and greetings to the esteemed leaders and member-consumer-owners (MCOs) of Benguet Electric Cooperative, Inc. on the celebration of your 34th Annual General Membership Assembly (AGMA) on December 6, 2014.

Congress, through this representation, commends your cooperative for keeping good quality and efficient service to your franchise area as your paramount concern. I also congratulate you for holding this annual event as it is reflective of your commitment for transparency and accountability to the MCOs.

As your representative in the 16th Philippine Congress, I am pleased to report that I have already filed legislative measures for the empowerment, protection and development of ECS and our electric consumers. I recognize that the lingering power crisis in the country, especially in Mindanao, necessitate structural reforms in the power industry.

My future plan of action as your representative includes the continued active participation in the AGMAs of ECs, MSEAC and Board of Directors assemblies, conferences, conventions, among others in order to have a good grasp of the relevant issues in our sector. Apart from my legislative work, I will also be assisting in the hard task to organize and revitalize the movement of the electric consumers.

Finally, I would like to express my sincerest gratitude for BENEKO's incessant support as we continue to advance the interests of our ECs and the rural energy consumers. I sincerely wish you all the best in the years to come as you continue to serve the community with excellence as your standard.

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

  
EDGARDO 'ERM' RAMA MASONGSONG  
Representative 1-CARE



MESSAGE



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

**T**he Benguet Electric Cooperative (BENECO) has for years been providing power and lights to the City of Baguio and the Province of Benguet. It continuously looks for ways and means in improving its service to consumers and also committed in supporting the different community projects of the local government units, the non-government agencies and the consumers.

In behalf of the city officialdom and my family, we extend our warm greetings and felicitations as you celebrate your 34th Annual General Membership Assembly on December 06, 2014.

As you continue planning for better services and efficient management, may you continue to work closely with the government and communities for more improved and efficient community services and further extend your Social Responsibility programs that will benefit your consumers.

Once again, congratulations and we're looking forward for more years of your continuous and competent services to the people.

More power and God bless our Cooperative!

**NICASIO M. ALIPING JR.**  
*Congressman,  
Baguio City*

MESSAGE




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

**M**y warmest greetings to our fellow member-consumers, the management/administration and staff, Board of Directors and all other stakeholders of the Benguet Electric Cooperative, Inc. (BENECO) as we congregate on December 06, 2014 in Kapangan, Benguet for the 34th Annual General Membership Assembly (AGMA) to celebrate our successes and accomplishments for the year 2013.

Significantly the AGMA is the time to *"tape and cable-line"* our action plans for better cooperative services in the ensuing year. I enjoin all BENECO stakeholders to participate actively in the deliberation of issues and concerns that shall be wired and laid out for our disposal during the assembly. Let us enthusiastically discuss, amend, approve or disapprove proposed policies and guidelines in order to set the right direction of operation for years to come.

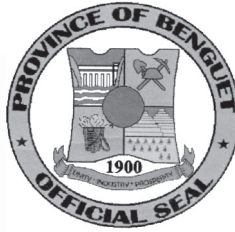
As your servant-leader, I will reiterate and persistently lobby on laws, ordinances and issuances that promote the best interests of cooperative and their members. I will continue to support the rural electrification programs of this present administration.

Again, my heartiest greetings and wishing everyone a fruitful AGMA 2014.

  
RONALD M. COSALAN  
Congressman  
Province of Benguet

MESSAGE





Republic of the Philippines  
Province of Benguet  
**OFFICE OF THE GOVERNOR**

**O**n the occasion of Benguet Electric Cooperative's 34th Annual General Assembly on December 06, 2013 to be held at the Kapangan Municipal covered court, Lomon, Kapangan, Benguet, we extend our warmest greetings to all the member-consumers as they come together to once again renew and strengthen their membership with BENEKO.

The 34th General Assembly is very important because this particular gathering affords the members opportunities of joining with management on how they can further improve the services of the co-op. The exchange of opinions and ideas both from management and member-consumers geared towards the improvement of our electric cooperative can only be done at this time of assembly.

To the members of the Board of Directors and the management, we express our appreciation for the delivery of satisfactory service to our member-consumers. This efficient service is no doubt due to the competent leadership at the helm of the co-op.

The rank and file employees, also goes our sincere salute. Being the front-liners, we understand how risky your job is. Indeed, it is through your collective efforts and dedication that the turbines of BENEKO keep turning.

Most importantly though, is also our appreciation to the member-consumers who are considered the backbone of our Electric Cooperative. Their prompt and regular payment of their monthly dues has indeed kept BENEKO financially viable.

Happy 34th Annual General Assembly!

Thank you.

**NESTOR B. FONGWAN**  
*Provincial Governor*

MESSAGE



Republic of the Philippines  
Province of Benguet  
**OFFICE OF THE VICE GOVERNOR**

**T**he panic expressed by our energy officials on next year's dire predictions of a power shortage has put our electric cooperative on a spot where it must define its role in an impending national crisis on power supply.

I cannot see why we should not commend our own Benguet Electric Cooperative (BENECO). It has continuously struggled to become competitive and it has played its cards well in the spot market. The power beyond the control of distribution utilities since the problem involves the availability of supply in the grid. Yet, BENECO has managed to stay afloat by initiating its own resources to cushion and to avoid its franchise being at mercy of the throes of a crisis.

We are aware of its mini-hydro project in Buguias. We have been briefed about how to secure our power supply. One way is through a well negotiated power supply agreement like one BENECO had with Team Energy. We have seen its performance improve over the years, in terms of collection efficiency, system loss reduction and technical enhancement. Not only that, I believe that 2013 was BENECO's banner year for Sitio Electrification Program.

These are the factors that we should consider in gauging how receptive and committed our electric cooperative is in terms of the service it gives us as members consumers. Put it differently, we should be proud that BENECO, over the years, has performed beyond our expectations. The problems of the main grid may be a nationwide concern among all the stakeholders in the power industry. But the justice is that BENECO has most often not let us down.

Indeed, this year's annual General Membership Assembly does not only gather us to remind us that we are member consumers but also to give kudos to what this electric cooperative has done for us. We should be reminded that without BENECO, the Province and Baguio City would not have progressed.

Happy AGMA to all our consumers, the employees of the cooperative and all those who have made sure we go home delighted and get our lights on.

Congratulations!

**NELSON DANGWA**  
*Provincial Vice Governor*

MESSAGE



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

In the officialdom of Baguio City, we would like to commend the management, the members of the Board of Directors of the Benguet Electric Cooperative, Inc. (BEC) on the occasion of our 34th Annual General Membership Assembly (AGMA) on December 6, 2014 at the Kapangan Municipal Covered Court, Lomon, Kapangan, Benguet.

We commend our partner in rural electrification for sustaining the conduct of the AGMA in the different areas being serviced by the cooperative so the member-consumers will be able to be updated on the programs, projects and future initiatives that will enhance our services. May we continue to embrace the principle of dialogue and consultation in dealing with our disagreements for us to be able to come out with practical solutions for the betterment of everyone.

May this gathering be an avenue for us member-consumers to voice out our issues and concerns regarding the services of the cooperative and for the management and the Board of Directors to satisfy us with their reply to the concerns that we raise. Let us uphold the practice of democratic processes in the solution of our issues raised on the floor.

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

*Mabuhay tayong lahat!*

*Matagotago tako am-in!*

*Menbiyag kiton emin!*

  
**MALPICIO G. DOMOGAN**  
City Mayor

MESSAGE



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

**A** heart has reason that reason knows nothing of.”

The Benguet Electric Cooperative, Inc. (BENECO) has indeed paved its way to success with its continuous and numerous action plans in working out its vision-mission. Evidently, BENECO is a model electric cooperative and is undoubtedly delivering quality service to areas of Baguio City and Benguet Province. KUDOS!

On the occasion of the 34th Annual General Assembly, my family and I on behalf of the Municipality of Atok wish to extend our heartfelt greetings and congratulations.

As you celebrate this historic occasion, we pray that you will continue to be a channel of blessing and an epitome of excellent service to all consumers served.

Again, a high commendation to the whole BENECO family! CARRY ON!

May God splendidly grant all the desires of your heart! MABUHAY!

**PETER B. ALOS**  
*Municipal Mayor*

MESSAGE



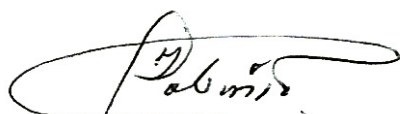
Republic of the Philippines  
Province of Benguet  
Municipality of Bakun  
**OFFICE OF THE MUNICIPAL MAYOR**

**B**enguet Electric Cooperative, Inc. (BENECO) has been a dependable and invaluable partner of this municipality as a vehicle of delivering public service in all the corners of Bakun through its electrification program.

As it celebrates its 34th Annual General Membership Assembly (AGMA) on December 06, 2014, my humble Office and in behalf of the officialdom of Bakun would like to extend our warmest congratulations to the Cooperative, its Board of Directors and all that composes it for its efficient and effective service.

The People of Bakun is looking forward to a more involved partnership as we move cadence towards the shaping of a more dynamic and progressive Bakun.

Congratulations on your assembly and God bless!

  
**FAUSTO T. LABINIO**  
*Municipal Mayor*

MESSAGE



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

**G**reetings to all the officials, members and consumers of the Benguet Electric Cooperative, Inc. (BENECO) on its 34th Commemorative Annual General Membership Assembly.

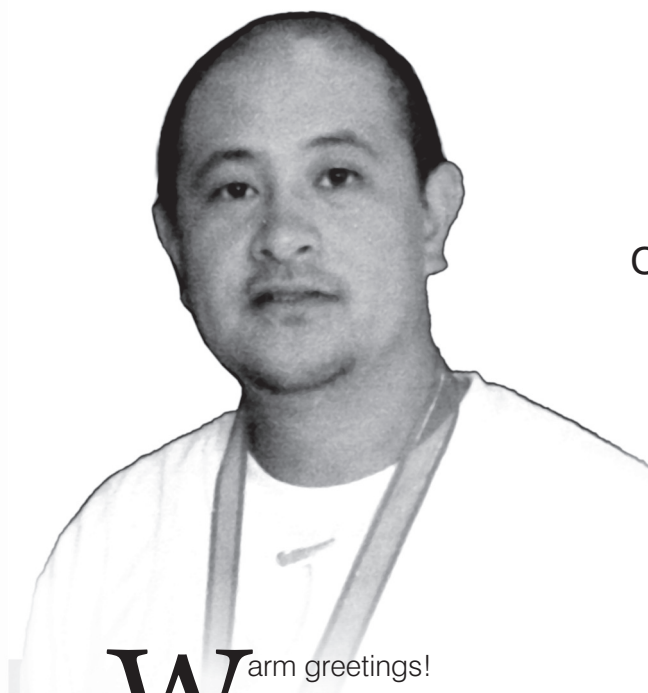
It is again time for us to review and evaluate the status of our electric cooperative, a time for us to be informed and give suggestions on how to improve its existence and operations. Indeed, all of us have a responsibility to make our cooperative successful.

We still face a lot of challenges ahead of us, but in the end, we shall prevail because we are one in striving to achieve the goals that we have set for our cooperative.

Congratulations to all of us, and more power to our cooperative.

  
**MAURICIO T. MACAY**  
*Municipal Mayor*

MESSAGE



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

**W**arm 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 34th Annual General Membership Assembly (AGMA) dated December 06, 2014 to held at the Kapangan Municipal Covered Court, Lomon, Kapangan, Benguet.

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

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

Matago-tago tako amin! God Speed!

  
MELCHORD D. DICLAS, M.D.  
*Municipal Mayor*

MESSAGE



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

I am privileged and delighted to extend greetings to all stakeholders, friends associates and partners of BENEKO on its 34th Annual General Membership Assembly. As we approach another Christmas Season, with all the excitement and merriment that is part of the tradition. I wish to invite everyone to take time in thanking the Almighty for guiding our Cooperative meet the needs and expectations of its member-consumers.

As we continue to evolve, communication and collaboration become more essential elements in fulfilling the mission of the cooperative and aspirations of our member-consumers. The need to value the members' suggestions and comments is basically the main ingredient for the growth of our organization.

Looking forward ahead, we are anticipating new challenges and opportunities that are emerging. Among these is the looming power shortage by next year. Our effort and commitment to work together will ensure the proper management of the impacts of these challenges.

I, together with the Itogon constituency, wish to thank you for the support and valuable programs extended to the Municipality. We pledge to work even more closely with you and we are determined to keep going further so that we can continue rewarding all our stakeholders with "quality service as our way of life."

**ATTY. VICTORIO T. PALANGDAN**  
*Municipal Mayor*

MESSAGE





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

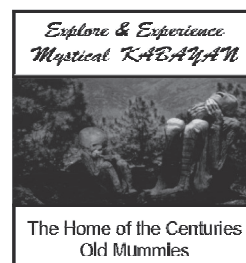
**W**armest greetings to all member-consumers of the Benguet Electric Cooperative, Inc. (BENECO) in its 34th Annual General Membership Assembly.

As we celebrated this year's general assembly, let us realize the importance of the active participation of the member-consumers in the efficient management of our cooperative. While our cooperative has been steadfast in its intention to provide efficient and quality service to the public, let us always be vigilant and participative, so that the future will bright as we all envision. Let us bring our legitimate concerns including complaints, suggestions and other matters of concern to the attention of our officials so that the same may be properly addressed.

I also take this opportunity to congratulate and commend all the officials and employees of the cooperative from top to bottom, for continuously striving to deliver quality service to every entity needing quality service.

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

  
**FAUSTINO MINAS AQUISAN**  
*Municipal Mayor*



MESSAGE



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

I join my constituents in conveying my warmest welcome and felicitation to the warriors of light, member-consumers and guests of the 34th Annual General Membership Assembly (AGMA) of BENEKO on December 6, 2014 at Kapangan Municipal Covered Court.

I commend the BENEKO family for their initiative and efforts of reporting to the member-consumers the status of operation of the cooperative for the year 2013. True to the spirit of transparency.

To the member-consumers I enjoin you to answer to this call and attend the 34th Annual General Membership Assembly. Let us take advantage of the opportunity to know better this cooperative that we are part of. Let us be mindful of its operation so we may be enlightened as to the pressing issues and concerns.

More power!

**ROBERTO K. CANUTO**  
*Municipal Mayor*

MESSAGE



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

**O**n behalf of the resident-members and officials of the Municipality of Kibungan, I would like convey our warmest greetings on the 34th Annual General Membership Assembly of the Benguet Electric Cooperative, Inc.

As our country's demand for electricity is constantly increasing, it is placing a strain on our limited sources of energy. And as our National Government tries to place measures to avert a possible energy crisis in the coming years, this situation recognizes the importance of good governance and transparency in the energy sector.

Our participation in the good governance and transparency in the energy sector requires us, as member-consumers, to participate constantly and inform ourselves in the affairs of our Cooperative. Further, we must continue doing our part in energy conservation.

It is our hope that with good governance, transparency and energy conservation practices, we could continue to support and strengthen our Cooperative.



**BENITO D. SIADTO**  
*Municipal Mayor*

MESSAGE



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


**G**reetings of Peace and Joy to the Benguet Electric Cooperative (BENECO) on the occasion of its 34th General Assembly!

Gatherings such as this are of great importance since they play a vital role in keeping the flames of solidarity alive between and among BENECO's members, in providing an avenue for invaluable input and insight, and in ensuring that the consuming public is appraised on matters relative to their welfare.

This is the essence of genuine public service: TRANSPARENCY, ACCOUNTABILITY, and PEOPLE EMPOWERMENT thru faithful adherence to our most cherished democratic principles.

May you always live up to your motto: "Quality Service is Our Way of Life," as we continue in our partnership of bring about prompt, efficient and responsive service to the people in our Municipality.

With that, on behalf of the Officialdom, municipal employees and people of Municipality of La Trinidad, we would like to extend our warmest congratulations to our fellow public servants in BENECO.

  
EDNA C. TABANDA  
*Municipal Mayor*

MESSAGE



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

**O**n behalf of the people of the municipality of Mankayan and my family, I take this opportunity in extending our greetings and best wishes to the Officials and Staff of Benguet Electric Cooperative, Inc. (BENECO) during its 34th Annual General Membership Assembly (AGMA) held at the historic town of Poblacion, Kapangan, Benguet.

Indeed, Benguet Electric Cooperative (BENECO) has every reason to be proud. Having existed for thirty four (34) years only proves the successful achievements of BENECO in the energization and realizing the long dream of people in far flung barangays to bring light into their homes. As members, we look forward that you will not fail us in our expectation that BENECO will continue to dream big and attain successfully its MISSION and VISION.

To my fellow members, continue whatever support we have extended to BENECO, remember that it was our support that enable BENECO to reach this far.

Thank you and Happy Holidays.

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

MESSAGE



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

**O**ur warmest greetings and congratulations to the member-consumers, Honorable Members of the BENECON Board of Directors, Management and Staff of the Benguet Electric Cooperative, Inc. (BENECON) on the occasion of its 34th Annual General Membership Assembly (AGMA).

We commend the workforce of BENECON for its accomplishments and continued initiative to provide efficient, reliable and affordable service to its member-consumers. Your accomplishments have been instrumental in the development and economic growth of your coverage area especially in the countryside. May you continue to pursue plans and programs for Sitio electrification and Barangay line enhancements, among others, to open more opportunities for economic development for the achievement and realization of the dreams and aspirations of the constituents that we both serve.

We pray for the success of BENECON's 34th Annual General Membership Assembly (AGMA). May this occasion serve as an avenue for BENECON to present its accomplishments and for member-consumers to appreciate the same. May the member-consumers likewise realize their contributions in the success of their electric cooperative.

More power to BENECON! Mabuhay!

**ARTHUR C. BALDO**  
*Municipal Mayor*

MESSAGE



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

**S**incere greetings to the Management, Staff and Members of the hardworking men and women of Benguet Electric Cooperative, Inc. (BENECO)

The officialdom of Tuba is honored to congratulate our cooperative as we celebrate our 34th Annual General Membership Assembly.

While the Municipality surges forward to sustainable and multi-sectoral development, everyone must continue to stay united, as your cooperative's members are. May our cooperative continue to grow, as you develop and energize our municipality, because nothing is more admirable in a community than a core set of people who sincerely work together for the improvement of their lives and of the community. Let us all continue to maintain the traits that make us a model of the young and old, by being peace-loving, family centered and well-developed community of conscientious people.

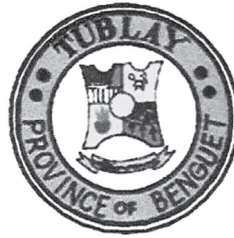
As Tuba surges forward to its next century of progress and unity, we are assured that our good cooperative stays as a steady partner in the sustainable development of the municipality.

It is with great privilege that we are one, as one family, enthusiastically supporting and serving for a superior service to the communities.

Kudos and Godspeed!

  
**FLORENCIO V. BENTREZ**  
*Municipal Mayor*

MESSAGE



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

**I**n behalf of the people of our municipality that I represent, my greetings to the member-consumers on the occasion of the 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 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 informed 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 concerned 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*

MESSAGE





BENGUET ELECTRIC COOPERATIVE, Inc.  
Alapang, La Trinidad, Benguet  
**OFFICE OF THE PRESIDENT OF THE BOARD**

**W**armest greetings to all the member consumers of BENECO for this year's Annual General Membership Assembly.

We are glad that we are present for the celebration. As stakeholders, our purpose is not really to gain profit but to become part of an electric cooperative that puts premium on service. This is why our electric cooperative is non-stock and non-profit. Our mission is to provide reliable and competitively priced electricity to all individuals and entities within our service area in order to maintain and improve the quality of life, now and in the future

Our theme for today's gathering is "Sustaining Countryside Development Through Sitio Electrification." This tells us the kind of mission we have to accomplish.

Let us take this year's occasion as the opportunity to reveal our major accomplishments. All these are in line with the President Benigno S. Aquino's program for rural electrification. Specifically, the government calls the program now as Sitio Electrification Program (SEP) and Barangay Line Enhancement Program (BLEP). But whatever these programs be called, they mean the same thing – energize all houses and villages. Electricity is a basic need that must be enjoyed by all individuals within the coverage of BENECO.

The board and the management want to fulfill the dream of electrifying the farthest barangays and sitios of Benguet even in the so called non-

MESSAGE



*BOD President Peter Busaing assisted by GM Verzosa presents a Plaque of Appreciation to 1-CARE Party List representative Michael Rivera at last years AGMA.*

viable areas because bringing electricity to these areas will significantly change things for their lives. Their living conditions will improve. Livelihood opportunities will increase. Education will be enhanced and access to communication and technology will be made easy.

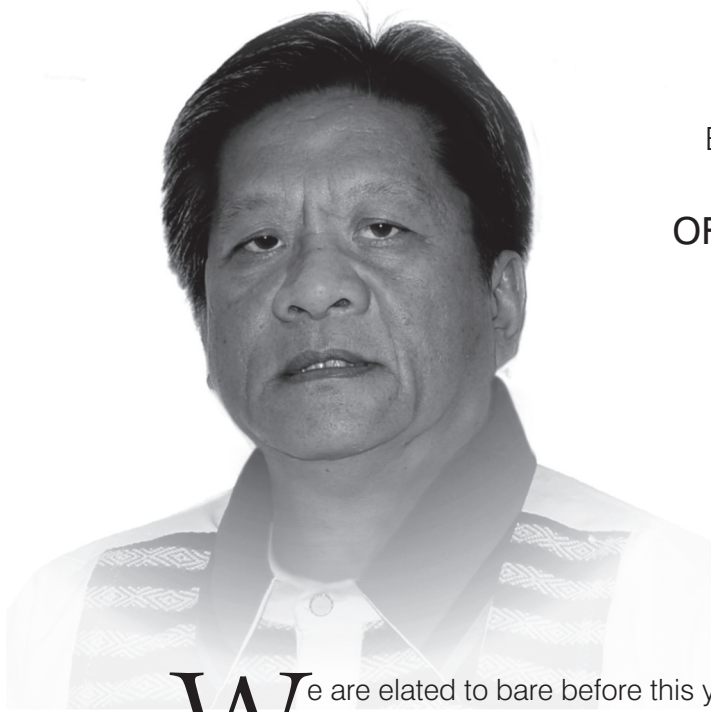
For several years now, BENECO has been spending millions for its Capital Expenditures (CAPEX) Plan to energize hard to reach communities even if it will take a century to recoup the investment spent on them. This is where we become grateful to the Aquino administration for realizing the need to intensify rural electrification through the SEP. Indeed, providing energy access for more of our “kakailians” in the remote sitios is a key to countryside development as it will alleviate poverty and spur development.

We pray the God almighty will bless us all with a healthy life so that we will still be present in the succeeding AGMAs. Happy AGMA.

**PETER B. BUSAING**  
*President, BENECO Board of Directors*



BENGUET ELECTRIC COOPERATIVE, Inc.  
Alapang, La Trinidad, Benguet  
**OFFICE OF THE GENERAL MANAGER**



**W**e are elated to bare before this year's annual assembly that our electric cooperative continues to grow, riding on a wave of inspired performance and dedicated service to ensure the delivery for every business and household an adequate, affordable and reliable supply of electricity.

A strategic approach was adopted for the year to up the ante on how we hurdle the changes and challenges of the power distribution industry. The passage of the revised NEA charter under Republic Act 10531 has provoked the very depth of our resilience and skill to comply with state regulation, technical standards and to muster enough courage go into the attraction to indulge in power generation. BENECO then took a two pronged approach. It intensified electrification on the rural side of its franchise while it doubled its efforts to upgrade and rehabilitate its system to address the burgeoning demand of its consumers on the urban side of its area of responsibility.

Please take note that even before the government's sitio energization program (SEP) was launched as a flagship project, your electric cooperative has long intensified its efforts to empower the far flung areas at BENECO's own cost and resources. That's why we wish to reiterate that the management of BENECO has remained steadfast in its bid to seek the condonation of the P100 million loan from NEA. It's not that we cannot pay or we refuse to honor our obligation. The plea for a debt write off is based on matter of principle – we took the gamble of borrowing money for a vision

MESSAGE



*1-Care Party List representative Edgardo Masongsong delivers the keynote speech at the 2013 AGMA held at the Easter College Gym in Baguio City.*

which the government took notice of years later and decided to pump in more than P35 billion in subsidy. Thus, we take this occasion to thank Rep. Edgardo Masongsong of 1-CARE Party List, Rep. Ronald Cosalan and Rep. Nicasio Aliping Jr. for filing the bills that sought to ask congressional approval of the P100 million debt's condonation.

The tangible components of our key performance have neither been ruffled nor diminished for the year. We still maintained a single digit system loss, thus, boosting our seat as one of 20 elite electric cooperatives in the country today. Our collection efficiency, meanwhile, has remained on desirable levels, assuring us of a thick wad of resources that enabled us to procure and dispatch new cables, transformers, reclosers, kilowatt hour meters and electric poles.

The year 2013 also concretized our leap into power generation. We took all stops to be able to negotiate with the affected landowners of our three megawatt mini hydro project in Buguias while we really got serious in exploring our chances along the Agno river in Kabayan.

What we wish to convey is simple – your electric cooperative continues to be faithful and dedicated to its mandate to be able to address the welfare of its number one stakeholder – the member consumers themselves.

Let us continue to work together. If we falter, assail us. If we keep the tab on a roll, inspire us. If we hurdle much, give us a pat.

A toast to our annual assembly. Thank you.

  
GERARDO P. VERZOSA  
General Manager

○ TECHNICAL HIGHLIGHTS

ENGINEERING DEPARTMENT



The year 2013 saw BENECO continuing to extend its commitment to extend its lines to the remote areas in Benguet. In support of Pres. Aquino's Sitio Energization Program (SEP), the electric cooperative brought light to 843 villages within the six districts of Benguet. The hardwork and diligence of the linemen, trainees and supervisors resulted to the installation of 23 transformers in various locations, 52 kms. of primary line and 82 kms. of secondary. Also erected were 1,322 poles. The total cost of these projects amounted to P60.6 million under the SEP.

The energy demand of BENECO's member consumers continued to increase during the year. The increase had an average of 3 percent. To address the demand for more power, the cooperative also had to increase the reliability and efficiency of its system and technical efficiency. A total of P39.5 million was spent for projects that increased the capacity of transformers and primary lines, including the repair, rehabilitation and upgrading of lines. Specifically, old transformers were retired. Installed were 101 new transformers totalling to a capacity of 3,037 KVA and stretched up to 54 kms. of primary lines. BENECO continued to rehabilitate and upgrade lines in 170 sitios in Baguio City and Benguet. This move resulted to the erection of 556 poles, 19 kms. of primary lines, 40 kms. of secondary line and 11 transformers.

The electric cooperative addressed the need to

change old electro-mechanical kilowatt-hour meters to electronic ones to increase efficiency and accuracy of recording the consumption of member consumers. Thus, 2,024 old meters were replaced with new ones. This move helped significantly contributed to accurate recording of consumption. This in turn improved sales and reduced system losses caused by meter-related problems

The year also saw BENECO pushing intently its venture into power generation. It engaged the services of experts to conduct feasibility studies of possible additional sources of power. The 3 MVA Man-asok Mini Hydro Power Plant project in Buguias, Benguet which took off from the drawing board to its initial stages of implementation in terms of grassroots consultation. In addition, feasibility studies were also conducted in two river systems in Kabayan – the Agno River 1 Hydro Project and Agno River 2 Hydro Project. These projects look promising – they have a potential capacity of 30 MW.

The electric cooperative needs not only all-year-round efficiency of its lines, transformers and substations but also needs to ensure the availability of power by looking into opportunities to produce its own. ✎

BENECO 2013 ANNUAL REPORT

Subsidy Projects Funded by National Electrification Administration Under Sitio Electrification Project (SEP)

ITEM	MUNICIPALITY	SITIO	POLE REQ'MT		KILOMETERS OF LINES				XFRMR RQMT	PROJECT COST
			STEEL		2-P	1-P	U. B.	O.S.	QTY	
			30'	35'						
<b>I</b>	<b>District VIII (Bokod, Itogon and Kabayan)</b>	No. of Sitios = 13	188	107	5.28	6.558	4.2	8.27	8	12,454,547.98
1	Ambuklao	Dynamite	8	27	1.945		0.135		1	1,673,586.56
2	Ekip	Matias	7					0.465		309,234.83
3	Mangakew	Katidey	10	17	1.090		0.510	0.655	1	1,303,052.39
4	Ambuklao	Pakak, Labey	9	1		0.389	0.05	0.665	1	521,371.23
5	Ampucao	Bayating	10	15	0.705		0.30	1.040	1	1,282,657.21
6	Ampucao	Tocod-Tunnel	8	9	1.540		0.70	1.360	1	874,700.84
7	Loacan	Upper Loacan	5					0.250		240,087.58
8	Gumatdang	Lower Muyot	3					0.205		157,074.55
9	Virac	Lower Camasitan	5					0.330		241,373.06
10	Adaoay	Bolok, Ogbo, Whala, Naybaliw	34	32		2.524	1.645	0.365	2	1,731,576.78
11	Bashoy	Deng-as/Apunan	9	3		0.320		0.630	1	644,108.74
12	Batan	Tekeng, Abat	42	2		2.070	0.420	0.915	2	1,884,771.93
13	Batan	Bajen, Dangisen and Acben	38	1		1.255	0.445	1.390	1	1,590,952.27
<b>II</b>	<b>DISTRICT IX (Asin Road, Irisan, Sablan and Tuba)</b>	No. of Sitios = 12	138	161	10.67	4.69	6.655	9.02	5	17,006,327.06
1	Balluay	Divang	2	17	1.160		0.740	0.600		1,011,583.64
2	Balluay	Dawed/Peril/Central	15					1.08	2	656,536.11
3	Kamog	Mamesa/Alog		26		1.155	0.260	0.250	1	1,148,141.10
4	Pappa	Balingew	34	1		2.590	0.360		1	1,331,455.94
5	Pappa	Upper and Lower Taya	19	4		0.945	0.180	1.080	1	1,075,589.39
6	Ansagan	Andolor, Pasga, Gusaran	19	53	4.075		1.210	1.275	3	5,919,574.03
7	Camp 1	Ligay		20	0.500	0.000	0.755	0.520	1	1,350,559.57
8	Camp 1	Soyucto		20	1.645		1.245			1,184,751.62
9	Camp 1	Upper Sokiao	4					0.475		232,685.08
10	Tabaan Norte	Doongan, Dennet & Pey-oc	20	20	1.810			3.740	1	1,697,380.35
11	Camp 1	Yapa	20		1.48		1.58			1,128,707.19
12	Tadiangan	Km. 6	5				0.325			269,363.03
<b>III</b>	<b>DISTRICT X (Atok, Tublay, Kapangan and Kibungan)</b>	No. of Sitios = 24	290	138	-	17.223	12.14	21.93	8	19,010,755.72
1	Boneng	Boneng Elem. School	9	16		1.220	0.620	0.650	1	1,128,739.63
2	Pasdong	Inuman to Pangkiwa	7	1				0.835		384,395.93
3	Abiang	Upper and Lower Bocao	7				0.145	0.495		403,732.02
4	Cattubo	Washington	8					0.610		324,086.91
5	Paoay	Salat, Balangabang	18	43		6.335	4.040	1.710	3	3,040,792.93
6	Pasdong	Adday	14					1.365		633,097.92
7	Sayangan	Upper Bonglo	3					0.300		126,512.47
8	Topdac	Mokon, Patapat	9					0.530		353,868.56
9	Topdac	Ponopon-Badikong	18	3		0.120		0.970	1	867,041.16
10	Topdac	Shekdan/Bobongan	10	11		0.565		0.465	1	794,924.26
11	Topdac	Suyoc-Jappa	15					1.160		587,777.16
12	Gadang	napala & Lod-on	17	10		0.845		1.8	1	1,248,738.50
13	Sagubo	Lanas & Pingew	31			3.438	2.055	1.215	2	1,199,829.86
14	Madaymen	Libang	13					0.990		520,874.31
15	Madaymen	Sagangasang	30			0.455	0.280	3.200	1	1,301,207.16
16	Madaymen	Tabbak/Salong	11					0.875		456,202.92
17	Madaymen	Tagpaya	14					1.215		591,668.85
18	Madaymen	Lower Balangsayan	8					0.580		412,108.52
19	Poblacion	Sitio Deccan & Bayacan	4					0.480	1	187,446.11
20	Ambassador	Sub-ong/Pinanday	16	3		0.215	1.725	0.085	1	980,049.05

Table 1:

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Subsidy Projects Funded by National Electrification Administration Under Sitio Electrification Project (SEP) (cont`d.)

ITEM	MUNICIPALITY /BARANGAY	SITIO	POLE REQ'MT		KILOMETERS OF LINES				XFRMR RQMT	PROJECT COST
			STEEL		2-P	1-P	U. B.	O.S.	QTY	
			30'	35'						
21	Ambongdolan	Bengao-ngao	9	39		3.175	3.175	0.67	2	2,022,374.19
22	Ba-ayan	Shomolpot	6	4		0.19	0.1	0.24	1	473,988.59
23	Ba-ayan	Tacarang & Ansekdeb	7					0.495	1	321,854.43
24	Daclan	Pao-Belong-Amtahay	6	8		0.665		0.995	1	649,444.28
<b>IV</b>	<b>DISTRICT XI (Mankayan, Buguias and Bakun)</b>	<b>No. of Sitios = 18</b>	<b>227</b>	<b>73</b>	<b>-</b>	<b>7.847</b>	<b>2.953</b>	<b>15.094</b>	<b>2</b>	<b>12,138,462.57</b>
1	Cabiten	Mabilig, Nan-ipil, Tetteg	34			1.287	1.503	1.671	1	1,246,603.45
2	Suyoc	Nayak	5					0.34		233,060.98
3	Tabio	Naseyo	34			1.19	0.22	0.63	1	1,178,288.97
4	Baculungan Norte	Bangsalan	23	61		4.31	1.06	1.183	2	3,336,227.52
5	Lo-o	Upper Ludeg and Becaeg	13	12		0.8		1.85	1	1,265,081.61
6	Amgaleyguey	Cagam-is	5					0.54		227,632.67
7	Amgaleyguey	Naigawa-Saclalan	5					0.5		211,254.11
8	Amgaleyguey	Upper Belling	21					1.32		754,011.77
9	Baculungan Norte	Lower Demeg	5					0.3		188,966.09
10	Baculungan Norte	Nacgaan-Lamagan	9					0.64		319,773.18
11	Baculungan Sur	Sabyatan & Nayba	9					1.64		422,309.99
12	Buyacaoan	Lower Antopac	9					0.695		351,378.61
13	Buyacaoan	Upper Bayoyo	10					0.725		403,384.27
14	Catlubong	Lusong & Sil-ak, Ponopon	17					1.11		620,348.69
15	Lengaoan	Paingan-Gatiley	7					0.65		298,390.75
16	Natubleng	Pingew	7					0.68		308,252.91
17	Ampusongan	Maliclico	7			0.26	0.17	0.08		456,807.76
18	Ampusongan	Lansoan & Datakan, Namagtey	7					0.54		316,689.24
	<b>Total</b>		<b>843</b>	<b>479</b>	<b>16</b>	<b>36</b>	<b>26</b>	<b>54</b>	<b>23</b>	<b>60,610,093</b>



BENECO 2013 ANNUAL REPORT

**Rehabilitation and Upgrading of Lines**

Item	Sitio/Barangay/Municipality			NUMBER OF POLES INSTALLED								LENGTH OF LINE INSTALLED (Kilometers)				X'former Installed or Retired		PROJECT COST TOTAL (PhP)	
				Steel				Concrete				3-Ph	V-Ph	1-Ph	O.S	QTY	KVA		
				30'	35'	50'	55'	30'	35'	40'	45'								
1	KM 24	Caliking	Atok																13,432.99
2	Labban-Poliwes	Abiang	Atok	27	2								1.571	0.780	0.970	2	10		831,072.73
3	Purok 4	Outlook Drive	Baguio City		3										0.120				55,762.99
4	Feeder 9	BGH	Baguio City																21,501.32
5	Feeder 1, 2, 12	AMBUCLAO	Baguio City																90,045.69
6	Balacbac	Balacbac	Baguio City											0.315					27,582.35
7	Omalia Kiong	Ambiong	Baguio City	3											0.072				47,266.44
8	Purok 12	Irisan	Baguio City											0.540					113,892.42
9	UP drive	Military Cut-off	Baguio City											0.485					94,810.22
10	East Quirino Hill	East Quirino Hill	Baguio City											0.212	0.623				99,070.12
11	Purok 12	Irisan	Baguio City											0.713					152,344.35
12	Lucnab	Lucnab	Baguio City											0.670					99,672.88
13	Legarda Rd.	near Inn Rocio	Baguio City											0.053		1	50		9,888.61
14	F3 (B006019)	near Pop Cola	Baguio City																14,759.89
15	F3 (B006027)	Naguillian Rd.	Baguio City																13,957.85
16	F3, near Irisan BH	Naguillian Rd.	Baguio City						1										21,215.24
17	BIR Office	Outlook Drive	Baguio City					1				0.032							16,391.22
18	Feeder 3	Naguillian Rd.	Baguio City							3									91,315.48
19	Lam's Apartment	Gen. Luna Rd	Baguio City						1			0.300							22,845.07
20	Rose Garden	Burnham Park	Baguio City						1		0.090								34,420.43
21	Block 4	E. Quirino Hill	Baguio City	3										0.060					35,752.49
22	Avelino St.	Guisad	Baguio City						4			0.425							126,399.10
23	Feeder 5	Harrison	Baguio City																15,314.42
24	Ferguson		Baguio City																11,313.43
25	Sto. Nino	Marcos Hway	Baguio City						15		3.680		0.420						782,151.11
26	Purok 3	Happy Hollow	Baguio City	2	2									0.240					76,443.51
27	Magsaysay	Magsaysay	Baguio City																39,140.35
28	SLU High School	Claro M. Recto	Baguio City									0.210							10,991.82
29	Km. 4	Asin Road	Baguio City					4				0.150				1	37.5		191,606.83
30	Purok 6, Km. 5	Asin Road	Baguio City	2										0.160					38,999.24
31	Purok 1, Km.3	Asin Road	Baguio City	1										0.001					19,698.08
32	Km. 4	Asin Road	Baguio City											0.210					30,251.83
33	Feeder 3	Naguillian	Baguio City																15,388.99
34	Feeder 3	Naguillian	Baguio City																26,503.83
35	Coyeesan	Naguillian	Baguio City						1										22,422.58
36	CAP Bldg	Session Rd	Baguio City						1										47,474.13
37	General Luna	Baguio City	Baguio City							1									42,743.46
38	Interior A	Balacbac	Baguio City				2							0.090					28,644.25
39	#12 Balsigan	Campo Sioco	Baguio City											0.346					45,912.98
40	Purok 2 Batawil	Irisan	Baguio City											0.458					64,727.67
41	Interior A	Balacbac	Baguio City										0.455						73,810.11
42	Sandico St.	Salud Mitra	Baguio City							3	0.066								87,656.02
43	Purok 2, Batawil	Irisan	Baguio City	5										0.434					114,700.63
44	Purok 6, Adam's	Irisan	Baguio City	3										0.120					53,755.34
45	Purok 1	Pinsao Proper	Baguio City	3										0.112					45,592.37
46	Balsigan	Campo Sioco	Baguio City	1										0.100					19,031.65
47	Bokawkan	Bokawkan	Baguio City																49,785.26
48	FEEDER 03	Naguillian Road	Baguio City																65,109.62
49	Carantes Street	Harrison Road	Baguio City										0.360						41,110.18
50	Purok 4, Benin	Pinsao	Baguio City	3										0.228					47,060.21
51	Balacbac	Sto. Tomas	Baguio City																4,281.63
52	Purok 4	Benin Rd.	Baguio City	3										0.114					48,475.06

Table 2:



BENECO 2013 ANNUAL REPORT

Rehabilitation and Upgrading of Lines (cont`d.)

Item	Sitio/Barangay/Municipality			Number of Poles Installed								Kms. of Line Installed				Xformer Installed or Retired		PROJECT COST TOTAL	
				Steel				Concrete				3-Ph	V-Ph	1-Ph	O.S	QTY	KVA	(P)	
				30'	35'	50'	55'	30'	35'	40'	45'								
53	Upper Central	Buyagan	Baguio City	3										0.070			42,290.74		
54	Teachers Village	Atab	Baguio City	3										0.290			55,040.79		
55	Oracion St.	Dontogan	Baguio City	5										0.180			74,020.73		
56	Richview Subd.	Bakakeng	Baguio City												1	25	97,934.99		
57	Richview Subd.	Bakakeng	Baguio City											0.165			6,239.29		
58	Prk.7, Saguid Rd.	Upper Asin	Baguio City		2									0.055			35,325.54		
59	Phs.2, EagleCrest	Bakakeng Sur	Baguio City				4										45,939.51		
60	Eagle Crest Villas	Bakakeng Sur	Baguio City				9							0.495			137,879.54		
61	Purok 1	Happy Hollow	Baguio City	3										0.145			49,320.01		
62	Hilltop	Magsaysay Ave.	Baguio City														5,801.29		
63	Eagle Crest Villas	Bakakeng Sur	Baguio City				15		2								202,135.85		
64	CM Recto-St.Joseph Vil., Navy Base		Baguio City			1								0.195			56,744.25		
65	Harrison Rd.		Baguio City						1								31,133.11		
66	Ambiong Road		Baguio City														13,801.75		
67	Samoyao	Sinacbat	Bakun	7									1.500				241,390.93		
68	Ca-ang	Bagu	Bakun												1	15	1,179,641.60		
69	Ca-ang	Bagu	Bakun	39	1												729,161.40		
70	Daclan		Bokod					1					0.040				18,176.88		
71	Pakak	Pito	Bokod	1													12,547.04		
72	Bangao	Ambuklao	Bokod					6						0.500			121,879.08		
73	Loakan	Nawal	Bokod		19						2.125			1.750	1	5	1,163,201.33		
74	Bsu-bokod	Ambangeg	Bokod	5									0.045	0.120			76,140.66		
75	Hilltop	Ambuklao	Bokod														20,202.34		
76	Ud-udan	Ampucao	Itogon		1									0.015			26,953.54		
77	Gold Field	Poblacion	Itogon		3									0.2			70,947.12		
78	Fatima Village	Ucab	Itogon		8							0.600	0.155				122,692.54		
79	Tinongdan		Itogon	4	8			2						2.400			527,782.04		
80	Fourth Raise	Tuding	Itogon														161,153.86		
81	Lumbag	Ampucao	Itogon	3										0.380			71,860.56		
82	Ucab	Ucab	Itogon		4					1.120			0.080	0.220			129,692.58		
83	Goldfield	Poblacion	Itogon		2					0.750							58,043.25		
84	Samuyao	Ampucao	Itogon	2										0.220			47,088.58		
85	Ud-udan	Ampucao	Itogon	2										0.150			40,275.46		
86	Level 1300	Poblacion	Itogon		2									0.140			38,290.08		
87	Beleng	Tuding	Itogon	4										0.161			59,072.22		
88	Afat	Poblacion	Itogon	1	1									0.440			46,373.04		
89	Ud-udan	Ampucao	Itogon											0.305			45,560.43		
90	Acupan	Virac	Itogon		5					0.960							121,817.38		
91	Samuyao	Ampucao	Itogon	4										0.200			65,932.47		
92	Slide	Tuding	Itogon						8	0.390							491,481.07		
93	Supang	Poblacion	Itogon											0.315			164,828.38		
94	Virac	Virac	Itogon	Collection of Labor Component for the Construction of Tie-Line															610,357.02
95	Ucab	Ucab	Itogon						1									24,713.18	
96	Guiweng	Tinongdan	Itogon											0.665			58,153.02		
97	Binaljan	Duacan	Kabayan	5										0.500			112,558.71		
98	Prim' School	Duacan	Kabayan	3										0.250			63,846.65		
99	Lower Tadayan	Pudong	Kapangan												1	10	477,532.30		
100	Longlong Road	Puguis	La Trinidad											0.175			10,214.10		
101	Wangal	Stock Farm	La Trinidad	1										0.06			17,074.14		
102	near Ramos Res.	Long-long, Puguis	La Trinidad		2		1							.13			52,028.54		
103	near Mrs. Brown	Long-long, Puguis	La Trinidad	3										0.32	1	5	102,404.67		

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Rehabilitation and Upgrading of Lines (cont`d.)

Item	Sitio/Barangay/Municipality			NUMBER OF POLES INSTALLED								KMS. OF LINE INSTALLED				Xformer Installed or Retired		PROJECT COST TOTAL (P)
				Steel				Concrete				3-Ph	V-Ph	1-Ph	O.S	QTY	KVA	
				30'	35'	50'	55'	30'	35'	40'	45'							
104	Shilan to Lamut	Beckel	La Trinidad		32				5	2								1,603,430.49
105	Eastern Buyagan	Poblacion	La Trinidad										0.220					33,895.24
106	Upper Banig	Tawang	La Trinidad											0.105				11,413.64
107	Buhao	Puguis	La Trinidad										1.598					163,859.95
108	Upper Banig	Tawang	La Trinidad	5										0.215				69,301.25
109	Feeder 9/10	Km. 4 Ballii	La Trinidad															38,247.83
110	Jewel Igorot Bldg	Km. 4 Ballii	La Trinidad						1									27,385.41
111	Inselbeng	Lubas	La Trinidad	7														198,292.08
112	Km. 5	Poblacion	La Trinidad							1								23,709.59
113	Inselbeg	Lubas	La Trinidad		2									0.180				36,685.86
114	Upper Bayabas	Pico	La Trinidad	4										0.300				64,017.07
115	Pico	Pico	La Trinidad															38,903.95
116	Puguis	Puguis	La Trinidad															38,060.35
117	Lamtang	Puguis	La Trinidad											0.155				14,837.92
118	Cogcoga	Pico	La Trinidad													1	25	91,032.10
119	Rocky side 11	Lubas	La Trinidad	1										0.046				16,350.30
120	Pine Breeze,	Pico	La Trinidad										0.160					12,096.64
121	Balangbang	Beckel	La Trinidad															18,041.42
122	Lamtang	Puguis	La Trinidad	4										0.155				65,625.04
123	Botiwitiw	Ambiong	La Trinidad	4										0.230				72,418.65
124	Bakun Village	Puguis	La Trinidad	5	6							0.260	0.105	0.725	1	10		318,615.34
125	Puguis	Puguis	La Trinidad				1											12,173.64
126	Shamolog	Pico	La Trinidad	2										0.080				30,957.69
127	Guitley	Lubas	La Trinidad										0.275					45,260.10
128	Feeder 4	Puguis	La Trinidad															3,044.07
129	Windy Hill	Poblacion	La Trinidad										0.420					59,816.81
130	Riverside	Ambiong	La Trinidad													1	25	90,099.86
131	Windy Hill	Poblacion	La Trinidad	2										0.100				35,527.62
132	Central	Tawang	La Trinidad	3										0.163				51,814.45
133	Alno	Alno	La Trinidad											0.315				17,117.18
134	Tawang	Tawang	La Trinidad	2										0.280				37,074.10
135	Lower Tomay	Bahong	La Trinidad	5										0.185				76,530.17
136	Ashavan, Jappa	Shilan	La Trinidad	1	3									0.322				59,447.87
137	Bisil	Shilan	La Trinidad										0.476					135,972.07
138	Piripin Bato	Pico	La Trinidad											0.315				8,028.29
139	Central Tawang		La Trinidad	2										0.180				41,383.46
140	Sitio Bisil	Shilan	La Trinidad	3										1.000				80,615.36
141	Longlong Rd.	Puguis	La Trinidad							2	0.930							82,355.92
142	Guitley	Lubas	La Trinidad	4										0.185				76,625.64
143	Sitio Tili	Shilan	La Trinidad	4										0.339				120,231.46
144	Tayaosan	Tawang	La Trinidad											0.060				5,120.54
145	Dapiting	Alapang	La Trinidad	3										0.107				49,745.21
146	Alno	Alno	La Trinidad										0.315					17,117.18
147	Central	Tawang	La Trinidad	2										0.140				37,074.10
148	Guitley	Lubas	La Trinidad	3										0.191				65,891.68
149	Upper Ambiong		La Trinidad	3										0.122				56,937.59
150	Timoy,	Beckel	La Trinidad	7										0.342				113,321.14
151	Guitley	Lubas	La Trinidad		4									0.200				77,894.47
152	Cojuran	Bineng	La Trinidad	2										0.160				39,020.13
153	Sitio Tayawan	Tawang	La Trinidad	4										0.215				66,206.31

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**Rehabilitation and Upgrading of Lines (cont`d.)**

Item	Sitio/Barangay/Municipality			NUMBER OF POLES INSTALLED								KMS. OF LINE INSTALLED				Xformer Installed or Retired		PROJECT COST TOTAL (P)		
				Steel				Concrete				3-Ph	V-Ph	1-Ph	O.S	QTY	KVA			
				30'	35'	50'	55'	30'	35'	40'	45'									
154	River Side	Ambiong	La Trinidad		2												0.100			41,263.75
155	Sitio Gulon	Ambiong	La Trinidad	3	1												0.200			116,582.82
156	Bito	Banengbeng	Sablan	20	18							2.865	4.785							1,520,994.77
157	Poblacion	Poblacion	Sablan	5													0.550			111,556.77
158	Calamay	Bayabas	Sablan														0.099			5,901.90
159	Poblacion	Poblacion	Sablan												0.610					74,506.52
160	Bito	Banengbeng	Sablan	8	12								1.085	0.895	2.396	1	15			800,460.39
161	Mt. Cabuyao	Sto. Tomas	Tuba	6	5												0.930			243,702.35
162	Tamangan	Tadiangan	Tuba						1								0.730			102,088.11
163	Tamangan	Tadiangan	Tuba	3													0.190			61,091.22
164	Cabuyao	Poblacion	Tuba														0.413			19,072.54
165	Cabuyao	Poblacion	Tuba												0.213					20,702.69
166	Ambasador	Ambasador	Tublay		3												0.600			70,920.77
167	Shomlpot	Baayan	Tublay		2															29,786.16
168	Domolpot	Baayan	Tublay	1													0.100			23,562.79
169	Sto. Nino	Ambassador	Tublay	2											0.100	0.100				35,228.21
170	Acop	Acop	Tublay												0.500					61,846.79
TOTAL				284	155	1	32	19	29	21	5	8	11	14	26	11				20,316,064.83



## OPERATIONS & MAINTENANCE DEPARTMENT

**B**ENECO puts premium in the area of operations and maintenance. It incurred P49 million for projects and activities covering the maintenance of the distribution system and that ranges from the substations to the poles, lines and right into the consumers household meters. It also involved the SCADA system, communication system, metering and maintenance of streetlights.

### Maintaining the Lines.

For the safety of consumers and to eliminate high voltage interruptions caused by lightning strikes, the cooperative installed 45 units of grounding electrodes and installed 167 units of lightning arresters. Meanwhile, 530 poles of various sizes -- cement and steel poles -- were installed to replace rotten poles, poles that have to be removed due to road widening and poles that became undersized due to change in road elevation. There were also poles that were erected to serve as holders for sagging and long span lines.

There were 83 units of busted transformers of various KVA ratings replaced. As part of the protection of distribution transformers, 69 fuse cut outs were also replaced and new ones installed.

Lighting the path. Most of the streetlight maintenance activities conducted were held among thoroughfares and pathways of Baguio City and the municipalities of La Trinidad, Sablan, Tuba, Bokod, Kabayan, Tublay, Atok, Kapangan and Itogon. A total of 4008 pieces of photo-switches were replaced and a lot of streetlight bulbs were installed--3,467 pieces of 70-watt-HPS-bulbs and 545 pieces of 250-watt-HPS-bulbs. Mounted on poles were 2,277 sets of streetlight fixtures with a total cost of P8.9 million.

### SCADA and Communications System

The goal was fully to remote control the cooperative's six substations serving Baguio City and Benguet. With the use of the Supervisory Control And Data Acquisition (SCADA). The SCADA has enhanced the response time in troubleshooting faults, monitoring fault occurrences, gathering data crucial to the distribution system and controlling substation shut-downs. Initially, the SCADA covers all the substations, later on, there will be reclosers that could be installed to link with the SCADA.

In 2013, the SCADA system in Bulalacao substation amounting to P2.6 million was installed. Also put in place were five sets of 3-phase automatic circuit



reclosers and 30 pieces of disconnection switches. In the preparation for the installation of the remote reclosers, 24 sets of wireless communication antennas were set up. They will connect and communicate with the 24 sets of 3-phase reclosers.

### Maintenance of the Substations.

As part of preventive maintenance, BENECO shut down substations and tested six units of power transformers. In compliance with safety standards and protection, the operations and maintenance department replaced and repaired portions of the perimeter fence of the Lamut and Atok substations. Three units of cooling fans were installed at the Irisan substation.

Also installed at the Bulalacao substation were the following -- 69 kV live tank circuit breaker, 69 kV and 23kV motorized disconnect switches and 69 kV potential transformers.

### Installation of Kilowatt-Hour Meters.

There were 8,091 new kilowatt-hour meters installed. About 672 defective meters were replaced. These new devices aim to enhance accuracy of recording the energy consumption and further reduce inefficient recording of consumption due to defective meters. ⚡

**Replacement of old Electro-Mechanical KWhr Meter to Electronic Meter**

Item	District/Sitio/Barangay/Municipality	Conversion from 3w to 2w, Class 10(60)	Project Cost
1	<b>District I</b> (Salud Mitra, Cabinet Hill-Teachers Camp, Marcoville, Engineers Hill, DPS Cmpd., South Drive, Greenwater Village, Military Cut-Off, Hillside, Sta. Escolastica, Scout Barrio, Upper Dagsian, Lower Dagsian, Gabriela Silang, Atok Trail, Loakan-Apugan, Camp 8, Baguio Country Club, Happy Hollow, Outlook Drive, Lucnab, Mines View, Pucsusan, Gibraltar, Lualhati, Pacdal and St. Joseph Village)	None	
2	<b>District II</b> (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)	68	38, 857. 24
3	<b>District III</b> (Rizal Monument, Burnham- Legarda, AZCKO, Kayang Extension, Palma-Urbano, MRR-Queen of Peace, Lourdes Extension, Lower Lourdes Subd., Lourdes Proper, Dominican-Mirador, San Roque, San Luis, Upper Rock Quarry, Middle Rock Quarry, Lower Rock Quarry, City Camp Central, City Camp Proper, Lower QM Subd., Upper QM Subd., Ferdinand and Sto. Rosario Village)	None	
4	<b>District IV</b> (Camp Allen, Cresencia Village, Andres Bonifacio, Guisad Central, Guisad Surong, Pinget, Pinsao Pilot Project, Pinsao Proper, Fairview, Quezon Hill Proper, Middle Quezon Hill, Victoria Village and Campo Filipino)	638	364,572.34
5	<b>District V</b> (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)	None	
6	<b>District VI</b> (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)	None	
7	<b>District VII</b> (La Trinidad)	None	
8	<b>District VIII</b> (Bokod, Itogon and Kabayan)	None	
9	<b>District IX</b> (Asin Road, Irisan, Sablan and Tuba)	1,318	753,144.74
Total for replacement of KWhr Meter		2024	1,156,574.32

Table 3:



BENECO 2013 ANNUAL REPORT

Operations and Maintenance Department 2013 Accomplishment Report

	ACTIVITIES	ACCOMPLISHMENTS	COST (PhP)
1	Installation, Grounding Electrode (capsule grounding)	Installed 45 units at different locations	4,082,142.60
2	Replacement of rotten poles		
	a. Wood poles to concrete poles	187 pcs concrete poles (various sizes)	2,021,615.00
	b. Wood poles to steel poles	265 pcs steel poles (various sizes)	2,368,313.00
3	Relocation of poles & lines affected by soil erosion, road widening and building construction.	65 pcs concrete poles (various sizes)	736,378.00
		68 pcs steel poles of (various sizes)	610,867.00
4	Right-of-way clearing	200 kilometers	1,270,800.00
5	Installation, intermediate poles due to low sagging lines, rerouting of lines and undersized poles.	111 pcs concrete poles (various sizes)	1,104,958.00
		94 pcs steel poles (various sizes)	811,765.00
6	Replacement of damaged and busted transformers, fuse cutouts, lightning arresters and fuse-links	Busted x` formers - 83 units of various KVA ratings	6,050,229.09
		Replaced/installed fuse cutouts - 69 units	306,648.00
		Replaced/installed Lightning Arresters - 167 units	915,784.26
7	Metering; Installation of new connections and Replacement of Defective, Burnt and Damaged KWHM's.	New KWHMs - 8091 pcs	4,623,440.13
		Defective KWHMs - 672 pcs	384,000.96
8	Replacement, Installation and Maintenance of Streetlights in Baguio City, La Trinidad, Tuba, Sablan, Bokod, Kabayan, Tublay, Atok, Kapangan, and Itogon municipalities.	70 watts HPS Fixture- 2,236 sets	5,071,248.00
		250 watts HPS Fixture- 241 sets	894,073.00
		70 watts HPS Bulb- 3,467 pcs	1,098,865.65
		250 watts HPS Bulb- 545 pcs	43,285.94
		Photo Switch- 4008 pcs	1,783,560.00
9	Installation of SCADA System (Phase III) at Bulalacao substation.	Installed, SCADA System of Bulalacao Substation	2,634,000.00
10	Annual Preventive Maintenance of Power substations	Tested six (6) units Power Transformers	480,000.00
11	Installation of Automatic Circuit Reclosers & single phase disconnect switches	Installed 5 sets 3-phase Automatic Circuit Reclosers	4,000,000.00
		Single phase disconnect switches - 30 pcs	360,000.00
12	Installation of Standby power supply for the Bulalacao substation	Installed 1 set standby power supply	320,000.00
13	Repair and replacement of Lamut S/S and Atok S/S perimeter fence	Replaced Lamut S/S perimeter fence - 1 lot	300,000.00
		Replaced Atok S/S perimeter fence - 1 lot	300,000.00
14	Installation of 69kV Live Tank Circuit Breaker, 69KV & 23KV Motorized Disconnect Switches, and installation of 69KV Potential Transformers at Bulalacao Substation.	Installed 1 set of 69 kV Live Tank Circuit Breaker	1,600,000.00
		Installed 1 set of 69kV Motorized DS	473,600.00
		Installed 2 sets of 13.2kV Motorized DS	409,120.00
		Installed 3 units 69kV Potential Transformer	1,767,857.13
15	Installation of Wireless Communication Network for the Automatic Circuit Reclosers	Installed 24 sets of Wireless Communication	2,016,000.00
		Antennas for 24 sets 3-phase reclosers	
16	Installation of Cooling Fans for the Irisan Power Transformer	Installed 3 units Cooling Fans for the	165,000.00
		Irisan substation power transformer.	
	<b>GRAND TOTAL</b>		49,003,550.76

Table 4:

○ INSTITUTIONAL HIGHLIGHTS

Empowering Consumers Through Institutional Services

The technical and financial components of running a distribution utility like BENECO cannot be completed without the corollary services for consumers in terms of education, empowerment and community partnership. The intensive electrification of the remote villages through the government's sitio energization program (SEP) has widened BENECO's consumer base. As a result, the electric cooperative's institutional team had to expand its wings to reach out to remote areas and put into the stream consumer involvement. FGor 2013, a lot has been accomplished on consumer education, foremost on the basic structures of the power industry, business of power distribution and on the unbundled rates.

And a lot more. For one, no one could avail of electric service unless the applicant undergoes a pre-membership seminar. In 2013, the community relations team conducted a total of 165 pre-membership seminars attended by 3,424 potential

member-consumers. The seminars served as a wake up call for the new interested applicants. Not only that, the seminars also dwelt on the rights of consumers as provided under the Magna Carta for Residential Electricity Consumers.

Hence, BENECO designed a communication program to capture a wider audience. First, the cooperative gabled on the use of the tri-media for info drive – print, broadcast and the web. It paid off. BENECO now has a regular radio program called *Powerline* which airs every Saturday, from 7 am to 8 am, at Z-Radio 98.7MHz-FM under Uncle Pandong Media Relations, and from 6:30 to 7:30 pm, in the evening at DZWT. In addition, a Kapihan with media was held every quarter to further update member consumers on the programs and accomplishments of the cooperative. Press releases and advertisements on print and radio were also undertaken to inform and showcase BENECO's services. Moreover, the cooperative enhanced its website where netizen-consumers posted their concerns.

The target is for the cooperative to penetrate every sector to let consumers be aware and educated of BENECO's various advocacy programs. The staff, chiefly through the community relations officers, conducted information education campaigns. They were there and everywhere -- barangay assemblies, teachers-PTA meetings, ABC gatherings, regular

Item	Event/Activity/Undertaking		Count/Participation
	BENECO Total Number Membership		123,665
1	Number House Connections	Baguio - 88,901	Benguet - 72,278
2	No. of Barangays	Energized - 269	Unenergized-0
3	No. of Sitios	Energized - 2,505	Unenergized-564
4	Special Projects	GIS Mapping & Survey of Baguio Sewage Systems	127 barangays
		TESDA & BENECO partnership in Tech-Voc Skills Training (BSDTC)	11 batches graduates (6 SMAW, 3 EIM, 2 MT)
5	PMES conducted	In-house - 156	Outreach - 9
	Participants	In-house - 3,912	Outreach- 512
6	Mass Media Programs (TV/Radio)	POWERLINE (DZWT 540 AM & Z-Radio 98.7 FM)	52
		Kapihan/Press Conferences	1 kapihan
7	General Assembly/ies		2
		Reg'd Member-Consumers Attendees	852
		Visitors/Proxies	121
		Employees	278
		Total Attendance	1,251
8	Consumer Education Campaigns		56
		No. Participants	6,019



sessions of local legislative bodies, events/fora, among others. There were 56 IEC drives conducted attended by 6,019 people.

In 2013, the electric cooperative also organized 19 multi-sectoral electrification advisory councils (MSEACs). The members of the MSEAC are the partners of the cooperative in helping ensure consumer security and orientation. They help in advocacy programs of the cooperative such as anti-pilferage, membership education and other services like the sanitation of the consumer master list. Not only that, the MSEAC, being an advisory council, could also recommend amendments on policies, suggest other forms of services and nominate an aspiring director in case of vacancies in the board. ✎

**SPECIAL EVENTS CO-SPONSORHIP**

- a. Competency Building Activities
  - a.1. Youth Empowerment and Skills Training
  - a.2. Lecture on Climate Change (Bakakeng Central)
  - a.3. ICT Training for Teachers in Mankayan
  - a.3. Lineman Training for Out-of-School Youth (Batch 10 and 11)
  - a.4. Leadership Training for students ALS (Virac, Itogon)
- b. Environmental Protection and Climate Change Advocacies
  - b.1. Support for the Balili River Revitalization Movement
  - b.2. Support in CEPMO's Riverways Clean-up
  - b.3. Support to CEPMO's Water Dialogue w/ City Barangay Officials
  - b.4. Maintenance of Adopted Area in Buyog Watershed
  - b.5. Maintenance of Coffee and Pine Tree Nursery
- c. Outreach Activities
  - c.1. Philippine Red Cross Blood Donation

○ CONTACT NUMBERS & SMS (TEXT MESSAGING)

Consumer Welfare	442-2186
Installation & Metering	442-5337
Meter Reading & Billing	444-9637
Consumer Services	444-8395 (tel/fax)
Engineering Dept., 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
NSAD Abatan Office	0917-580-7814

*As value-added service, we have activated a cellular phone text messaging or SMS inquiry service for BENECO member-consumers. Immediate information about electric bill information, scheduled power interruptions and to disseminate other pertinent information on demand.*

*All one has to do is register your cell phone number using your BENECO Account Number.*

**Its as easy as 1-2-3!**

**1 To Register your Cellular Phone Number.**

**Type on your phone >>>**

**\*REG[space]0123456789**

*Your BENECO Account Number*

**2 SEND to 0917-878-2400 (Globe).**

*...Wait for confirmation.*

*Your BENECO Account Number*

**3 How to:**  
**● Inquire about Electric Bill>>**

**BILL[space]7130048123**

**● Inquire about Scheduled Power Interruption >>**

**INTE[space]7140568132**



○ BSDTC (BENECO SKILLS DEV'T TRAINING CENTER)

Bekes Buyacaoan, Buguias, Benguet



TESDA Accredited

In February 25, 2011, as one of the corporate social responsibility programs and in response to helping a number of out-of-school youth from indigent families who are member-consumers and want their children to gain vocational skills, we established the BENECO Skills Development Training Center at Abatan, Buguias, Benguet.

Initially offering two courses – Electrical Installation and Maintenance (EIM) and Shielded Metal Arc Welding (SMAW) which eventually included Massage Therapy (MT). To date a total of 419 students have graduated from the training center. Of this figure 230 were students of EIM (10 batches), 172 SMAW (9 batches) and 17 MT (2 batches).

◆ COURSES

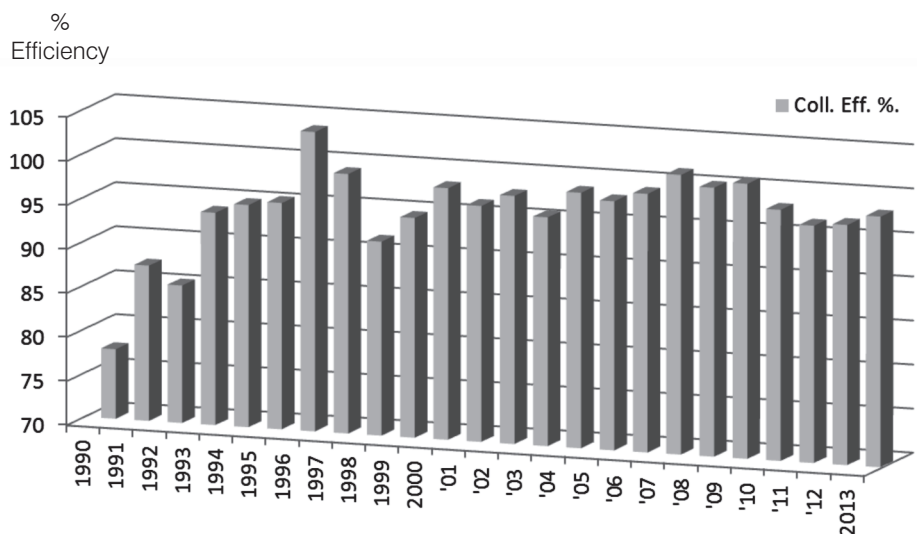
- ◆ Electrical Installation and Maintenance  
EIM (NCII-WTR1115032063)
- ◆ Shielded Metal Arc Welding  
SMAW (NCII-WTR201315032008)
- ◆ Massage Therapy (MT) NCII
- ◆ Other:
  - Tile Setting
  - Lineman Training Course



*The BSDTC is in partnership with Technical Education & Skills Development Administration (TESDA)*

○ COLLECTION EFFICIENCY ○

Per Year from 1990



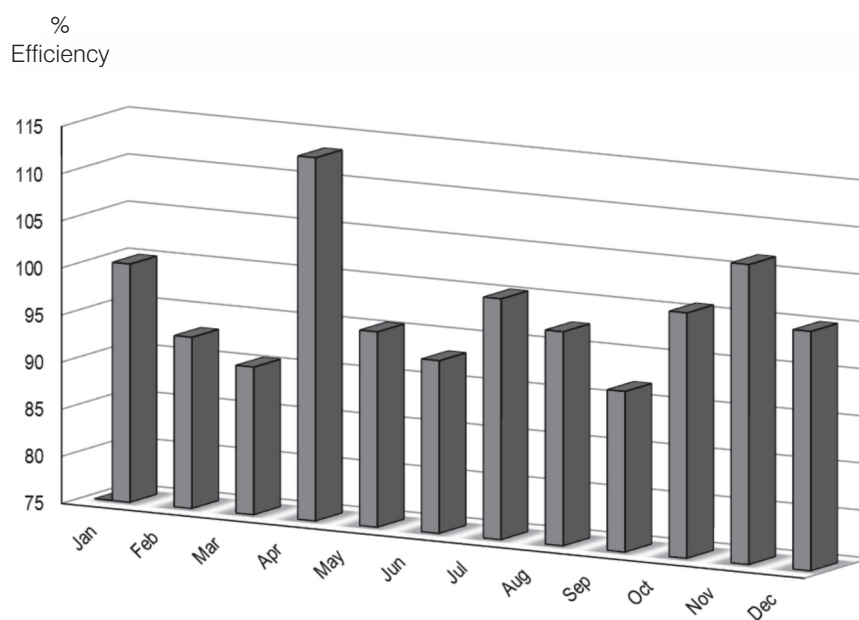
No.	Year	Efficiency (%)
1	1990	77.90
2	1991	87.64
3	1992	85.62
4	1993	94.12
5	1994	95.24
6	1995	95.71
7	1996	104.00
8	1997	99.47
9	1998	92.03
10	1999	94.96
11	2000	98.58
12	'01	96.80
13	'02	98.17
14	'03	95.98
15	'04	99.01
16	'05	98.28
17	'06	99.36
18	'07	101.75
19	'08	100.53
20	'09	101.22
21	'10	98.50
22	'11	96.94
23	'12	97.26
24	2013	98.45
25	2014*	*

Table 5:

Per Month of 2013

Month	Collection Efficiency (%)
January	100.28
February	93.17
March	90.67
April	113.54
May	95.72
June	93.32
July	100.54
August	97.71
September	92.04
October	101.02
November	106.80
December	100.38

Table 6:



○ SYSTEM LOSS PROFILE

Per Year from 1990 to 2013

YEAR	Sys. 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
'01	8.71 * 15.35
'02	7.03 * 14.65
'03	6.37 * 13.77
'04	10.68 * 11.93
'05	11.35
'06	12.71
'07	12.19
'08	10.68
'09	11.58
'10	9.46
'11	9.82
'12	10.84
'13	9.44

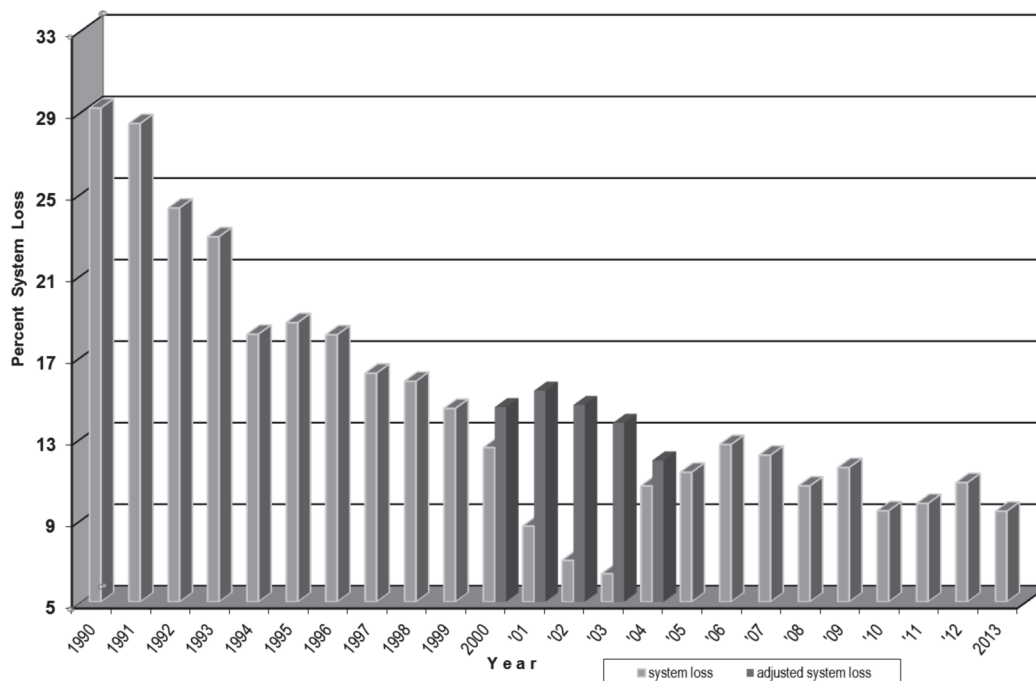
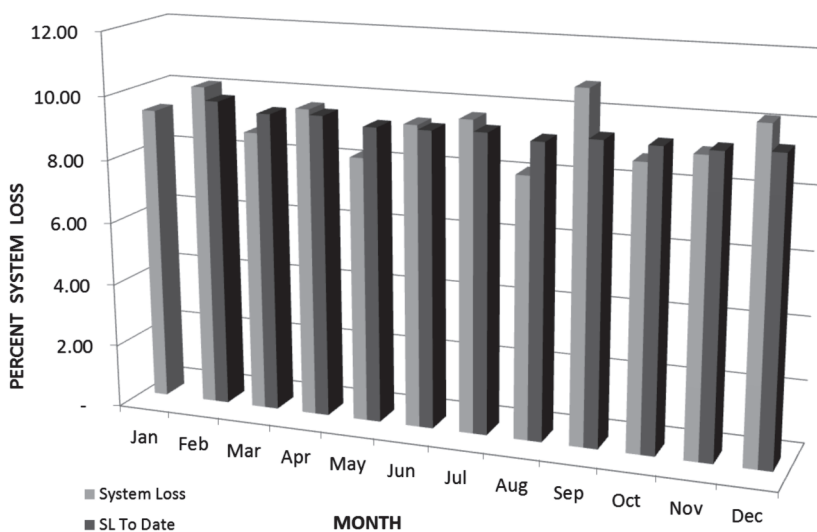


Table 7:

NOTE : \* Adjusted actual System Loss due to TRANSCO under-billing

Per Month of 2013



Month	Sys.Loss (%)	SL to Date
Jan	9.35	-
Feb	10.20	9.78
Mar	8.88	9.50
Apr	9.73	9.56
May	8.36	9.32
Jun	9.49	9.35
Jul	9.77	9.41
Aug	8.22	9.26
Sep	10.92	9.44
Oct	8.89	9.38
Nov	9.22	9.37
Dec	10.25	9.44

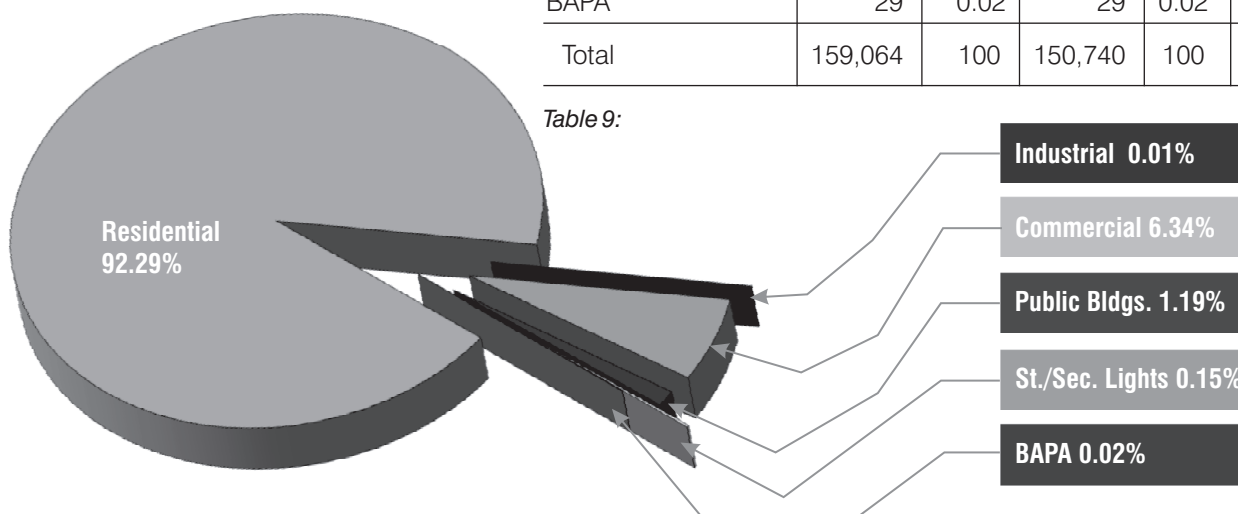
Table 8:

○ COMPARATIVE CONSUMER CLASSIFICATION

2013 v 2012

Type of Consumer	2013		2012		Increase/(Dec)	
	Qty	%	Qty	%	Qty	%
Residential	146,796	92.29	138,586	91.94	8,210	6
Industrial	21	0.01	19	0.01	2	11
Commercial	10,084	6.34	10,027	6.65	57	1
Public Buildings	1,891	1.19	1,783	1.18	108	6
St. Lights/ Sec.Lights	243	0.15	296	0.20	(53)	-18
BAPA	29	0.02	29	0.02	-	0
Total	159,064	100	150,740	100	8,324	-

Table 9:

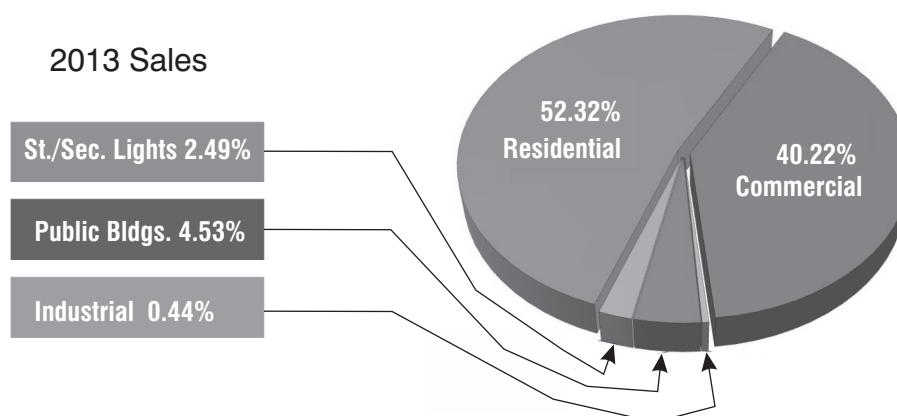


○ COMPARATIVE ENERGY SALES DATA

2013 v 2012

Type of Consumer	2013 Sales			2012 Sales		
	Amount PhP	KWH	%	Amount PhP	KWH	%
Residential	1,358,373,673.00	178,925,58	52.32	1,343,298,673.46	170,288,183	52.19
Commercial	980,113,511.00	137,539,80	40.22	976,233,650.21	132,631,697	40.65
Industrial	10,666,665.00	1,521,507	0.44	12,148,503.96	1,453,186	0.45
Public Bldgs.	10,666,665.00	15,482,015	4.53	123,028,603.25	14,589,978	4.47
St./Sec. Lights	59,977,417.00	8,522,076	2.49	54,009,692.12	7,346,382	2.25
Total	2,519,655,655.00	341,990,98	100	2,508,719,123.00	326,309,426	100

Table 10:



○ KEY PERFORMANCE INDICATORS

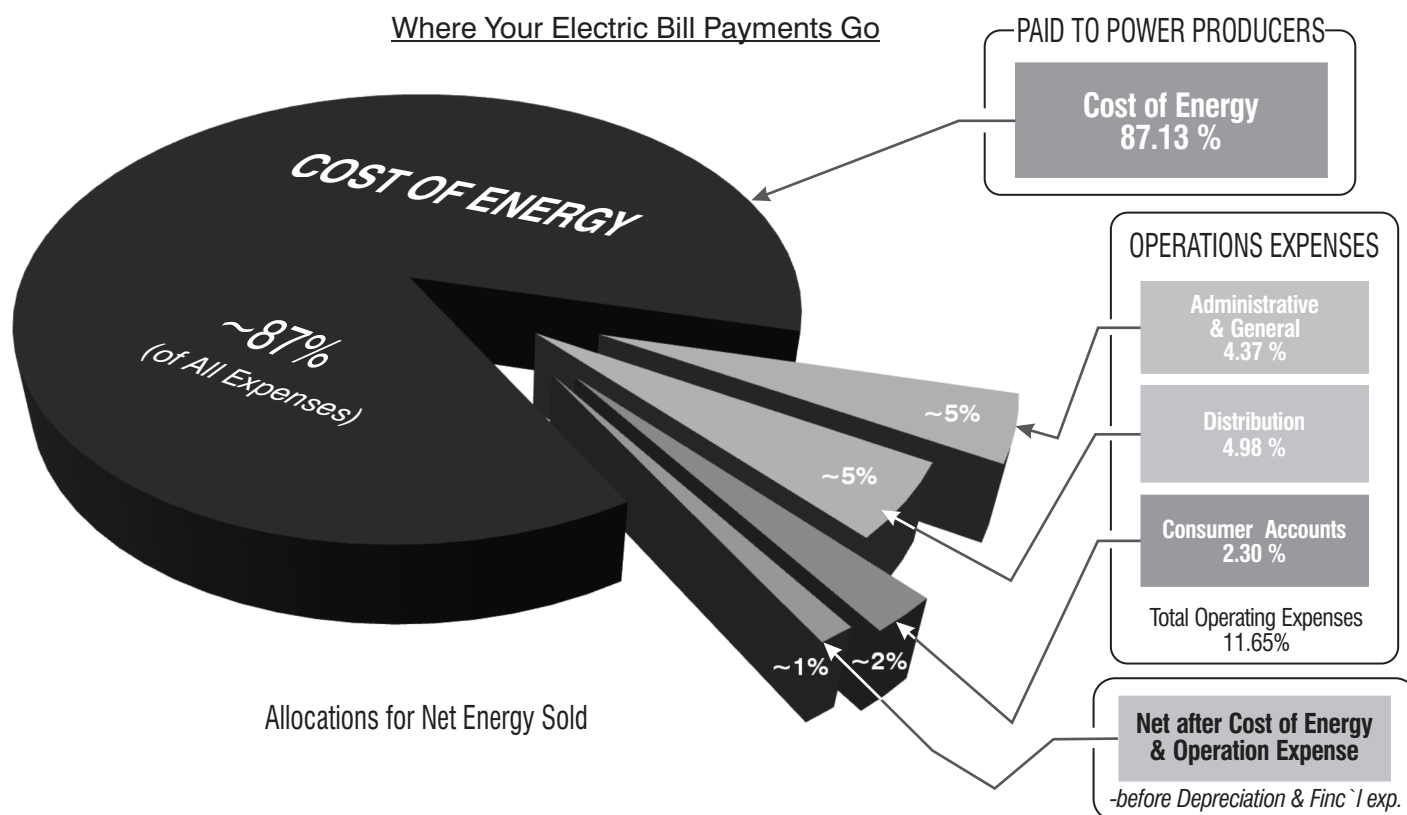
PARTICULARS	2013		2012		NEA Standard
	Amount	%	Amount	%	
Net Energy Sold	2,519,655,655.00	100	2,508,719,123.00	100	
Cost of Energy Sold	2,195,378,603.00	87.13	2,181,123,585.00	86.94	50-60 %
Gross Operating Income	324,277,052.00		327,595,538.00		
Operating Expenses:					
Administrative & General	110,025,397.00	4.37	138,611,665.00	5.53	10-15 %
Distribution	125,524,661.00	4.98	116,931,166.00	4.66	5-8 %
Consumer Accounts	57,928,604.00	2.30	58,182,439.00	2.32	3-5 %
Total Operating Expenses	293,478,662.00	11.65	313,725,270.00	12.51	
Total Cost of Energy & OpEx	2,488,857,265.00	98.78	2,494,848,855.00	99.45	90-95 %
Other Income/(Expenses)					
Depreciation	(135,022,415.00)	(4.18)	(129,448,801.00)	(3.77)	
Finance Cost	(13,523,704.00)		(13,286,074.00)		
Other Income	43,107,940.00		48,141,688.00		
Net Income/ (Loss)	(74,639,789.00)	-2.96	(80,722,919.00)	-3.22	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.

Table 11:



○ 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, 2013 and 2012, and the related statements of comprehensive income, changes in equities and loss, and cash flows for the years then 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 misstatements, 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. These 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 misstatements. 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 materials, 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 presents fairly, in all material respects, the financial position of Benguet Electric Cooperative, Inc. as of December 31, 2013 and of 2012, and of

its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards.

**Emphasis on Matter**

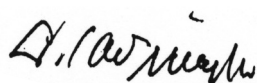
We draw attention to Notes 14 and 34 to the Notes to Financial Statements, relative to the large accumulated losses of P 497,798,158 and P 438,519,131 as of December 31, 2013 and 2012, respectively, including the net losses of P 74,639,789 and P 80,722,919 for the years then ended

The said accumulated losses already impaired 27.8% of its equity base of P2,149,412,675 and 17.1% of its total assets of P3,494,385,542, and may have consequent effect on the financial position and viability of operations 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, 2013 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 DIOSCORO & CO.**



**DIOSCORO O. ODSINADA**

Partner

CPA License No. 1809

TIN 113-345-240 (Individual)

TIN 008-3722-356 (Firm)

PRC/BOA Accreditation No. 5090

SEC Accreditation No. 1162-A (Individual)

PTR No. 9301589B, Jan. 30, 2014

Quezon City

**March 31, 2014**

**Quezon City, Philippines**

○ FINANCIAL STATEMENTS

**BENGUET ELECTRIC COOPERATIVE, INC.**

*(A Non-stock, Not-for-Profit Electric Cooperative)*

**STATEMENT OF FINANCIAL POSITION**

	Notes*	As of December 31,	
		2013	2012
<b>ASSETS</b>			
Noncurrent Assets			
Property and equipment	8 & 15	2,124,790,217	2,146,444,170
Other non-current assets	10	152,422,796	124,790,385
<b>Total Noncurrent Assets</b>		<b>2,277,213,014</b>	<b>2,271,234,555</b>
Current Assets			
Cash and cash equivalents	4	174,943,704	129,248,380
Investments	6	186,505,754	82,988,005
Receivables	5	200,647,901	169,884,289
Materials and supplies inventories	9	34,333,937	21,546,504
Prepayments and other current assets	7	22,943,075	15,289,029
<b>Total Current Assets</b>		<b>619,374,370</b>	<b>418,956,207</b>
<b>TOTAL ASSETS</b>		<b>2,896,587,384</b>	<b>2,690,190,762</b>
<b>EQUITIES AND LIABILITIES</b>			
Equities			
Membership	11	655,545	618,770
Donated capital	12	334,964,949	334,964,949
Reinvestment fund for sustainable CapEx	13	941,192,287	866,716,279
Accumulated loss	14	(597,798,158)	(438,519,331)
Revaluation surplus	15	872,599,895	922,179,502
<b>Total Equities and (Loss)</b>		<b>1,551,614,517</b>	<b>1,685,960,169</b>
Noncurrent Liabilities			
Long-term debt	16	291,180,173	199,934,357
Consumers' deposit	17	194,440,797	170,523,244
Retirement liability	20	202,209,366	169,341,191
<b>Total Noncurrent Liabilities</b>		<b>687,830,337</b>	<b>529,640,563</b>
Current Liabilities			
Current portion of long-term debt	16	11,613,146	8,649,224
Current portion of obligations under finance lease	19	290,063	1,051,708
Accounts payables and accrued expenses	18 & 19	657,142,530	464,431,800
<b>Total Current Liabilities</b>		<b>657,142,530</b>	<b>464,431,800</b>
<b>TOTAL LIABILITIES AND EQUITIES</b>		<b>2,896,587,384</b>	<b>2,690,190,761</b>

\*See Accompanying Notes to Financial Statements

Table 12:



BENECO 2013 ANNUAL REPORT

**BENGUET ELECTRIC COOPERATIVE, INC.**

*(A Non-stock, Not-for-Profit Electric Cooperative)*

**STATEMENT OF COMPREHENSIVE INCOME**

	Notes*	Year Ended December 31	
		2013	2012
<b>NET ENERGY SALES</b>	23	2,519,655,655	2,508,719,123
Cost of Energy Sold	25	2,195,378,603	2,181,123,585
<b>GROSS INCOME</b>		324,277,052	327,595,538
<b>OPERATING EXPENSES</b>			
Administrative and General	27	110,025,397	138,611,665
Distribution	26	125,524,661	116,931,166
Consumers' Accounts	26	57,928,604	58,182,439
		293,478,661	313,725,270
Depreciation	8, 26 & 27	135,022,415	129,448,801
Finance Cost	28	13,523,704	13,286,074
<b>TOTAL EXPENSES</b>		442,024,781	456,460,145
<b>LOSS FROM OPERATION</b>		(117,747,729)	(128,864,607)
Rental income		8,217,388	4,483,753
Interest income		1,756,486	2,947,200
Others, net		33,134,065	40,710,735
<b>OTHER INCOME</b>	24	43,107,939	48,141,688
<b>NET LOSS</b>		<b>(74,639,789.14)</b>	<b>(80,722,919)</b>

\*See Accompanying Notes to Financial Statements

Table 13:

BENECO 2013 ANNUAL REPORT

**BENGUET ELECTRIC COOPERATIVE, INC.**

*(A Non-stock, Not-for-Profit Electric Cooperative)*

**STATEMENT OF CHANGES IN EQUITIES AND LOSS**

	Notes*	Year Ended December 31,	
		2013	2012
<b>EQUITIES</b>			
Membership	11		
Balance Beginning		618,770	600,520
Receipt of Additional Membership		36,775	18,250
		<u>655,545</u>	<u>618,770</u>
Donated Capital	12		
Balance, Beginning		334,964,949	318,387,440
Receipt of Additional Donations		0	16,577,509
		<u>334,964,949</u>	<u>334,964,949</u>
Reinvestment Fund for Sustainable CAPEX	13		
Balance, Beginning		866,716,279	795,655,258
Receipt of Additional Contributions		74,476,008	71,061,021
		<u>941,192,287</u>	<u>866,716,279</u>
<b>LOSS</b>			
Accumulated Loss	14		
Balance, Beginning		(438,519,331)	(526,412,916)
Prior Period Adjustment, Net		(84,639,039)	168,616,504
Net Loss for the Year		(74,639,789)	(80,722,919)
		<u>(597,798,159)</u>	<u>(438,519,331)</u>
<b>REVALUATION SURPLUS</b>			
Balance, Beginning	15	-	999,933,487
Revaluation Surplus Adjustment		922,179,502	(77,753,985)
		<u>(49,579,607)</u>	<u>922,179,502</u>
<b>TOTAL EQUITIES AND LOSS</b>		<b>1,551,614,517</b>	<b>1,685,960,169</b>

\*See Accompanying Notes to Financial Statements

Table 14:

BENECO 2013 ANNUAL REPORT

**BENQUET ELECTRIC COOPERATIVE, INC.**  
(A Non-Stock, Not-for-Profit Electric Cooperative)

**STATEMENT OF CASH FLOWS**

	Notes*	Year Ended December 31	
		2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Loss		(74,639,789)	(80,722,919)
Depreciation and Amortization	8, 26 & 27	135,022,415	129,448,801
Prior Period Adjustment	14	(84,639,039)	168,616,504
Revaluation Surplus	15	(49,579,607)	(77,753,985)
Operating Income Before Working Capital Changes		(73,836,019)	139,588,401
Decrease (increase) in:			
Receivables	5	(30,763,612)	5,902,785
Materials And Supplies Inventories	9	(12,787,433)	(2,742,749)
Other Current Assets	7	(7,654,046)	12,988,535
Other Noncurrent Assets	10	(27,632,411)	(32,317,173)
Increase (decrease) in:			
Trade Payables and Accrued Expenses	18 & 19	192,710,730	(49,131,040)
Consumers' Deposit	17	23,917,553	20,025,424
Other Non-current Liability	20	32,868,175	21,553,411
<b>Net Cash Provided by Operating Activities</b>		<b>96,822,937</b>	<b>115,867,594</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in:			
Property and equipment	8 & 15	(113,368,463)	(166,629,339)
Investments	6	(103,517,749)	(40,528,353)
<b>Net cash used in investing activities</b>		<b>(216,886,211)</b>	<b>(207,157,692)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in:			
Long-term debt	16	91,245,816	30,744,317
Membership	11	36,775	18,250
Donated capital	12	0	16,577,509
Members' contribution for sustainable CAPEX	13	74,476,008	71,061,021
<b>Net Cash Provided b (Used In) Financing Activities</b>		<b>165,758,598</b>	<b>118,401,097</b>
<b>Net Increase (Decrease) In Cash</b>		<b>45,695,325</b>	<b>27,110,999</b>
Cash at Beginning of Year	4	129,248,380	102,137,381
<b>CASH AT END OF YEAR</b>	<b>4</b>	<b>174,943,705</b>	<b>129,248,380</b>

\*See Accompanying Notes to Financial Statements

Table 15:

○ NOTES TO FINANCIAL STATEMENTS

**BENGUET ELECTRIC COOPERATIVE, INC.**  
(A Non-stock Non-profit Membership Electric Cooperative)

**NOTES TO FINANCIAL STATEMENTS December 31, 2013**

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

● **Cooperative Information**

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

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

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

● **Authorization for issue of Financial Statements**

The accompanying financial statements of the cooperative were approved and authorized for issue by the Board of Directors in its meeting on March 31, 2014.

● **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, subsidies 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 nonstock 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:

• **20 & below Discount**

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%

• **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 P0.2178 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.

• **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 Accounting Standards (PAS) 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 (NEA), 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 2012**

PAS 12	Income Taxes (Amendment) - Deferred Tax: Recovery of Underlying Assets
IFRIC 15	Agreements for the Construction of Real Estate

The standards are described below:

**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.

**(2) Effective in 2013**

PAS 7	Amendments Financial Statements: Disclosures-Transfer of Financial
PAS 10	Consolidated Financial Statements
PAS 11	Joint Ventures/ Arrangements

PAS 12	Disclosures: Interest in other entities
PAS 13	Fair Value Measurements
PAS 19	Revised Standards on Fringe Benefits
PAS 28	Investments in Associates and Joint Ventures

These standards or interpretations are described below:

**PAS 7, Amendments Financial Statements: Disclosures – Transfers of Financial Assets** – Transfers of Financial Assets (Amendments to PAS 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 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 PAS 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).

**PAS 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 PAS 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.

PAS 12, Disclosures Interest in other Entities: -- 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.

PAS 13, 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)

PAS 19, Revised Defined Benefit Components: – The defined benefit cost comprises service cost and net interest on the defined benefit liability or asset (both in profit or loss); and the 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 are 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.

PAS 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.

(3) Effective in 2014

PAS 27	Amendments to (PAS 10, PAS 12 & PAS 27) Investment Entities
PAS 32	Amendments to Financial Instruments: Presentation
PAS 34	Amendments on Interim Financial Reporting
PAS 36	Amendments to Impairment of Assets
IFRIC 21	Levy-Imposed by Government

These standards or interpretations are described below:

PAS 27 – Amendments to (PAS 10, PAS 12 and PAS 27) Investment Entities. These apply to the twin objectives of setting standards in the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent; and in accounting for investment in subsidiaries, jointly controlled entities, and associates when an equity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. Intragroup balances, transactions, income and expenses should be eliminated in full. Intragroup losses may indicate that an impairment loss on the related asset should be recognized. Consolidated financial statements must be prepared using uniform accounting policies for like transactions and other events in similar circumstances. Minority interests should be presented in the consolidated balance sheet within equity, but separate from the parent's stockholders' equity.

PAS 32 – Amendments to Financial Instruments: Presentation – Asset and Liability Offsetting. Offsetting, otherwise known as 'netting' takes place when entities present their rights and obligations to each other as a net amounts in their statements of financial position. It specifies that a financial asset and a financial liability should be offset and the net amount reported when, and only when, an entity currently has a legally enforceable right of set-off the amounts; and intends either to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously. The costs of issuing or reacquiring equity instruments (other than in a business combination) are accounted for as a deduction from equity, net of any related income tax benefit

PAS 34 – Amendments on Interim Financial Reporting. This standard applies when an entity prepares an interim financial report, without mandating when an entity should prepare such a report. Permitting less information to be reported than in annual financial statements (on the basis of providing an update to those financial statements), this standard prescribes the minimum content of an interim financial report. An interim period is a shorter than a full financial year (most typically a quarter or half-year). An interim financial report contains either a complete or condensed set of financial statements for an interim period.

If the financial statements are condensed, they should include, at a minimum, each of the headings and sub-totals included in the most recent annual financial

statements and the explanatory notes required. Additional line-items or notes should be included if their omission would make the interim financial information misleading. If the annual financial statements were consolidated (group) statements, the interim statements should be group presentations as well. If the company's business is highly seasonal, the standard encourages disclosure of financial statements for the comparable year-to-date period of the immediately preceding financial year. Entities covered by such matters as interim financial reporting are decided by national governments, securities regulators, stock exchanges and accounting bodies.

**PAS 36 – Amendments to Impairment of Assets. Recoverable Amount Disclosures for Non-Financial Assets.** The objective of this standard is to ensure that assets are carried at no more than their recoverable amount, and to define how recoverable amount is determined. Impairment loss pertains to the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. An impairment loss is recognized whenever recoverable amount is below carrying amount. It is recognized as an expense (unless it relates to a revalued asset where the impairment loss is treated as a revaluation decrease. Adjust depreciation for future periods. If it is not possible to determine the recoverable amount (fair value less costs of disposal and value in use) for the individual asset, then determine recoverable amount for the asset's cash-generating unit. CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

**IFRIC 21 – Levy Imposed by Government.** This standard provides guidance on when to recognize a liability for levy, both for levies that are accounted for in accounted for as provisions, contingent liabilities and contingent assets and those where the timing and amount of the levy is certain. This interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. Also, this clarifies that 'economic compulsion' and the going concern principle do not create or imply that an obligating event has occurred. The liability is recognized progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. The same recognition principles are applied in interim financial reports.

(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 32).

- **Initial Recognition of Financial Instruments**

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

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

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

- **Determination of Fair Value**

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

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

- **Financial Assets or Financial Liabilities at FVPL**

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

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

Financial instruments may be designated at initial recognitions as at FVPL if the following criteria are met the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities re recognizing gains or losses on them on a different basis; or the assets and liabilities are part of a group of financial assets and liabilities, or both financial assets and financial liabilities,



which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

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

As of December 31, 2013 and 2012, the Cooperative has no financial asset or financial liability at FVPL.

● **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.

● **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, 2013 and 2012, 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.

● **De-Recognition 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 de-recognition of the original liability and the recogni-

tion 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 de-recognition 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, 2013 and 2012, the Cooperative has inventory items on hand amounting to P34,333,937 and P21,546,504, 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 10).

▪ **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.

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 de-recognition of an investment property is recognized in profit or loss in the period of de-recognition.

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, 2013 and 2012, 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	3.33 to 20 years
General Plant	10 to 25 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 it 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 it to make estimates and assumptions that can materially affect the financial statements. Future events could cause it 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 energy deposits. Meter deposits cover the whole cost of metering equipment while the energy deposits guarantee payment of the monthly bills for electricity consumption and are equivalent to estimated bill for one month. The energy 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 energy 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, 14 and 15).

▪ **Member's Fee 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 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 and the post-employment benefit plans are also considered to be

related parties.

The compensation of the key management personnel 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 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 its assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods (Note 20).

● **Operating Leases**

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

(a.) There is a change in contractual terms, other than a renewal or extension of the arrangement;

(b.) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

(c.) There is a change in the determination of whether fulfillment is dependent on a specified asset; or

(d.) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for. As of December 31, 2013 and

2012, the Cooperative has outstanding lease contracts that can be considered as a finance lease amounting to P290,063 and P1,051,708 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.

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 to its functional currency is determined to be the Philippine Peso (PHP). 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, 2013 and 2012, financial assets recognized in the statement of financial position amounted to P737,463,230 and P522,200,088, respectively, and financial liabilities amounted to P1,344,972,867 and P1,004,230,593, respectively (Note 32).

▪ **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 P2,548,229 in 2013. Consumer's receivable accounts, net of allowance for doubtful accounts,

amounted to P200,647,901 in 2013. Previous year's balance amounted to P169,884,289 (Note 5).

▪ **Estimation of Useful Lives of Property and Equipment**

The estimated useful lives of the its 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 P1,989,679,051 as of December 31, 2013. This is accordance with an Independent Appraisal Report dated July 20, 2012 rendered by Cuervo Appraisers, Inc. (Note 15). Previous years balance amounted to P2,010,391,188 (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 P202,209,366 and P169,341,191 at December 31, 2013 and 2012, respectively (Notes 20).

▪ **Estimate of 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 its tax return positions are supportable, are likely to be challenged and may not be fully sustained upon review by tax authorities.

Based on management assessment, its accruals for tax liabilities are adequate for all open audit years. 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.

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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	2013	2012
General and other funds		
General	<b>171,675,299</b>	128,232,032
Cash on hand	2,711,405	432,621
Petty cash fund	145,000	111,727
Revolving/Change fund	412,000	472,000
	<b>3,268,405</b>	<b>1,016,348</b>
Total	174,943,704	129,248,380

Cash in banks earn interest at the prevailing bank deposit rates. Interest earned amounted to P1,756,486 in 2013 and P2,947,200 in 2012 (Note 24).

**5. RECEIVABLES - NET**

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

Items	2013	2012
Consumers' accounts receivable	203,196,130	172,160,253
Less, allowance for doubtful/uncollectible accounts	2,548,229	2,275,964
Net Realizable Value	200,647,901	169,884,289

Management has provided an allowance for doubtful accounts amounting to P2,548,229 to cover normal losses that may be sustained from uncollectible accounts. This represents about 1.25% 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	2013	2012
BDO	74,103,677	43,312,839
TPEC Line rental	72,528,493	-
Gratuity	39,873,584	-
DBP/TD	-	39,675,166
Total	186,505,754	82,988,005

**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	2013	2012
Prepayments Various suppliers	14,275,442	6,527,268
Insurance	975,408	1,010,145
Others	7,016,425	7,080,949
	<b>22,267,275</b>	<b>14,618,362</b>
Restricted fund Membership (Note 11)	620,652	615,551
Members' contribution for CAPEX (Note 13)	55,148	55,116
	<b>675,800</b>	<b>670,667</b>
Total	22,943,075	15,289,029

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:

Items	2013	2012
Utility Plant In-Service	4,843,588,439	4,730,192,332
Less, Accumulated Depreciation	2,853,909,388	2,719,801,144
Net Book Value	1,989,679,051	2,010,391,188
Construction Work In Progress	135,111,166	136,052,982
Total	2,124,790,217	2,146,444,170

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).

In 2013, depreciation charged to cost of service amounted to P113,668,621 and to operating expenses amounted to P21,353,794.

The details of utility plant in 2013 are recapitulated below:

*(Next page please.)*

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Utility Plant, Property and Equipment

Items	Depreciation Rate	Acquisition Cost	2013 Depreciation	Accumulated Depreciation	Net Book Value
Meters	4%	915,620,485	20,052,303	598,762,398	316,858,087
Wooden Poles and others	5%	853,420,483	18,318,870	622,124,731	231,295,752
Line Transformers	3.33%	815,970,098	19,242,690	354,676,508	461,293,590
Overhead Conductors and Devices	5%	702,463,386	25,311,241	327,431,689	375,031,697
Station Equipment	10%	390,454,670	14,045,595	295,244,932	95,209,738
Concrete Poles	3.33%	259,121,527	5,401,063	155,613,765	103,507,762
Transportation Equipment-Heavy	20%	210,583,781	11,296,859	199,600,244	10,983,537
		4,147,634,430	113,668,621	2,553,454,267	1,594,180,163
<b>GENERAL PLANT</b>					
Land and Land Rights	-	319,518,076	-	-	319,518,076
Structures and Improvements	10%	163,168,576	2,957,208	142,956,981	20,211,595
Transportation Equipment -Light	25%	108,284,677	10,665,795	101,056,743	7,227,934
Office Furniture and Fixtures	20%	42,282,013	3,915,506	34,217,246	8,064,767
Tools, Shop & Garage Equipment	10%	23,903,759	1,830,181	4,822,600	19,081,159
Buildings	10%	17,307,333	379,809	1,080,734	16,226,599
Communication Equipment	10%	6,377,348	1,238,144	2,977,575	3,399,773
Laboratory Equipment	10%	3,696,922	362,361	1,979,953	1,716,969
Miscellaneous Equipment	20%	311,391	4,790	259,375	52,016
Completed Construction not Classified		11,103,914	-	11,103,914	-
<b>TOTAL</b>		684,850,095	21,353,794	289,351,207	395,498,888

The details of additions, disposals and adjustments to utility plant in 2013 are recapitulated below:

Items	Balance Beginning	Additions	Adjustments/ Disposals	Balance Ending
<b>DISTRIBUTION PLANT</b>				
Meters	901,431,467	16,269,550	2,080,532	915,620,485
Wooden Poles and Others	840,247,674	14,253,156	1,080,346	853,420,483
Line Transformers	790,940,841	33,721,494	8,692,237	815,970,098
Overhead Conductors and Devices	665,654,617	36,808,873	103	702,463,386
Station Equipment	384,197,120	6,257,550		390,454,670
Concrete Poles	253,400,187	6,248,187	526,847	259,121,527
Transportation Equipment - Heavy	210,583,781	-	-	210,583,781
	4,046,455,687	111,472,112	10,293,369	4,147,634,430
<b>GENERAL PLANT</b>				
Land and Land Rights	319,512,076	6,000	-	319,518,076
Structures and Improvements	163,111,576	57,000	-	163,168,576
Transportation Equipment - Light	108,549,550		264,873	108,284,677
Office Furniture and Fixtures	38,811,007	3,719,482	248,477	42,282,013
Tools, Shop & Garage Equipment	16,596,167	7,403,885	96,293	23,903,759
Buildings	17,307,333	-	-	17,307,333
Communication Equipment	5,561,634	1,253,339	437,625	6,377,348
Laboratory Equipment	2,928,803	779,279	11,161	3,696,922
Miscellaneous Equipment	254,585	56,806		311,391
	672,632,731	13,275,791	1,058,429	684,850,095
Completed Construction not Classified	11,103,914	-	-	11,103,914
<b>TOTALS</b>	4,730,192,332	124,747,903	11,351,798	4,843,588,439



**9. MATERIALS AND SUPPLIES INVENTORY**

This account consists of inventoriable items, as follows:

Items	2013	2012
Electric Distribution items	23,182,362	9,912,632
Housewiring	8,591,904	6,670,957
Others	2,559,670	4,962,915
Less, Allowance to Reduce Value to NRV	34,333,937	21,546,504
<b>Total</b>	<b>34,333,937</b>	<b>21,546,504</b>

Electric distribution items represent cost of inventory of materials acquired primarily for use in the utility business, for construction, operation and maintenance purposes. These include book cost of materials recovered in connection with construction and maintenance, undistributed store expenses consisting cost of supervision, labor and expenses incurred in the operation of general storerooms, including purchasing, storage and handling, for distribution over issuances from storerooms. Other materials and supplies represent cost of inventory of materials used in rewinding of transformers, motor vehicle spare parts, tires and maintenance items, and office and building maintenance materials.

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

**10. OTHER NON-CURRENT ASSETS**

This account consists of:

Items	2013	2012
Other Accounts Receivable		
Officers & Employees' Account	7,637,569	8,596,515
Other Customer Accounts	4,838,427	8,254,530
Others	63,585,025	71,217,197
	76,061,021	88,068,242
Less, Allowance for Probable Loss	-	-
Net Realizable Value	76,061,021	88,068,242
Input VAT and Other Taxes	35,626,967	26,603,751
Security Deposits -WESM (Note 18)	32,016,417	-
Security Deposits-Transco (Note 18)	2,698,392	2,698,392
Telephone	20,000	20,000
Mini Hydro Project	-	1,400,000
	70,361,775	30,722,143
<b>Total</b>	<b>146,422,796</b>	<b>118,790,385</b>
Investment in Equity Securities		
Rural Electrification Financing Corporation	6,000,000	6,000,000
<b>Total</b>	<b>152,422,796</b>	<b>124,790,385</b>

**11. MEMBERSHIP ACCOUNT**

Membership equivalent to 131,109 members at P5 per member has already been subscribed. As of December 31, 2013 and 2012, this already amounted to P655,545 and P618,770; whereas, the balance of restricted fund with depository bank for this purpose amounted to P620,652 and P615,551 as of said dates (Note 7).

**12. DONATED CAPITAL**

This account consists of:

Items	2013	2012
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	36,039,857
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	9,808,452
	200,073,127	200,073,127
<b>Total</b>	<b>334,964,949</b>	<b>334,964,949</b>

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

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

**13. REINVESTMENT FUND FOR SUSTAINABLE CAPEX**

Items	2013	2012
Contributions for reinvestment	663,684,856	663,684,856
Reinvestment fund for sustainable CAPEX	277,080,601	202,604,594
Consumers capital contribution	426,829	426,829
<b>Total</b>	<b>941,192,287</b>	<b>866,716,279</b>

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

On December 3, 2003, the Cooperative's application for unbundling of rates was approved by the Energy Regulatory Commission (ERC). From the unbundled rates, NEA requires the Cooperative to set-up a separate reinvestment fund equivalent to 5% of gross revenue to finance expansion and rehabilitation of existing electric power systems in accordance with the

systems rehabilitation plan submitted by the Cooperative. These represent P0.236/kwh reinvestment costing the basic rate. At December 31, 2013, 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, 2013, this already amounted to P277,080,601.

The changes in the accumulated loss account follow:

Items	2013	2012
Accumulated loss, beginning	(438,519,331)	(526,412,916)
Correction of prior years, net	(84,639,039)	168,616,504
Corrected balance, beginning	(523,158,369)	(357,796,412)
Net loss for the year	(74,639,789)	(80,722,919)
Accumulated loss, ending	(597,798,158)	(438,519,331)

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 (Note 34).

### 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.

As of December 31, 2013 and 2012, the carrying balance of revaluation increment amounted to P872,599,895 and P922,179,502 respectively. The 2013 amortization of revaluation increment amounted to P49,579,606.

### 16. LONG AND SHORT TERM DEBT

This account consists of:

Items	2013	2012
NEA		
Construction Loan	80,547,801	77,578,393
Calamity Loan	21,965,206	23,428,874
Overseas Economic Cooperation Fund	20,218,983	21,527,898
Restructured Loan	5,499,069	5,997,055

LGUGC - BPI	163,498,000	-
	291,729,0594	128,532,220
Matured Long Term Debt & Interest	1,569,264	6,891,807
	293,298,323	135,424,027
BDO		
Service Vehicle Loan	6,053,633	13,040,473
Employees Salary Loan	657,954	10,158,230
Transformer Loan	-	45,876,392
	6,711,587	69,075,094
Rural Electrification Financing Corp.	2,783,409	4,084,460
	302,793,320	208,583,581
Current Portion	(11,613,146)	(8,649,224)
Total	291,180,173	199,934,357

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.

The BDO 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	2013	2012
Advances for construction	105,854,726	84,204,926
Meters and accessories	75,029,435	75,044,955
Energy	13,429,230	11,145,958
Others	127,405	127,405
Total	194,440,797	170,523,244

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. 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:

Accounts	2013	2012
Team Phils. Energy Corp.	132,011,846	135,589,259
PEMC- WESM	42,745,094	32,370,797
National Grid Corporation of the Phils.	28,612,894	22,226,528
LUELCO	412,964	284,454
Hedcor	183,846	145,828
<b>Total</b>	<b>203,966,644</b>	<b>190,616,866</b>

● **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 2013 amounted to P1.429 Billion. At December 31, 2013, the outstanding power supply account amounted to P132,011,846.

● **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**

In 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, 2013, the outstanding power supply account to WESM amounted to P42,745,094.

● **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 2013 amounted to P293.071 Million. At December 31, 2013, outstanding transmission service account inclusive of VAT amounted to P28.673 Million.

● **Others**

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**

Accounts	2013	2012
Trade payables		
Net settlement - WESM	191,214,595	99,646,675
Various suppliers	19,188,608	32,655,467
	<b>210,403,203</b>	<b>132,302,142</b>
VAT payable		
System Loss	18,509,783	16,886,341
Generation	71,919,329	1,302,328
Transmission	8,221,248	9,193,266
BIR	1,522,297	2,170,466
	<b>100,172,658</b>	<b>29,552,401</b>
Accrued Liabilities		
NEA Subsidy	56,675,311	39,582,922
PSALM, Universal charges billed (Note 21)	30,331,100	17,495,914
EVAT billed to consumers	15,729,464	14,762,879
SSS, Philhealth, HDMF and taxes	5,638,795	8,594,447
Katas ng VAT	59,170	76,173
	<b>108,433,840</b>	<b>80,512,335</b>

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Others		
VAT Refund	11,848,192	11,848,192
Current portion of Long-term debt	11,613,146	8,649,224
Due to other ECs	5,154,285	5,154,285
Current portion of obligation under finance lease	290,063	1,051,708
Others	5,260,499	4,744,647
	34,166,185	31,448,056
<b>Total</b>	<b>453,175,886</b>	<b>273,814,934</b>

**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, non-contributory 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, 2013 and 2012, the amounts of P202,209,366 and P169,341,191 have already been recognized as obligation for retirement benefits, respectively.

**21. PSALM, UNIVERSAL CHARGES**

In consideration, for such assumption of NEA loans condoned, PSALM charges the Cooperative certain fees referred to as universal charge. The rates of universal charges billed follow:

	Rate
Missionary electrification	.1163/kwh
Environmental charges	.0025/kwh
Standard Contract cost	.1938/kwh

Details on universal charges follow:

	2013	2012
Billings	95,758,141	38,709,798
Collections	93,161,428	38,624,924
Remittances	82,904,752	38,624,924

**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.

**23. ENERGY SALES**

This account represents revenues generated from sale of energy follow:

Accounts	2013	2012
Residential - LV	1,358,373,673	1,343,306,142
Commercial - LV	638,332,767	639,368,008
Commercial - HV	341,780,744	336,856,829
Public building and facilities - LV	99,069,917	112,687,459
Public street and highways - LV	59,977,417	54,010,545
Public building and facilities - HV	11,454,472	10,341,595
Industrial sales - LV	10,666,665	12,148,545
<b>Total</b>	<b>2,519,655,655</b>	<b>2,508,719,123</b>

The total amount of Reinvestment Fund for Sustainable CAPEX (RFSC) for the year ended December 31, 2013 amounted to P74,476,025, deducted from gross sales.

**24. OTHER INCOME**

This account consists of:

Accounts	2013	2012
Rental income	4,997,482	4,483,753
Interest income (Note 4)	1,756,486	2,947,200
	6,753,968	7,430,953
Others		
Sur-charges	31,883,444	31,235,295
Transformer Rental, etc	3,219,907	7,611,564
Retrobilling	201,761	391,977
Penalties	317,500	509,747
Others, Net	799,660	962,152
	36,422,222	40,710,735
<b>Total</b>	<b>43,176,189</b>	<b>48,141,688</b>

**25. COST OF ENERGY SOLD**

This account consists of:

Accounts	2013	2012
Power purchased		
Less prompt payment discount	2,242,425,097	2,227,888,439
Net Power Act Reduction	47,046,494	46,764,854
<b>Total</b>	<b>2,195,378,603</b>	<b>2,181,123,585</b>

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 effectivity 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 follow:

	2013	2012
Kilowatt-hour sold	341,663,677	326,309,426
Kilowatt-hour purchased	377,680,618	366,395,944

## 26. COST OF SERVICES

This consists of:

Accounts	2013	2012
Distribution		
Structures	40,725,816	34,126,410
Overhead Lines	26,083,863	29,173,809
Line Transformer	13,360,067	15,050,135
Supervision and Engineering	9,741,232	8,387,079
Station Equipment	9,330,166	7,716,788
Street Lighting and Signal System	9,276,593	5,537,871
Meters	8,563,349	8,498,665
Consumer Installation	1,921,644	1,728,974
Miscellaneous	6,521,930	6,711,435
	125,524,661	116,931,166
Consumers' Accounts		
Meter Reading	29,639,299	24,930,617
Records and Collection	9,266,705	9,167,718
Supervision	3,951,313	3,107,767
Information, Instructional & Advertising	592,321	1,236,372
MECS and BAPA	534,223	1,877,928
Uncollectible Accounts	272,265	758,122
Campus Journalism	3,000	8,000
Miscellaneous Consumer Services	13,669,477	17,095,915
	57,928,604	58,182,439
Depreciation (Note 8)	113,668,621	107,540,919
Total	297,121,886	282,654,524

## 27. OPERATING EXPENSES

This account consists of:

Accounts	2013	2012
General & Administrative		
Employees Pension and Benefits	22,150,608	38,148,661
Salaries	28,876,608	37,206,179
Outside Services Employed	12,865,042	11,882,909
Training and Travel	9,384,863	11,594,789
Officers Allowance and Benefit	3,292,352	7,699,227
Office Supplies	5,056,136	5,457,879
Utilities	5,351,066	4,986,238
Maintenance of Office and General Plant	5,968,716	4,615,621
Injuries and Damages	497,627	3,870,268
Regulatory	2,808,502	2,397,438
Property Insurance	2,763,016	2,292,506
Taxes and Licenses	1,452,697	1,702,837
Employees Insurance	263,240	1,014,996
Rent	932,429	892,735
Financial Assistance	-	398,340
Association and Membership Dues	111,858	118,700
Chattel Mortgage Fee	-	31,238
Miscellaneous	8,250,637	4,301,104
	110,025,397	138,611,665
Depreciation (Note 8)	21,353,794	21,907,882
Total	131,379,191	160,519,547

## 28. FINANCE COST

This represents the following:

Items	2013	2012
NEA		
Overseas Economic Cooperation Fund	2,125,445	3,562,213
Construction Loan	-	2,612,332
	2,125,445	6,174,545
BDO		
Service vehicle loan	7,235,120	2,402,373
Rural Electrification Financing Corp.	315,599	487,977
Others	3,847,540	4,221,179
	4,163,139	4,709,156
Total	13,523,704	13,286,074

**29. LEASES**

This account consists of finance lease with Banco De Oro, for various motor vehicles and motorcycles, with 2 to 5 year terms.

As of December 31, 2013 and 2012, the balance of obligation amounted to P290,063 and P1,051,708, 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 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).

The compensation of key management personnel included under "salaries and benefits" account follows:

Items	2013	2012
Short term employees' benefits		
Key management personnel	1,890,500	1,980,300
Directors	756,000	3,200,000
Total	2,646,500	5,180,300

**31. COMMITMENTS AND CONTINGENT LIABILITIES**

As of December 31, 2013, 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 its financial statements.

**32. 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 it 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, 2013 and 2012, due to their relatively short-term maturities, as follows:

	December 31, 2013		December 31, 2012	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets:</b>				
Loans and receivables				
Cash and cash equivalents	174,943,704	174,943,704	129,248,380	129,248,380
Restricted funds	675,800	675,800	670,667	670,667
Investments	186,505,754	186,505,754	82,988,005	82,988,005
Consumer Receivables	200,647,901	200,647,901	169,884,289	169,884,289
Other Receivables and other Non-Current	152,422,796	152,422,796	124,790,385	124,790,385
Prepayments and other Current Assets	22,267,275	22,267,275	14,618,362	14,618,362
	737,463,230	737,463,230	522,200,088	522,200,088

	December 31, 2013		December 31, 2012	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Liabilities</b>				
Loans and Borrowings				
Interest Bearing Debts	302,793,320	302,793,320	208,583,581	208,583,581
Consumers Deposits	194,440,797	194,440,797	170,523,244	170,523,244
Retirement Liability	202,209,366	202,209,366	169,341,191	169,341,191
Trade and Accrued Expenses	441,562,740	441,562,740	265,165,710	265,166,710
Power Supply Payable	203,966,644	203,966,644	190,616,866	190,616,866
	1,344,972,867	1,344,972,867	1,004,230,593	1,004,230,593

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

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

- **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. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of its 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. Its 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 if a consumer or counter party 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. A Statement of Account which serves as a Notice of Disconnection is given to the consumers based on the schedule of the Cooperative.

● **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	2013	2012
Cash and cash equivalents	174,943,704	129,248,380
Restricted funds	675,800	670,667
Investments	186,505,754	82,988,005

Consumer Receivables	200,647,901	169,884,289
Other receivables and other non-current assets	152,422,796	124,790,385
Prepayments and Other Current Assets	22,267,275	14,618,362
Total	737,463,230	522,200,088

● **Impairment Losses on Credit**

At December 31, 2013 and 2012, management has already provided an allowance for probable losses amounting to P2,548,229 and P2,275,964 representing 1.3% and 1.3%, respectively, of the accounts 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:		
	2013	2012
Balance at beginning of year		
Receivables	2,275,964	1,517,843
Other assets	-	-
	2,275,964	1,517,843
Movement during the year		
Receivables	272,265	758,121
Other receivables	-	-
	272,265	758,121
Balance at end of year		
Receivables	2,548,229	2,275,964
Other assets	-	-
Total	2,548,229	2,275,964

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 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 Financial Assets and Liabilities based on contractual repayment arrangements, is tabulated below:

*(Please turn to next page for tabulation)*

BENECO 2013 ANNUAL REPORT

Maturity of Financial Assets & Liabilities	Up to 1 Month	2-3 to 6 Months	6 to 12 Months	Over1 year	Total
<b>Financial Assets</b>					
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
<b>Financial Liabilities</b>					
Interest Bearing Debts	1,940,186	2,910,279	3,798,759	199,934,357	208,583,581
Consumer Deposits	-	-	-	170,523,244	170,523,244
Retirement Liability	-	-	-	169,341,191	169,341,191
Trade and Accrued Expenses	-	-	265,165,710	-	265,165,710
Power Supply Payable	190,616,866	-	-	-	190,616,866
	192,557,052	2,910,279	268,964,469	539,798,792	1,004,230,593
Net Liquidity (Gap)	107,246,284	(2,910,279)	(254,346,107)	(332,020,402)	(482,030,505)

The fair values of financial instruments approximate their carrying value as of December 31, 2013.

● **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 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. The Cooperative is not engaged in commodity trading; hence, is not exposed to commodity price risk.

It 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 its interest rate on bank loans is fixed.

**34. 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 its external environment and

the risks underlying its business operations and industry.

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 goals, and institute appropriate action.

It 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.

	2013	2012
Debt	1,344,972,867	1,004,230,593
Cash	174,943,704	129,248,380
Net Debt	1,170,029,163	874,982,213
Equity	1,551,614,517	1,685,960,169
Net Debt to Equity Ratio	0.75	0.52

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

However, at December 31, 2013 and 2012, the electric cooperative was faced with accumulated losses of P597,798,158 and P438,519,331 including the net loss of P74,639,789 and P80,722,919 for the years ended, respectively. These have already impaired 17.1% and 14.0% of the total assets of P3.51 Billion and P3.12 Billion, and by 27.8% and 20.6% of the total equity base of P1.3 Billion and P1.2 Billion as of said dates, respectively (Note 14).



**35. KEY PERFORMANCE INDICATORS**

The key financial performance indicators follow:

	2013	2012
Cost of Power Purchased Ratio	87%	87%
Non-Power Cost Ratio	16%	16%
Administrative and General	4%	6%
Distribution	5%	5%
Consumers' Accounts	2%	2%
Days Sales in Receivables	29 days	24 days
Days Payable - Power	33 days	32 days
Net Margin Ratio	(2.96%)	(3.22%)

**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, for the year 2013:

a. VAT Output Tax declared based on operating revenues on electricity distribution, supply, and metering services:

Particulars	Amount
VAT Output	48,978,017
Operating	408,150,146

b. VAT Input Taxes claimed:

Particulars	Amount
VAT input	29,155,278
Purchases	242,960,654

c. Withholding Taxes:

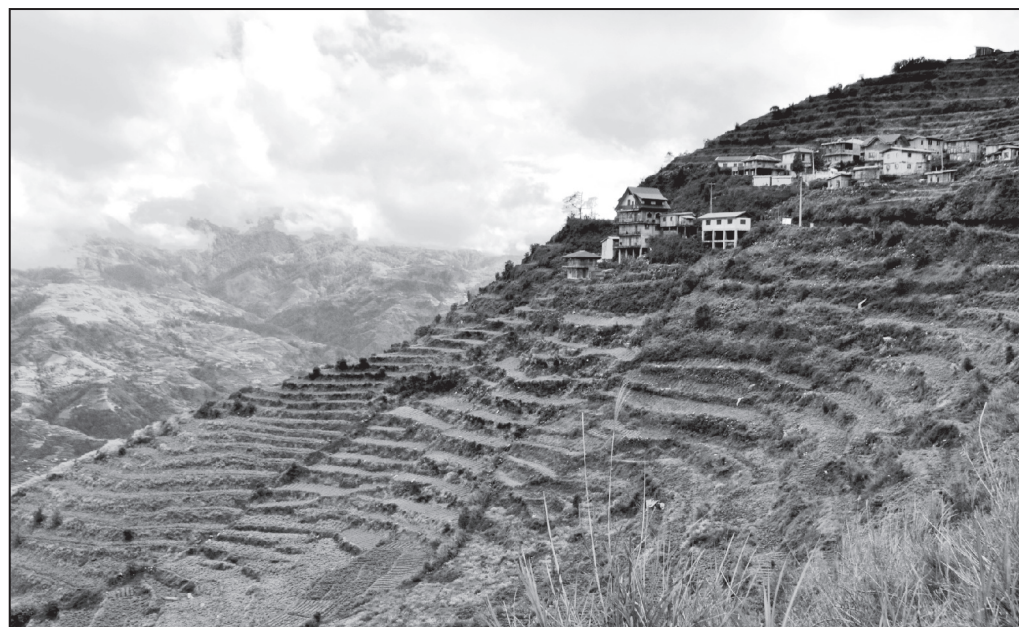
Particulars	Base	Amount
Withholding tax on compensation	82,282,884	17,938,982
Creditable Withholding Tax	1,958,693,162	37,641,001-
Final Withholding Tax		
Tax in banks	2,083,023	416,605
Total	2,043,059,069	55,996,588

d. DST on Loan Instruments, Shares of Stock and other Transactions subject thereto:

Particulars	Amount
	1,059,476

e. Taxes, Licenses, and Fees:

Particulars	Amount
Real Estate Tax	269,190
Licenses and Permit Fees	1,863,472
Total	2,132,662



○ CONSTITUTION

**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

BY-LAWS OF THE BENGUET ELECTRIC COOPERATIVE, INC.

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

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- 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>DISTRICT NUMBER</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

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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 un-appealable.

**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

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meeting.

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

**ARTICLE VI  
OFFICERS**

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

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

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

**SECTION 4. PRESIDENT.** The President shall:

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

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

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

- a) keeping the minutes of the meetings of the members and of the Board in books provided for that purpose and kept in a secured file in the office of the Cooperative;
- b) seeing that all notices are duly signed in accordance with this By-Laws or as required by law;
- c) the safekeeping of the corporate books and record and the

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

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

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

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

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

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

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

**ARTICLE VII  
NON-PROFIT OPERATION**

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

**SECTION 2. PATRONAGE CAPITAL IN CONNECTION WITH**

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FURNISHING ELECTRIC ENERGY.

- a) In the furnishing of electric energy with the Cooperative's operations shall be so conducted that members and non-members alike will, through patronage, furnish capital for the cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons, members and non-members alike, for all accounts received and receivable from the furnishing of electric energy in excess of operating cost and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating cost and expenses at the amount of receipt by the Cooperative are received with the understanding that they are furnished by the members and non-members alike as capital. The Cooperative is obligated to pay credit to a capital account for each patron all such amounts in excess of operating cost and expenses.
- b) The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year, the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account.
- c) All other amounts received by the Cooperative from its operation in excess of cost and expenses shall, insofar as permitted by law be [1] used to offset any losses incurred during the current or any prior fiscal year, and [2] to the extent not needed for that purpose, allocated included as part of the capital credited to the accounts of the patrons, as herein provided.
- d) In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credited to the patrons' accounts shall be retired without priority on a non-rate basis for any payment is made on account of property rights of members. If at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to the patrons' accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired.
- e) Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors-in-interest or successors-in-occupancy in all or part of such patron's premises served by the Cooperative unless the Board, acting under policies of general application, shall determine otherwise.
- f) Notwithstanding any other provisions of this By-Laws, the Board, at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of this By-Laws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon, provided however, that the financial condition of the Cooperative will

not be impaired thereby.

- g) The patrons of the Cooperative, by dealing with the Cooperative, acknowledged that the terms and provisions of the Articles of Incorporation and By-Laws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of the Articles of Incorporation and By-Laws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

**ARTICLE VIII  
DISPOSITION OF PROPERTY**

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

**ARTICLE IX  
SEAL**

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

**ARTICLE X  
FINANCIAL TRANSACTIONS**

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

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

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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/s 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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○ 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



○ DISTRICT REFERENCE

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<b>District I</b>	Salud Mitra, Cabinet Hill-Teachers Camp, Marcoville, Engineers Hill, DPS Cmpd., South Drive, Greenwater Village, Military Cut-off, Hillside, Sta. Escolastica, Scout Barrio, Upper Dagsian, Lower Dagsian, Gabriela Silang, Atok Trail, Loakan-Apugan, Camp 8 , Baguio Country Club, Happy Hollow, Outlook Drive, Lucnab, Mines View, Pucsusan, Gibraltar, Lualhati, Pacdal and St. Joseph Village
<b>District II</b>	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
<b>District III</b>	Rizal Monument, Burnham-Legarda, AZCKO, Kayang Extension, Palma-Urbano, MRR-Queen of Peace, Lourdes Extension, Lower Lourdes Subd., Lourdes Proper, Dominican-Mirador, San Roque, San Luis, Upper Rock Quarry, Middle Rock Quarry, Lower Rock Quarry, City Camp Central, City Camp Proper, Lower QM Subd., Upper QM Subd., Ferdinand and Sto. Rosario Village
<b>District IV</b>	Camp Allen, Cresencia Village, Andres Bonifacio, Guisad Central, Guisad Surong, Pinget, Pinsao Pilot Project, Pinsao Proper, Fairview, Quezon Hill Proper, Middle Quezon Hill, Victoria Village and Campo Filipino
<b>District V</b>	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
<b>District VI</b>	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 Modern Site, East Modern Site, Brookside, Imelda Village, M. Roxas-Teachers Camp, Holy Ghost Proper, Honeymoon-Holy Ghost, Holy Ghost Ext., Upper General Luna, Lower General Luna, Kabayanihan, Session Rd., Harrison-Carantes and Malcolm Square
<b>District VII</b>	La Trinidad
<b>District VIII</b>	Bokod, Itogon and Kabayan
<b>District IX</b>	Asin Road, Irisan, Sablan and Tuba
<b>District X</b>	Atok, Tublay, Kapangan and Kibungan
<b>District XI</b>	Buguias, Mankayan

○ 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  
& Development Department  
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*



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