

BENECO 2014 ANNUAL REPORT

○ P.R.O.G.R.A.M.M.E

8:00 a.m. - 10:00 a.m.	Registration by District
10:00 a. m. - 11:00 a.m.	PROGRAM PROPER
Invocation	Rev. Father JONATHAN C. OBAR <i>Director, Distr. 11, Benguet</i>
National Anthem	Ms. JONALYN G. ACDONG <i>Non-Network & Services Department</i>
Welcome	Hon. FAUSTINO M. AQUISAN <i>Mayor</i> <i>Municipality of Kabayan, Benguet</i>
Messages	Hon. RONALD M. COSALAN <i>Congressman, Province of Benguet</i>
	Hon. NESTOR B. FONGWAN <i>Governor, Province of Benguet</i>
	Hon. EDITA S. BUENO <i>Administrator</i> <i>National Electrification Administration (NEA)</i>
Introduction of the Guest of Honor & Speaker	Dir. JOSEPHINE B. TULING <i>Director, Dist. 8, Benguet</i>
Message	Hon. NERI J. COLMENARES <i>Party List Representative</i> <i>Bayan Muna</i>
Awarding of Plaques of Appreciation	Mr. PETER B. BUSAING <i>Director, Dist. 5, Baguio City</i> <i>Board President, 2013-2015</i>
	<i>assisted by.....</i> Mr. GERARDO P. VERZOSA <i>General Manager</i>
Awarding of Plaques of Recognition to Outgoing Board Directors	Mr. BRUNO CANUTO <i>Director, Dist. 10, Benguet</i>
Intermission Number	Kamora National High School <i>Kabayan Benguet</i>
11:00 a. m. - 4:00 p.m.	Business Meeting Mr. PETER B. BUSAING <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. VIDAL W. BADIVAL, Jr.
Institutional Services Department

Engr. EVANGELINE S. MOCATI
Network & Services Department

○ ORDER OF BUSINESS

*“Enhancing Partnership of Indigenous Communities
and Electric Cooperatives in Renewable Energy.”*

Notice is hereby given to all members of the Benguet Electric Cooperative, Inc. (BENECO) that the 35th Annual General Membership Assembly (AGMA) will be held on December 5, 2015, (Saturday) at the Kabayan Central School Covered Court in Poblacion, Kabayan, Benguet.

Schedule of Activities:

"	08:00 A.M. to 10:00 A.M.	-	Registration by District
"	10:00 A.M. to 11:00 A.M.	-	Program Proper
"	11:00 A.M. to 12:00 NN	-	Business Meeting
"	12:00 NN to 1:00 PM	-	Lunch Break
"	1:00 P.M. to 4:00 PM	-	Business Meeting
"	4:00 PM to 5:00 PM	-	Raffle

Order of Business:

- I. Report on the number of members present to determine the existence of a quorum;
- II. Reading of the notice of meeting and proof of publication or mailing thereof;
- III. Reading and approval of the minutes of the previous general membership assembly;
- IV. Matters arising from the minutes of the previous general membership meeting;
- V. Presentation and consideration of the President and General Manager's Report;
- VI. New Business:
 1. Resolution confirming the proposal of BENECO Board and Management to develop 2 mini-hydro projects in Kabayan along the Agno River (10 MW and 20MW)
 2. Proposed amendments to the BENECO By-Laws:

ARTICLE V - MEETINGS OF THE BOARD

• *Existing:*

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 twice 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. Regular meeting shall be provided with the necessary Per Diem.

• *Proposed Amendment:*

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 thrice 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. Regular meeting shall be provided with the necessary Per Diem.

- VIII. Adjournment

Every member is encouraged to attend this Annual Assembly.

BENECO

2014 ANNUAL REPORT



*presented on
the occasion of the
35th
Annual General Membership Assembly
05 December 2015
held at the
Kabayan Central School Covered Court
Poblacion, Kabayan, Benguet*

*with
Special Guest of Honor*

Hon. NERI J. COLMENARES
*Party List Representative
Bayan Muna*

“Quality Service Is Our Way of Life.”

○ TABLE OF CONTENTS

Programme	1
Order of Business	2
Messages	5-31
Technical Highlights	32-33
Institutional Highlights	34-40
Independent Auditor's Report	41-42
Financial Statements	43-46
Notes to Financial Statements	47-68
Constitution & By-Laws	69-76
BENECO Incorporators	76
Management Staff	78
District Coverage Reference	77
Board of Directors	IBC

○ LIST OF TABLES & FIGURES

Table No.	Title	Page/s
1	Subsidy Projects Funded by National Electrification Administration Under Sitio Electrification Project (SEP)	33
2	Reinvestment Fund for Sustainable CapEx (RFSC) Utilization Summary	34
3	Performance Indicators – Annual Collection Efficiency	37
4	Annual System Loss Profile	38
5	Monthly System Loss Profile	38
6	Comparative Energy Sales	39
7	Comparative Member-Consumer Classification	39
8	Operational Income, Expenses & Cost of Energy Sold	40
9	Statement of Financial Position	43
10	Statement of Comprehensive Income	44
11	Statement of Changes in Equities and Loss	45
12	Statement of Cash Flows	46



MALACAÑAN PALACE
Manila

My warmest greetings to the Benguet Electric Cooperative, Inc. as you hold your 35th Annual General Membership Assembly.

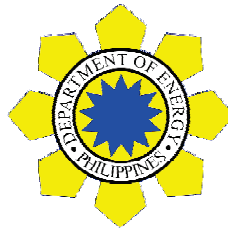
It is when we harness our collective imagination that we truly maximize the promise of our people. Keeping the lines of engagement open between our citizens is thus imperative for us to carry on with our dialogues, find consensus on emerging issues, and accordingly refine our blueprint for advancement.

I welcome your gathering in this spirit: May you use this platform to strengthen your performance, and set your services at par with the nation's standards in electrification. Benguet, along with our entire archipelago, is experiencing revitalization, and requires additional resources to maintain its present momentum. May your cooperative provide your client base the energy they need to attain their targets: Offer them a reliable, affordable, and sustainable source of power that will encourage them to look further onward to greater prospects for agriculture and to more daring fruitful pursuits.

Our country's tale of transformation is rooted in the optimism and reclaimed pride of Filipinos. Reform has revived our aspirations, impassioning us to exercise our resolve as individual agents of change and growth. Let us remain earnest in our campaign for continued capacity-building and renewal, and further unify our force along the Daang Matuwid; this way, we move closer to the unbound possibilities that await a resurgent Philippines.

I wish you an enlightened meeting.


BENIGNO S. AQUINO III
President of the Philippines



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

Electricity is an essential part of our lives. It is hard to imagine life without electricity because it is a source of comfort to all of us. It brings light to our homes, but without electricity, there is so much that we cannot do and enjoy. The simple joy of watching TV to be entertained or to catch the latest news would not be possible without electricity. We have machines that we use in farming or in factories to make our work easier.

Power precedes development, and bringing power to businesses and households translates to more productive and more comfortable life. Of course, distribution utilities have a huge role in bringing electricity to households and businesses alike. For many of us, we always think of our distribution utilities when we think about electricity and power supply. These utilities are the ones that we interact with and the ones that take care of our concerns about electricity.

And so I would like to extend my sincerest congratulations to Benguet Electric Cooperative, Inc. on its 35th Annual General Membership Meeting. Since BENECO's foundation in 1973, BENECO has been, and continues to be, an important partner of the province of Benguet in delivering electricity to households and businesses. Little by little, BENECO is able to reach the remotest sitios of Benguet to bring electricity and thus development and comfort to every Filipino in the province. Despite many difficulties along the road, BENECO managed to grow and put the interest of its customers at the forefront of its objective to bring reliable and affordable electricity in Benguet.

Without BENECO, government projects like the Sitio Energization Program (SEP) will not be even possible. And even before the roll out of SEP in 2011, BENECO has already been working in reaching out to the unenergized areas of Benguet and bringing electricity in those areas since 2006, and since then BENECO has energized more than a hundred sitios. BENECO has shown ingenuity, creativity, and innovation, and dedication to its mission.

I urge BENECO to continue on its mission to bring electricity and be at the forefront of development in the province of Benguet. I am sure that there are more challenges along the road, but I trust that BENECO, its officials, and staff will always have the dedication to continue this mission.

As the Committee on Energy Chairman of the House of Representatives, I count on BENECO to bring electricity to each and every household in the remotest rural areas of Benguet, and you can trust my Committee in Congress to craft laws that will help distribution utilities like BENECO in its mission. Congress will always show its support to admirable efforts to bring development to the provinces.

Again, I congratulate BENECO on its 35th AGMA.

Thank you very much and more power!

(Sgd) HON. REYNALDO V. UMALI
 Chairman, House Committee on Energy



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

I extend my warmest greetings to all stakeholders of the Benguet Electric Cooperative, Inc. (BENECO) on the occasion of your 35th Annual General Membership Assembly.

As we continue to tread the path of service excellence for the rural Filipinos, I wish to congratulate you for being a constant ally of the Agency in accomplishing the goals of the Rural Electrification Program. Through our concerted efforts, we have been able to reach out to farflung communities and renew our people's hope for a brighter future.

But much remains to be done, and especially for BENECO which prides itself as a power provider to as many as 190,700 member-consumers in the province of Benguet, the challenge is to aim for competition in order to allow you to institute more technological innovation and secure your place in the competitive power industry. As a mega large coop, you must strive to exceed growing membership expectations to test your capability to do more and emerge as one of the model ECs in the region.

With your resolve and dedication to work, I am confident that you will be able to stand stronger and usher in more significant gains in our worthy cause of helping the underprivileged onces. The key is to innovate and keep pushing for the best, while remaining grounded in the ideals of good governance and public service, which have been the cornerstone of our long-standing relationship with each other. Let us keep the faith in what is always possible to do and create avenues through which we can always be an influence of excellence to others.

I wish everyone a fulfilling and engaging assembly.

Mabuhay!


EDITA S. BUENO
Administrator



NGCP

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

The National Grid Corporation of the Philippines congratulates Benguet Electric Cooperative, Inc. on their 35th Annual General Membership Assembly.

Thirty-five years of undeniable quality service is truly admirable. The company salutes BENECO for their perseverance and dedication in uplifting the lives of their community by providing reliable electricity. NGCP continuously supports the cooperatives in their initiatives to promote progress in the area.

To BENECO's Board of Directors, Management, employees and member-consumers, congratulations and more power!

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

Message



NATIONAL TRANSMISSION CORPORATION
Quezon City, Philippines

The National Transmission Corporation (TransCo) extends its warmest greetings to the officers and members of Benguet Electric Cooperative (BENECO) on the occasion of its 35th Annual General Membership Assembly on December 5, 2015.

This year's theme "Enriching Partnership of Indigenous Communities and Electric Cooperatives for Renewable Energy" Reflects BENECO's commitment to share the benefits of renewable energy with indigenous people hosting its power facilities.

We also deem BENECO's purchase of several sub-transmission assets of TransCo in the past years as a sign of its growing financial strength and determination to further improve the quality of service to its customers in our country's premier tourist destination, Baguio City, and all 13 municipalities of Benguet province.

Rest assured that TransCo will always be BENECO's reliable partner as it moves on to reach its goal to become even more efficient and competitive in a deregulated power industry. We wish BENECO continued success in the years and decades ahead.

Congratulations and more power!

(Sgd) GENEROSO M. SENAL
Officer-in-Charge
National Transmission Corporation

Message



**PHILIPPINE RURAL ELECTRIC COOPERATIVES
ASSOCIATION, INC.
(PHILRECA)**

Greetings to the Board of Directors, the Management and the Staff as well as the Member-Consumers of Benguet Electric Cooperative, Inc. (BENECO) on its 35th Annual General Membership Assembly (AGMA) on December 05, 2015.

Year after year, the power industry continuously evolves, putting everyone in the sector on a close watch. Indeed, your outstanding operational records, driven by your relentless hunger for excellence is not a walk in the park but a consequence of the shared commitment and enthusiasm of the BENECO workforce and the member-owners. While you scale and work out each and every complexity brought about by the fast shifting environment, we encourage you collectively strive in transforming the intervening challenges into opportunities.

As you take pride in apprising the member-consumers of your accomplishments for the year 2014 and your plans for the coming years, we urge you to endeavor to strengthen your impeccable partnership with them. For the member-consumers, we enjoin you to support and assist your electric cooperative and more importantly, adhere to your duties and responsibilities, for BENECO is "Owned by those it Serves."

PHILRECA therefore joins you with honor and satisfaction, and with the fervent hope of your sustained or even more efficient and sustainable delivery of electric service to your member-consumers.

MABUHAY and more power!


WENDELL V. BALLESTEROS
General Manager



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



My warmest greetings to the esteemed leaders and member-consumers-owners (MCOs) of Benguet Electric Cooperative, Inc. (BENECO) as you hold your 35th Annual General Membership Assembly (AGMA) on December 5, 2015.

We have come a long way in our endeavor to empower and protect our Electric Cooperatives and electric consumers. As your representative in the 16th Congress of the Philippines, I have already file twenty one (21) House Bills and Resolutions which includes House Bill No. 4114 which seeks legislative measure to relieve the consumers of Beneco from paying the loadn used in the Sitio Electrification Program (SEP), the funding of which is now being subsidized by the present government. To this date, this Representation together with the support and assistance of General Manager Gerardo P. Verzosa, have been extraordinarily meeting with various stakeholders to fast track the passage of this significant measure for the consumers of Beneco.

Although there are sectors who refuse to understand the plight and concerns of our Electric consumers we are now more determined to persevere amidst these challenges.

Finally, I would like to express my sincerest gratitude for the support of Beneco; BOD;s as we continue to promote and advance the interests of our ECs, energy consumers in general and rural electric consumers in particular. I wish you the best in the years to come.

Mabuhay and more power to Benguet Electric Cooperative, Inc.


EDGARDO 'ERM' RAMA MASONGSONG
Representative 1-CARE



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

The Benguet Cooperative (BENECO) is one of the best Electric Cooperatives if not one of the best Cooperatives in the Country. Not only does it provide electricity but also community services to those in need and supported different community projects in Baguio and Benguet.

In behalf of the City Officialdom and my family, we extend our warm greetings and felicitations as you celebrate our 35th Annual General Membership Assembly on December 5, 2015 in Kabayan, Benguet.

As you continue to be our partner in building better Baguio and better Benguet, may we continue to work closely with the communities for more improved and better access of your services. May you also continue to expand your social services to the indigents as progress comes from productive communities that are free of worries and burdens.

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

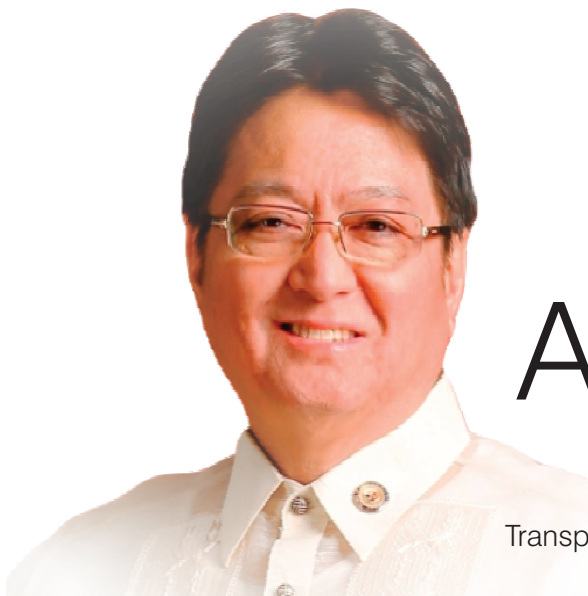
More power and God Bless our Cooperative!

NICASIO M. ALIPING JR.
Congressman, Baguio City

Message



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila
16th Congress



As your congressman for the lone district of Benguet as well as a MEMBER CONSUMER of BENEKO, I am glad that we have reached as one people, this 35th Annual General Membership Assembly (AGMA) which is a good practice sustained through the competent management of our hard working Administrators and trustworthy Board of Directors.

Transparency is one of the most important values that a group should assume in all transactions to gain the trust and confidence of members in the entirety of its operation.

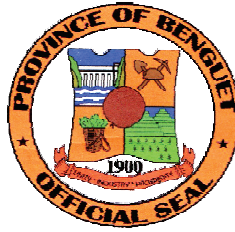
In the yearly presentation of our Benguet Electric Cooperative, Inc (BENEKO) accomplishment reports, it is expected that member-consumers are wholly informed on the operations thereof, which may serve as an avenue for GRATEFULNESS and for IMPROVEMENT.

Firstly, we are grateful for the 'quality service' rendered especially in the aim of providing electricity to the far flung areas of Benguet via the Sitio Electrification Program (SEP) which is the product of the concerted efforts of our offices with the National Government for completion comes 2016. Further, to include all the sacrifices of our BENEKO employees for promptly responding to all demands that ranges from fixing electric posts and lines to restoration of electricity; from the upgrading of services to resolving various complaints in this mountainous and rough terrains of our province where at times implies an all-out effort to uphold the very motto of Beneco—"Quality Service Is Our Way Of Life".

Secondly, this AGMA would be a chance for all of us to go beyond and to see further avenues for improvement in the daily operation of our Cooperative. A challenge to all member-consumers to actively participate in every organized activities and programs for the benefit and for the good of both the users and the administrators. Truly, "a well-informed member is like a precious jewel that makes an association rich and worthy of emulation".

Lastly, may we have a fruitful assembly and congratulations to all participants, stakeholders, organizers and to the BENEKO team who made this very important event a success.


RONALD M. COSALAN
Congressman, Province of Benguet



Republic of the Philippines
Province of Benguet
OFFICE OF THE GOVERNOR

As the 35th Annual General Assembly of BENECON unfolds on December 05, 2015 at the Kabayan Municipal covered court, Poblacion, Kabayan, Benguet, we extend our warmest greetings to all the participant member-consumers as they come together to once again renew and strengthen their membership with BENECON.

This year's General Assembly is indeed imbued with much significance because it is a gathering that affords the member-consumers opportunities of closing ranks with management on issues on how we can further improve the services of the electric cooperative. Measures geared towards the improvement of our Electric Cooperative can only be done at this time of assembly.

We likewise express our appreciation to the members of the Board of Directors and Management for the consistent satisfactory delivery of services to our member-consumers. This efficient service is no doubt due to the competent leadership at the helm of the Coop.

To the rank-and-file employees, our sincere salute goes with for being the frontliners. We understand how difficult your role is in the Coop. It is through you that BENECON draws its strength that enables the efficient services of our electric cooperative.

To the member-consumers, who are considered the pillars of the Electric Cooperative, we too express our sincere appreciation. Your prompt and regular payments of your monthly dues are the factor that keeps BENECON going.

Happy 35th Annual General Assembly.

Thank you.


NESTOR B. FONGWAN
Governor



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

We are lucky to have an electric cooperative that continues to scale the heights to ensure that continuity of efficient service for its member-consumers.

It is public knowledge that our electric cooperative has taken measures to confront the challenges of the power industry to ensure the availability of reliable power distributed at least cost to every household in the city and in our province. The stakes for today's electric distribution industry have gone beyond the mere task of providing power to those who need them. The chips now call for electric cooperatives to be more aggressive and innovative so that the bars of a competition provided by the EPIRA can easily be hurdled. Today, we understand that electric cooperatives have to be adept in handling power supply agreements, skillful to be competitive in the market and ready to empower the community for greater participation in cooperative affairs. We join our friends in publicly declaring that BENEKO, through the years, have not failed us in these endeavors.

We take this occasion of BENEKO's 35th Annual General Membership Assembly (AGMA) to express our congratulations for a job well done.

We wish that the efforts of BENEKO to sustain its dynamic drive towards change will remain unsullied.

Congratulations and more power!


NELSON DANGWA
Vice Governor

Message



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

In behalf of my family, the people and officialdom of Baguio City, we would like to express our sincerest gratitude and congratulations to the management, staff and member-consumers of the Benguet Electric Cooperative, Inc. (BENECO) on the occasion of your 35th Annual General Membership Assembly (AGMA) on Saturday, 05 December 2015, at the Kabayan Municipal Covered Court, Poblacion, Kabayan, Benguet.

We deeply appreciate the initiative of the cooperative for having sustained the conduct of the AGMA in the different areas within its franchise area in order to be able to gather the sentiments of the member-consumers in the rural areas and effectively and efficiently act on such concerns for the benefit of better service to the people in the countryside.

We join the member-consumers in commending BENECO for a job well done in sustaining the quality of service, low systems loss and reliable power in order to guarantee the trust and confidence of investors in doing business within its franchise area, Let us continue supporting future expansion projects of the rural electric cooperative which is geared towards lowering the cost of power to the people and ensuring quality service and guaranteed power supply for everyone.

Again our warmest greetings and congratulations to one and all.

Mabuhay tayong lahat!
Matagotago tako am-in!
Menbiyag kiton emin!!


MAURICIO G. DOMOGAN
Mayor



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

“**S**trength, Determination, Challenges and Confidence, Count your Success.”

In behalf of the people of Atok, let me extend my best regards and congratulations to the officers and members of the Benguet Electric Cooperative during your 35th Annual General Membership Assembly.

The Benguet Electric Cooperative, Inc. (BENECO) has continuously paved its way to successful energization of majority of our barangays thru the continuous and diligent implementation of its program to meet the mandate of bringing affordable electricity to everyone.

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

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


PETER B. ALOS
Municipal Mayor



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

In line with the AGMAs theme, “Enhancing Partnership of Indigenous Communities and Electric Cooperatives in Renewable Energy,” the undersigned and the whole people of Bakun expresses our warmest congratulations to the Benguet Electric Cooperative, Inc. (BENECO) family as it celebrates its 35th Annual General Membership Assembly.

This office commends the BENECO leadership as it continues to track a community involvement path in its effort to harness renewable energy in attaining its vision of bringing electricity in all corners of Benguet.

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

The municipal government of Bokod and I wish to extend our warmest greetings and congratulations to the Benguet Electric Cooperative, Inc. (BENECO) for another year of service to the community, especially the member/consumers in the far-flung or remote areas of its jurisdiction.

I commend the cooperative for their major programs, foremost of which are the continuing energization and quality services accorded to all its members/consumers.

I am also proud of the men and women who compose the cooperative headed by Mr. Gerardo P. Verzosa, General Manager, your selfless and tireless activities serve as an inspiration and hope to all stakeholders, and to the members/consumers who had developed their personal values, understanding and concern through the years,

Again, congratulations and God speed!



MAURICIO T. MAGAY
Municipal Mayor

Message



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

Warm Greetings!

With the unending support and sustenance of our own Benguet Electric Cooperative (BENECO) family we're giving our best accolade and regards for the accomplishments you've achieved years back on you 35th Annual General Membership Assembly (AGMA) dated December 5, 2015 to held at the Kabayan Municipal Covered Court, Poblacion, Kabayan Benguet.

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

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

In behalf of our beloved municipality, I wish to convey our best wishes and warm greetings to Benguet Electric Cooperative on the occasion of its 35th Annual General Membership Assembly. This yearly event is indeed a manifestation of BENECO's continuing efforts to maintain transparency and accountability in the organization providing each and every member-consumer the opportunity to participate in decision making and in planning what is best for our electric cooperative. Throughout the years from PD 269 to EPIRA, Beneco has always been working aggressively to fulfill its mandate. Its ability to withstand all the difficult challenges that came across made this distribution utility stronger and better, thus emerging as one of the best electric cooperatives in the entire country.

As we commend the Beneco for truly providing "Quality Service" as its "Way of Life," let me also take this opportunity to express our municipality's gratitude for its relentless partnership with us not only in terms of rural electrification but also in other co-equally important programs, projects and activities. Our street and alley lighting project has contributed so much to the reduction of crime incidence in this locality. Your accommodation and positive action on our referrals affecting our constituents is reflective of Beneco's commitment in observance of its corporate social responsibility.

The result of the just concluded referendum is indicative of our member-consumers' great concern for others. Clearly we do not want to compromise our desire to uplift the living conditions of our people in the far-flung areas of Benguet with shares, stocks and dividends. With the continuity of our rural electrification program, each and every family will be provided the opportunity to experience and enjoy the convenience and the benefits to be derived therefrom.

To the Beneco Board of Directors, the Management and Staff, and to all personnel who are working day and night to ensure that Beneco will always provide quality service, Congratulations and Mabuhay!

ATTY. VICTORIO T. PALANGDAN
Municipal Mayor



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



Welcome to Mystical Kabayan!

Our best wished to all the delegates and participants of the Benguet Electric Cooperative, Inc. (BENECO) 35th Annual General Membership Assembly.

Mystical Kabayan is truly proud to play host to this year's AGMA. The municipality offers their full support for the successful conduct of the activities of the assembly. I hope the participants will find time to explore and experience the beauty of our unique culture and place during your brief stay. The Kabayan's innate sense of hospitality moves us all to treat all of you as special guests and friends. We hope to make your stay in Mystical Kabayan a truly memorable one!

It is public knowledge that BENECO is offering a mini-hydro project that will not only provide for its people employment opportunities and benefits from business and realty taxes, but also make Kabayan co-owners of the project in the long run. Who wouldn't support this project when on top of the mandatory benefits that goes along with the project. We are hopeful that BENECO will have the chance to push through with this project with the cooperation of course of the Kabayan community.

Kabayan is always one with BENECO in the provision of quality service to our constituents.

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


It is with great pleasure that I extend my congratulations to BENGUET ELECTRIC COOPERATIVE, Inc. (BENECO) on the occasion of the cooperative's 35th Annual General Membership Assembly (AGMA).

For years, BENECO has been steadfast in the delivery of quality service true to their philosophy "QUALITY SERVICE IS OUR WAY OF LIFE." Their resolute implementation of the sitio electrification caught attention of President Benigno Aquino III and embraced it as one of his flagship programs. We are always indebted to BENECO for the scores of changes in the lifestyle of our constituents brought about by the Sitio Electrification Program.

I also join the member-consumers in commending BENECO family for transforming our cooperative as one of the best electric cooperatives manifested by the low power rate and single digit system's loss. I strongly believe that you have satisfied us but your venture in power generation is an indication that you have still a lot to offer. I hope that the member-consumers will support you in the crusade for power generation.

To the member-consumers, I enjoin you to be with the BENECO family on December 5, 2015 at the Covered Court of Poblacion, Kabayan to join in this annual assembly.

Long live BENECO, Incorporated.



ROBERTO K. CANUTO
Municipal Mayor



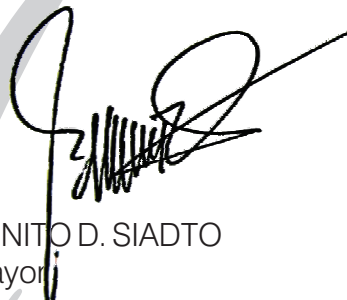
Republic of the Philippines
Province of Benguet
Municipality of Kibungan
OFFICE OF THE MUNICIPAL MAYOR

On the occasion of the 35th Annual General Assembly of the Benguet Electric Cooperative (BENECO), I would like to extend my warmest greetings to its members and officers.

The result of the latest referendum on whether our Cooperative should remain as non-stock cooperative proves the members' trust in the present set-up of BENECO. Further, this may be due to the performance and efficiency of BENECO in providing and maintaining affordable electricity to our home and establishments with its present set-up.

Thus, its conduct of its annual general assembly is vital to its operations

Matagotago ka BENECO!



BENITO D. SIADTO
Mayor

Message



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

Greetings of peace and goodwill!


The officialdom and people of La Trinidad wish to congratulate the Benguet Electric Cooperative, Inc. (BENECO) for the successful conduct of its 35th Annual General Membership Assembly (AGMA) that served as powerhouse for relevant information towards members' awareness and participation.

Indeed, the annual event rekindles bonds, forges friendships and signifies transparency among and between the coop stakeholders which results to the relentless support and trust of member consumers.

BENECO is not only stalwart to its partners but also an electrifying instrument on the economic and social transformation of Baguio City and Benguet Province. The cooperative is undeniably guided by its vision of delivering quality service in order to sustain progressive and ecologically sound communities as embodied by the coop's various achievements.

From the "valley of colors", may your meaningful and worth-emulating accomplishments inspire other people to create bigger waves as you continue hike for greater heights.

Dak-dake ay iyaman, unpalalad kayo.


EDNA C. TABANDA
Mayor



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

Warmest regards from Mankayan!

On behalf of the townspeople and officials of my lovely municipality, I would like to extend my congratulations to the Benguet Electric Cooperative, Inc. (BENECO) during its 35th Annual General Membership Assembly (AGMA).

It is such a remarkable achievement for BENECO to have reached this milestone I remember back in the day when having a steady flow of electricity in our town is quite a dream. Now your company brings light to the entire municipality, and while sometimes, this may be taken for granted, it does not diminish the impact you have had on ultimately changing the way we live for the better.

This time with your theme, you have recognized the need to tap into renewable sources of energy. We admire your initiative and efforts to harness these sustainable eco-friendly sources as it shows that your company has a strong sense of corporate responsibility. We will do our best to help promote your cause.

May the perpetual grace of our good Lord shine upon you the way you have brightened thousands of homes through out Benguet.

Matago-tago tako


Atty. MATERNO P. LUSPIAN
Municipal Mayor

Message



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

The Municipality of Sablan warmly greets all members and officers of the Benguet Electric Cooperative, Inc. (BENECO) on your 35th Annual General Membership Assembly (AGMA).

BENECO'S commitment to service is recently capped by endeavoring our fellow members and the townsfolk of our fellow municipality, Kabayan, in its bid to further develop and encourage a broader participation of the people not only as a consumer but as a potential co-investors.

May this year's AGMA be instrumental in the resolution of BENECO's bid to develop mini hydro power plants in this year's host municipality.



ARTHUR C. BALDO
Municipal Mayor

Message



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

It is my great pleasure and pride to represent our beloved municipality to recognize and appreciate the efforts of the Officers, Management, Employees and Member-Consumers of the Benguet Electric Cooperative, Inc. (BENECO) for its 35th ANNUAL GENERAL MEMBERSHIP ASSEMBLY (AGMA).

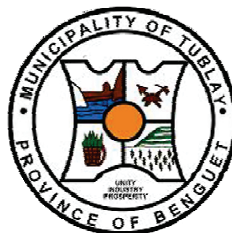
You have proven that strength and success is anchored on unity in order to achieve excellence, excellence which the Tuba constituents have experienced for the past decades. It is indeed remarkable to see the success and achievement of our cooperative.

Once again, we commend your dedication, perseverance and determination to achieve the utmost. Keep up and may Almighty bless us all!



FLORENCIO V. BENTREZ
Municipal Mayor

Message

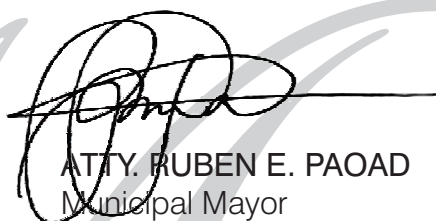


Republic of the Philippines
Province of Benguet
Municipality of Tublay
OFFICE OF THE MUNICIPAL MAYOR

It is an honor and privilege to extend once more our congratulations to Benguet Electric Cooperative, Inc. (BENECO) as it conducts its 35th regular Annual General Assembly at Kabayan, Benguet.

The entire officialdom and the people of our municipality salute you for another fruitful and rewarding year. True to its vision, BENECO is continuously proving itself a model electric distributor in our country, providing quality service to our community

Once again, congratulations. Mabuhay BENECO!



ATTY. RUBEN E. PAOAD
Municipal Mayor

Message



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



To the member-consumers of BENECO:

I am pleased to welcome all member delegates as we convene for this 35th BENECO Annual General Membership Assembly (AGMA). This important event marks the continued dynamism of this Electric Cooperative in serving the interest of its member consumers.

Our theme for this year, "Enhancing the Cooperation Between Indigenous Cultural Communities and Electric Cooperatives for Renewable Energy," signifies BENECO's aspirations and driving force behind all efforts in our quest of attaining higher level of efficiency, effectiveness and innovativeness to fully serve the interest of the member consumers at this crucial period of constant changes.

The spirit of time now calls for solidarity among members and various stakeholders like LGU's and the IP's to strengthen our resolve in keeping pace with the dynamic changes and challenges of the power industry, driven of course by our direction to engage into power generations through renewable energy.

The electric industry is being shaped by marked forces such as competition, technology, regulations, innovations, among others. It is, therefore, imperative for BENECO to be prepared for the collective impact of these market forces to enable us to adopt and turn risks into growth. As often said in business, everything may not be fair but we have to learn how to play the game in order to stay in the game.

Thus, it is imperative that we keep at pace with the industry standards and best practices through new and innovative ways of strategies and directions to achieve power rates that are affordable and justified in the light of changing industry realities.

God bless us all and onward BENECO!

PETER B. BUSAING
President, BENECO Board of Directors

Message



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



To the member consumers of BENECO:

Allow us to inform you that BENECO continues to remain steadfast in its commitment to serve you in the most efficient way so that you will continue to enjoy cheap and available electricity. Your electric cooperative is leaving no stone unturned in facing the challenges of the industry brought about by the Electric Power Industry Reform Act (EPIRA) and the Revised Charter of the National Electrification Administration (NEA) under Republic Act 10531.

Today, we could not afford to relax and sit idly as a distribution utility, content that we are compliant with the rules and regulations of the power industry. There is a need to exert more effort and push the electric cooperative to perform beyond par. This bid is looked at for electric cooperative to avoid collapse or elude possible interest from private corporations that are lurking behind to annex rural electric cooperatives. The thrusts towards industry innovations such as prepaid metering, renewable energy development, upscale communication system, high end maintenance technology, net metering and the Wholesale Electricity Spot Market have pushed us to work harder in order to be able to cope with the demands of a dynamic industry. Of course, these targets do not mean that we will compromise our mandate for rural and sitio electrification. We will continue to prioritize in our energization map the remote villages and far flung areas despite the inhospitable terrains of their location and despite them being financially unviable in terms of return of investment

The power distribution sector is at the crossroads between staying faithful to the objectives of its franchise and lifting barriers to accommodate technological and structural changes. We are not afraid to tell you that we are ready for both.

We will always be grateful to your support and continued trust and confidence in our ability to efficiently manage your electric cooperative. We understand some of your concerns and we have always been transparent to listen and address them.

Your prayers will always let us through.

Happy AGMA !


GERARDO P. VERZOSA
General Manager

○ TECHNICAL HIGHLIGHTS

A. SITIO ELECTRIFICATION PROGRAM

(Funded by the National Electrification Administration)

ITEM	AREA LOCATION			POLE REQUIREMENT				KILOMETERS OF LINES					QTY. X'FMER REQM'NT	PROJECT COST
	DISTRICT & MUN.	SITIO	SITE	St'l	Con.	St'l	Con.	Type						
				30 ft	35 ft	40 ft	45 ft	3Ph	2-Ph	1-Ph	U.B.	O.S.		
I	DISTRICT VIII - BOKOD, ITOGON , KABAYAN No. of Sitios = 5			19	0	43	44	5.78	0	0	1.42	1.11	0	7,447,748.54
1	Itogon	Ampucaao	Tangke site 1	10								0.510		529,791.46
2	Itogon	Ampucaao	Tangke site 2	9								0.600		482,777.82
3	Itogon	Loacan	Lower Camisong, Bingo, Apalan			43	44	5.78			1.420			6,435,179.26
II	DISTRICT IX - ASIN Road, IRISAN, SABLAN, TUBA No. of Sitios = 12			0	0	0	0		0	0	0	0	0	
III	DISTRICT X - ATOK, TUBLAY, KAPANGAN, KIBUNGAN No. of Sitios = 15			336	186	0	0	0	0.88	22.5	7.448	15.522	5	23,404,427.24
1	Atok	Caliking	Lower Damsite	28	29					2.640	0.860	2.300	2	2,455,130.40
2	Atok	Caliking	Nabneng, Dagangi, Poket	11								0.940		498,659.81
3	Atok	Cattubo	Lemtang	2								0.185		103,838.41
4	Atok	Cattubo	Lower Botiao	10								0.610		395,839.21
5	Atok	Naguey	Up'r & Lw'r Eg-Egang, Pasahey	21	19					1.520	1.200	1.160	2	1,873,966.83
6	Atok	Poblacion	Lower Depting	14	16					1.275	0.121	1.026	1	1,360,849.81
7	Kibungan	Lubo	Bayog, Up'r/Lw'r Manawal	18	11				0.88		0.455	1.750	1	1,419,288.17
8	Kibungan	Lubo	Gasal	31	1					0.840				1,386,169.47
9	Kibungan	Madaymen	Napsong	17	70					5.780	0.717	0.711	1	3,791,476.05
10	Kibungan	Palina	Legleg	14	21					2.550	0.990	0.610	1	1,666,808.84
11	Kibungan	Palina	Paoay & Agadangan	18	9					1.160	0.800	0.740	1	1,260,262.94
12	Kibungan	Poblacion	Bago, Liwen, Polis Proper	62	3					2.39	0.855	0.795		2,663,156.08
13	Kapangan	Catiaon	Gaswiling	64	2					4.145	1.25	2.505	2	3,003,908.13
14	Kapangan	Pongayan	Libo, Sagapa, Upper & Lower Pongayan	18	1							1.600	1	929,207.81
15	Tublay	Ambassador	Lower Sapuan	8	4					0.200	0.200	0.590		595,865.28
IV	DISTRICT XI - (MANKAYAN, BUGUIAS, BAKUN) No. of Sitios = 5			77	8	0	0	0	0	3.675	0.48	7.481	2	4,128,287.01
1	Buguias	Amgaleyguey	Bolibo	5						0.400	0.400			233,297.08
2	Buguias	Sebang	Colos-Sumigkit-Napugoan	12								1.06		546,420.27
3	Buguias	Sebang	Motyocna-Tabbak	6								0.54		248,484.67
4	Bakun	Kayapa	Caang-Bileng-Matacadang	16	6					0.135	0.08	2.915	1	1,217,989.43
5	Bakun	Gambang	Lower Ingaan	38	2					3.14		2.966	1	1,882,095.56
TOTAL				432	194	43	44	5.78	0.88	26.18	9.35	24.11	7	34,980,462.79

Table 1:

BENECO 2014 ANNUAL REPORT

B. SUMMARY OF REINVESTMENT FUND FOR SUSTAINABLE CAPEX (RFSC)
Utilization For the Year 2014

CapEx on “Close-Out” Powerlines & Distribution Transformers (Sole Use-“Buy-Back”) Projects

MONTH	Buyback Projects (PBB)	Rural Electrification Program (PER)	PRIMARY POWERLINE WORK			SECONDARY POWERLINE WORK			Total Cost of Closed-Out Projects for CAPEX
			Extension, New (PEP)	Extension, Reliability (PEQ)	Re-Conductoring (PRC)	Extension, New Connections (PES)	Rehabilitation, Reliability (PRQ)	Rehabilitation, Safety (PRX)	
January	-	-	-	-	203,063.52	28,648.64	74,817.80	9,547.68	316,077.64
February	166,774.47	-	160,311.73	-	-	73,746.40	-	-	400,832.60
March	374,788.91	54,431.40	247,489.96	38,674.10	65,916.45	166,187.52	82,937.40	-	1,030,425.74
April	1,279,853.41	-	453,807.46	-	137,985.84	29,056.01	199,688.84	-	2,100,391.56
May	94,462.24	-	543,047.23	-	-	55,001.65	632,567.85	64,590.57	1,389,669.54
June	1,541,153.13	-	677,193.77	113,484.18	-	181,741.72	513,551.86	-	3,027,124.66
July	378,865.66	-	1,084,329.82	-	-	223,906.70	489,014.32	9,270.96	2,185,387.46
August	3,479,231.07	-	636,911.38	291,348.38	211,910.89	248,239.77	308,472.49	51,390.90	5,227,504.88
September	771,982.01	-	459,216.68	289,437.59	119,124.79	149,408.47	137,430.80	164,056.22	2,090,656.56
October	354,194.95	-	335,190.89	89,248.99	154,948.25	460,097.82	797,101.97	218,272.87	2,409,055.74
November	408,308.26	-	69,597.14	89,411.70	167,664.29	236,425.91	895,210.26	-	1,866,617.56
December	360,895.71	-	313,831.96	-	-	186,943.70	852,386.43	18,400.92	1,732,458.72
TOTAL	9,210,509.82	54,431.40	4,980,928.02	911,604.94	1,060,614.03	2,039,404.31	4,983,180.02	535,530.12	23,776,202.66

Other CapEx on Primary, Secondary Powerlines & Distribution Transformers (Communal Use)

MONTH	Service Drop Conductors	Revenue KWHMeters	Distribution Transformers	Switches and Fuse Cut-outs	Sub-Total
January	38,367.87	458,849.20	1,779,110.10	-	2,276,327.17
February	84,106.63	824,122.84	529,169.72	-	1,437,399.19
March	93,939.56	268,098.46	1,117,395.87	47,096.24	1,526,530.13
April	110,551.32	603,063.69	5,033,372.65	28,994.48	5,775,982.14
May	31,236.27	829,273.78	2,376,767.92	69,168.80	3,306,446.77
June	81,033.40	672,853.70	1,598,119.49	20,143.04	2,372,149.63
July	33,994.71	558,020.58	497,635.77	67,277.70	1,156,928.76
August	7,223.98	535,080.60	4,572,023.39	44,672.38	5,159,000.35
September	18,527.82	467,714.64	3,358,278.78	-	3,844,521.24
October	55,919.35	692,067.12	3,635,895.71	-	4,383,882.18
November	94,666.75	613,268.80	1,957,985.61	80,252.21	2,746,173.37
December	60,014.80	635,345.26	1,810,111.27	95,417.92	2,600,889.25
TOTAL	709,582.43	7,157,758.67	28,265,866.28	453,022.77	36,586,230.15

CapEx on Bank Loans, Amortizations & GRAND TOTAL

MONTH	LOAN AMORTIZATIONS		GRAND TOTAL
	BPI Loan	REFC	
January	-	126,316.00	2,718,720.81
February	-	126,316.00	1,964,547.79
March	-	126,316.00	2,683,271.87
April	4,642,895.26	126,316.00	12,645,584.96
May	-	126,316.00	4,822,432.31
June	-	126,316.00	5,525,590.29
July	4,611,539.48	126,316.00	8,080,171.70
August	-	126,316.00	10,512,821.23
September	-	126,316.00	6,061,493.80
October	4,611,539.48	126,316.00	11,530,793.40
November	-	126,316.00	4,739,106.93
December	-	126,316.00	4,459,663.97
TOTAL	13,865,974.22	1,515,792.00	75,744,199.03

Table 2:

○ INSTITUTIONAL HIGHLIGHTS

1	ANNUAL GENERAL ASSEMBLY (AGMA 2014) (Attendance)	1,672
	Kapangan Municipal Covered Court Lomon, Kapangan, Benguet	
2	CONSUMER EDUCATION CAMPAIGNS	
	a. Number of Information Education Campaign conducted	65
	b. Number of Participants	4,083
3	PRE-MEMBERSHIP SEMINARS (PMES)	
	a. Seminars conducted	
	In-house	156
	Outreach	982
	b. Participants	
	In-house	2,893
	Outreach	512
4	MEMBERSHIP LIST SANITATION	
	a. Total Membership Sanitation Activities	64
	b. Total Number of Account Names Changed (Sanitation/Walk-in)	1,971
5	MEDIA RELATIONS	
	a. TV and Radio Program	
	“POWERLINE” (DZWT 540 am & Z Radio 98.7fm)	52
	b. Kapihan / Press Conferences	1 Kapihan
6	VISITORS (Company or Technical & Educational Tours Accommodated)	
	a. Ministry of Energy – Republic of Bangladesh	
	b. Malayan Colleges – Laguna, Rizal	
	c. Crystal E-Colleges – Olongapo City, Zambales	
	d. Ilocos Norte Electric Cooperative, Inc. (INEC)	
	e. Misamis Oriental Electric Cooperative, Inc. (MORESCO)	
	f. Kalinga Electric Cooperative, Inc (KAELCO)	
7	SPECIAL PROJECTS	
	a. GIS Mapping & Survey of Baguio Sewerage System	127 barangays
	b. TESDA and BENECO partnership in Technical Vocational Skills Training (<i>establishing BENECO Abatan TechVoc School</i>) No. of Total Graduates as of 2014.....	684 Graduates (313 Shielded Metal Arc Welding 300 Electrical Installation and Maintenance and 71 Massage Therapy)
	c. Installation of CCTV & IP Radio Network for PNP Baguio and La Trinidad.....	114 CCTVs, 45 IPRadio

INSTITUTIONAL HIGHLIGHTS... CONT'D



○ EMERGENCY CONTACT NUMBERS



Non-Network & Revenue Service Department

Meter Reading, Billing & Dis-Connections Office	442-5337, 444-9637
Collections Office	444-8395
Consumer Welfare Office.....	442-2186
<i>"Powerline"</i>	+63-998-575-5740

Network Services Department	422-6532 (Tel/Fax)
Oprt'ns & Maint.	444-9201, 444-9638(Fax)

HOTLINE NUMBERS (Priority Calls)	442-6663, 442-2295
	0909-865-7202 (Smart)
	0917-592-1698 (Globe)

PABX (Automatic Branch Exchange)	422-2226, 422-4515,
	422-5480, 422-5670

ABATAN OFFICE	0917-580-7814
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Abatan, Buguias

○ 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). As of the end of SY 2014 a total of 684 students have earned their NCII Certificates from the training center. Of these figure 300 were students of EIM, 313 SMAW and 71 MT earned their certificates.

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



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

○ KEY PERFORMANCE INDICATORS

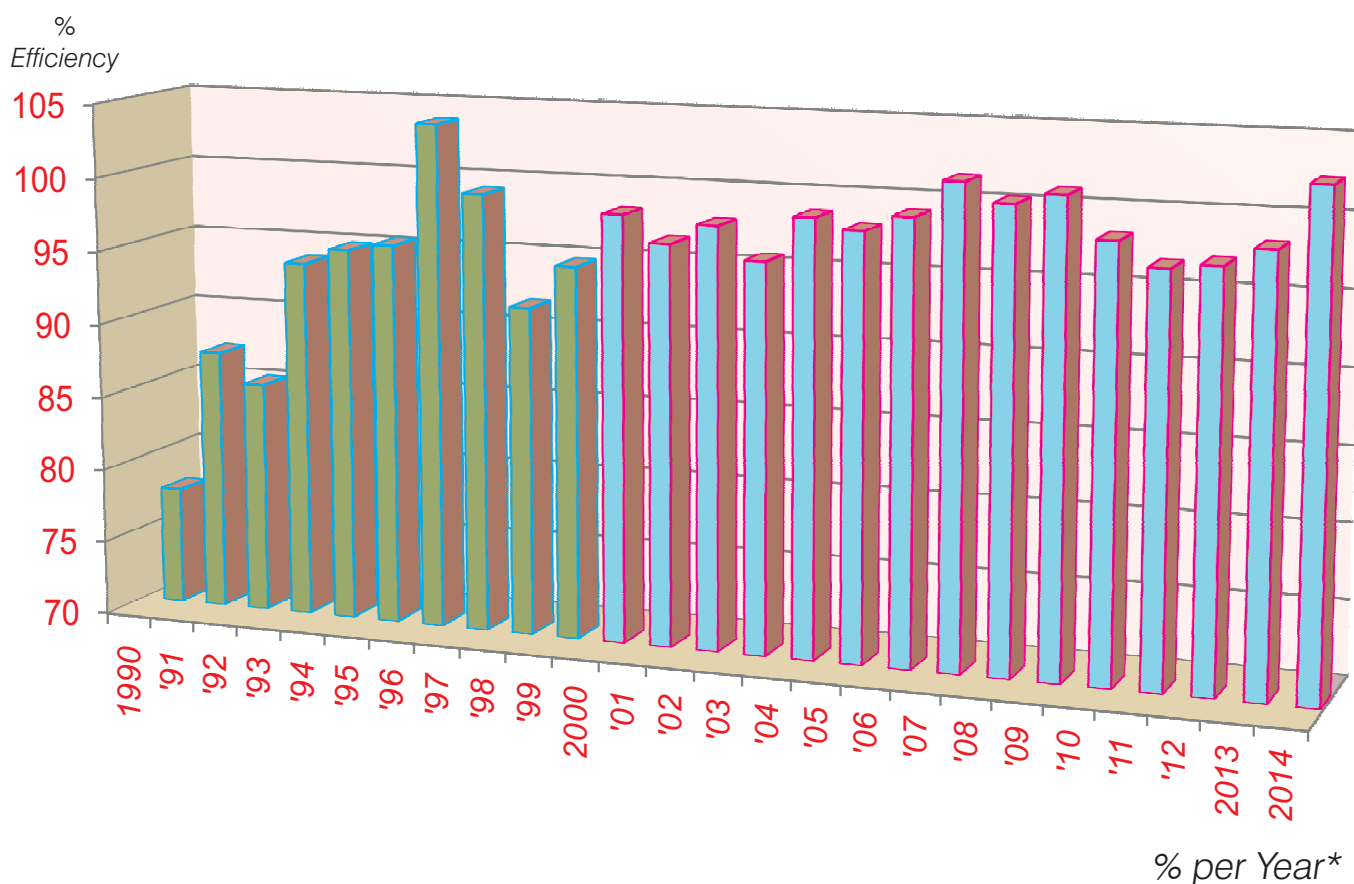
2014 COLLECTION EFFICIENCY

Per Year*

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	100.00 (104.00)
8	1997	99.47
9	1998	92.03
10	1999	94.96

No.	Year	Efficiency (%)
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	100.00 (101.75)
19	'08	100.00 (100.53)
20	'09	100.00 (101.22)
21	'10	98.50
22	'11	96.94
23	'12	97.26
24	'13	98.45
25	2014	100.00 (102.58 eff.)

Table 3:



○ KEY PERFORMANCE INDICATORS

Per Year: 1990-2013

YEAR	Sys. Loss(%)	
1990	29.21	
'91	28.45	
'92	24.31	
'93	22.90	
'94	18.12	
'95	18.69	
'96	18.09	
'97	16.21	
'98	15.81	
'99	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	
2014	9.48	

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

2014 SYSTEMS LOSS PROFILE

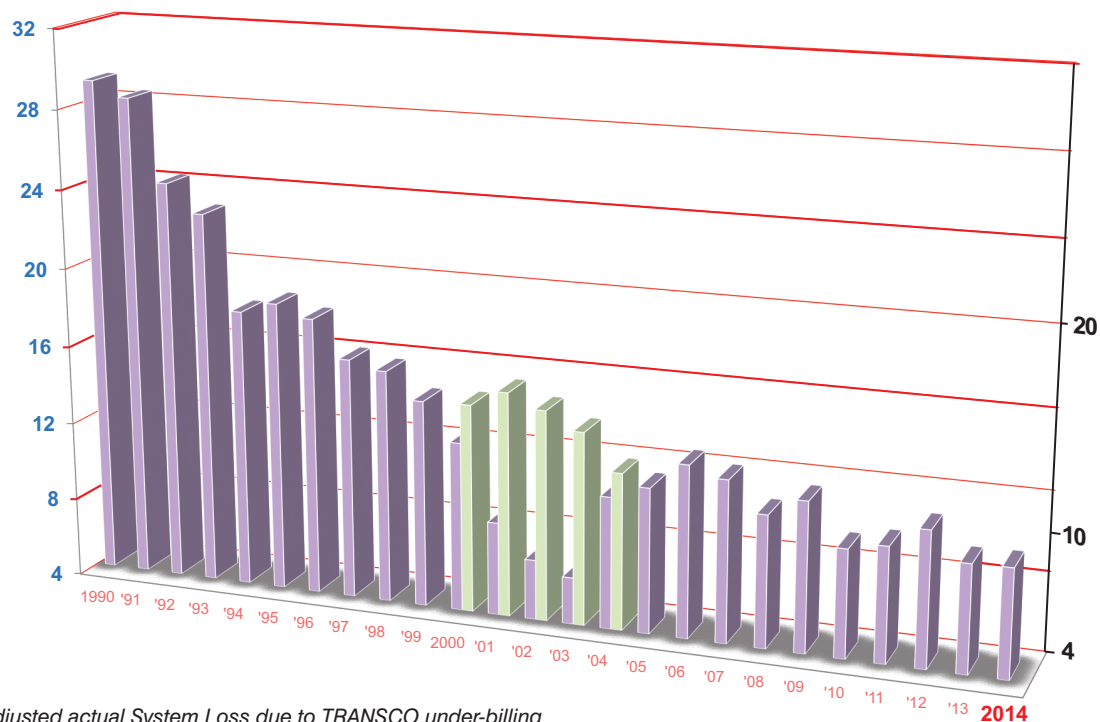
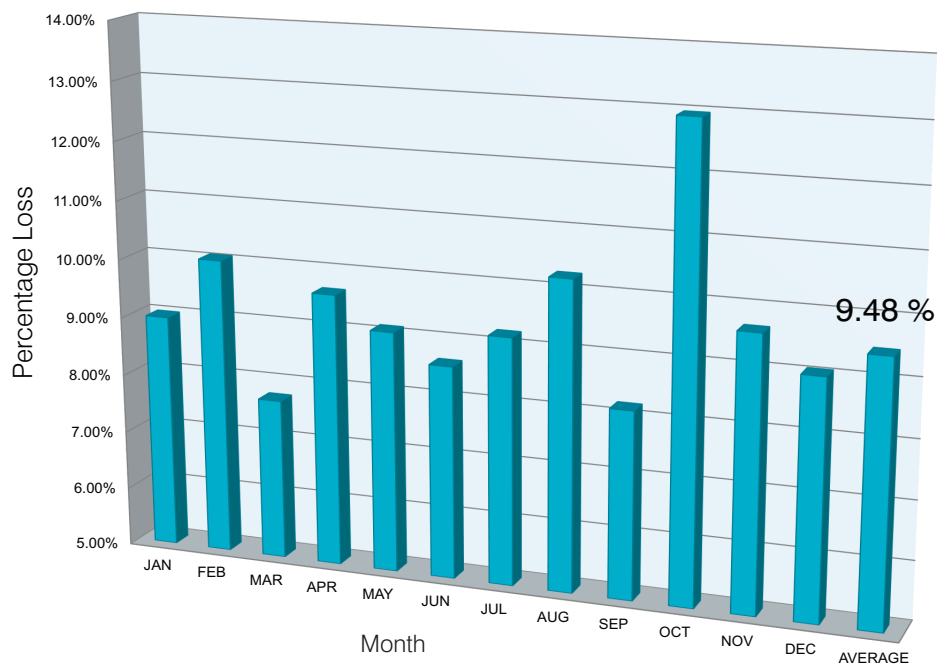


Table 4:



Per Month of 2013

Month	Systems Loss (%)
January	9.00
February	10.06
March	7.74
April	9.65
May	9.11
June	8.63
July	9.21
August	10.26
September	8.20
October	12.96
November	9.66
December	9.06
Yearend Ave.	9.48

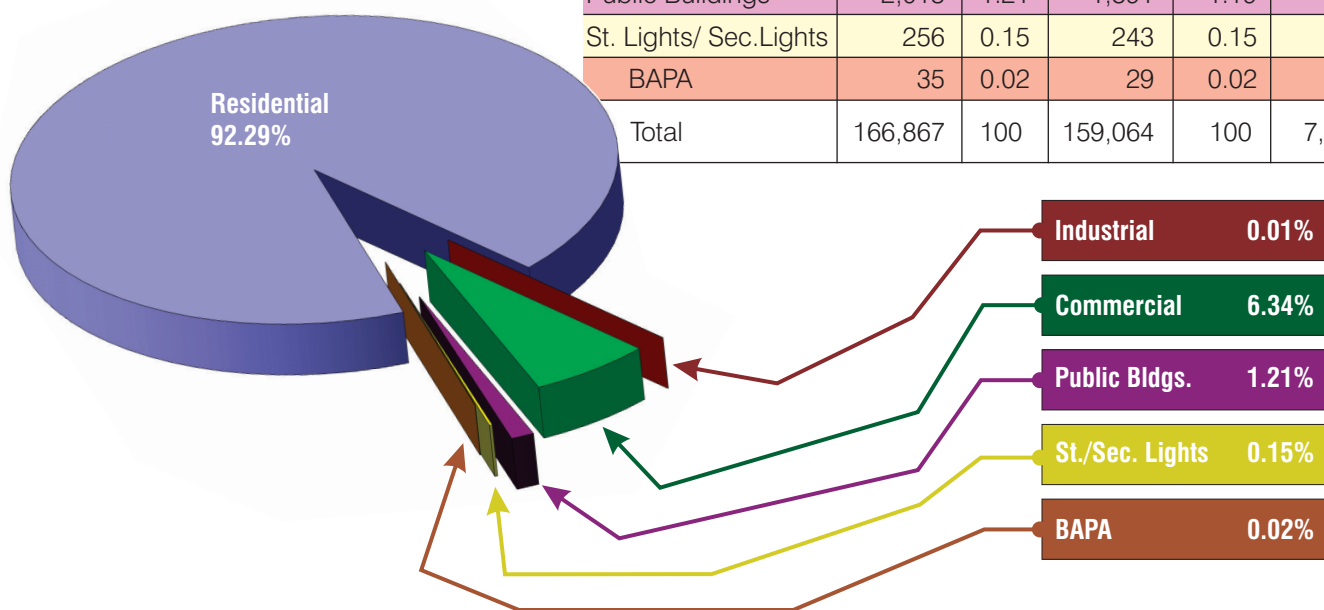
Table 5:

○ COMPARATIVE CONSUMER CLASSIFICATION

2014 v 2013

Table 6:

Type of Consumer	2014		2013		Increase/(Dec)	
	Qty	%	Qty	%	Qty	%
Residential	153,960	92.27	146,796	92.29	8,210	5%
Industrial	20	0.01	21	0.01	(1)	(5%)
Commercial	10,583	6.34	10,084	6.34	499	5%
Public Buildings	2,013	1.21	1,891	1.19	122	6%
St. Lights/ Sec.Lights	256	0.15	243	0.15	13	5%
BAPA	35	0.02	29	0.02	6	0
Total	166,867	100	159,064	100	7,803	21%

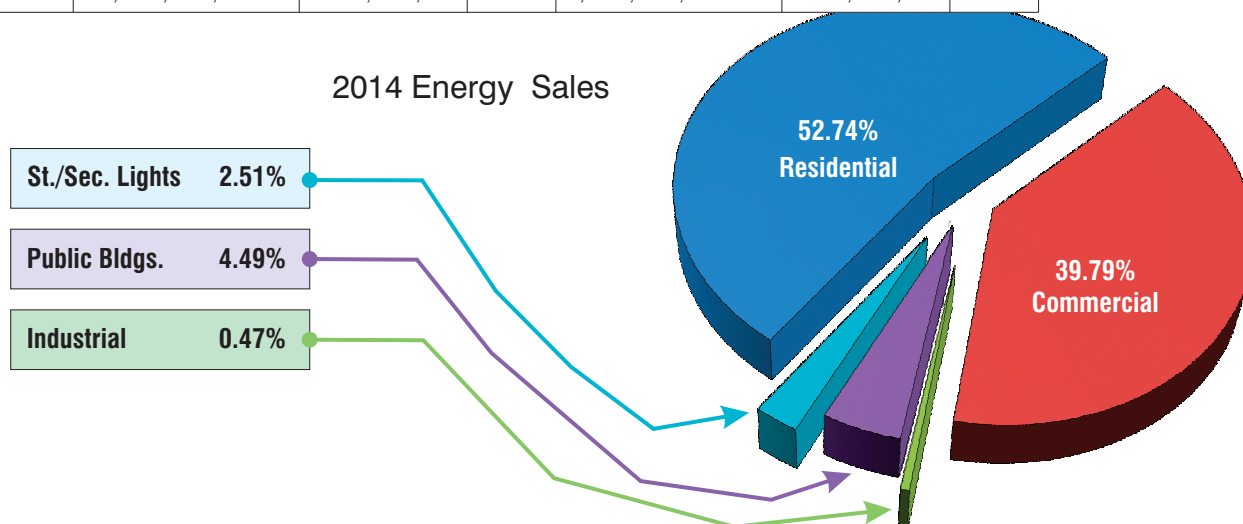


○ COMPARATIVE ENERGY SALES DATA

2014 v 2013

Type of Consumer	2014 Sales			2013 Sales		
	Amount PhP	KWH	%	Amount PhP	KWH	%
Residential	1,377,353,980.00	187,797,523	52.74	1,358,373,673.00	178,925,58	52.32
Commercial	984,830,346.00	141,705,244	39.79	980,113,511.00	137,539,80	40.22
Industrial	111,065,921.00	1,671,098	0.47	10,666,665.00	1,521,507	0.44
Public Bldgs.	61,434,261.00	15,989,077	4.49	10,666,665.00	15,482,015	4.53
St./Sec. Lights	11,431,374.00	8,947,652	2.51	59,977,417.00	8,522,076	2.49
Total	2,546,115,882.00	356,110,594	100	2,519,655,655.00	341,990,98	100

Table 7:

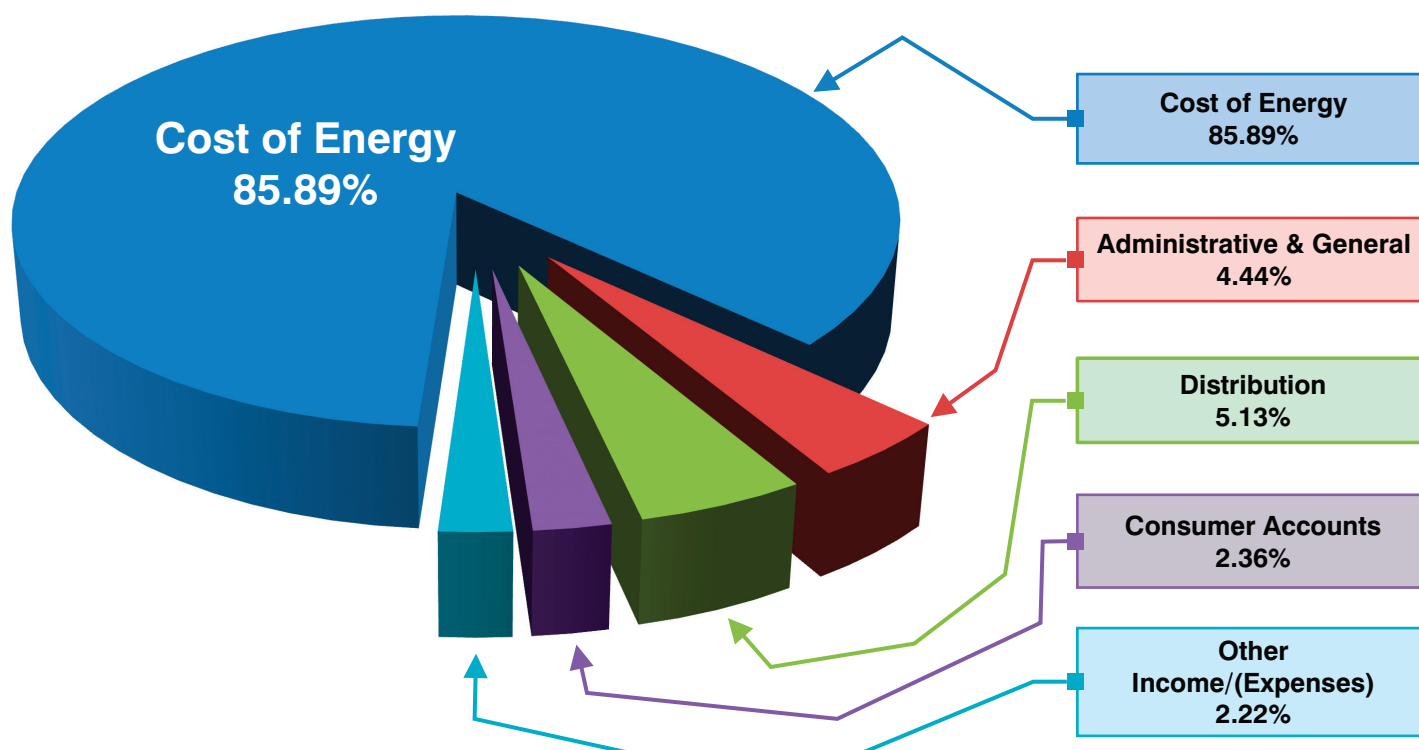


○ OPERATING INCOME, EXPENSES & COST OF ENERGY ○

PARTICULARS	2014		2013		NEA Standard
	Amount	%	Amount	%	
Net Energy Sold	2,546,115,882.00	100	2,519,655,655.00	100	
Cost of Energy Sold	2,186,959,704.00	85.89	2,195,378,603.00	87.13	50-60%
Gross Operating Income	359,156,178.00		324,277,052.00		
Operating Expenses:					
Administrative & General	112,943,442.00	4.44	110,025,397.00	4.37	10-15%
Distribution	130,594,864.00	5.13	125,524,661.00	4.98	5-8 %
Consumer Accounts	60,156,356.00	2.36	57,928,604.00	2.30	3-5 %
Total Operating Expenses	303,694,662.00	11.93	293,478,662.00	11.65	
Total Cost of Energy & OpEx	2,490,654,366.00	97.82	2,488,857,265.00	98.78	90-95%
Other Income/(Expenses)					
Depreciation	(83,547,470.00)	(2.22)	(135,022,415.00)	(4.18)	
Finance Cost	(17,859,666.00)		(13,523,704.00)		
Other Income	44,906,056.00		43,107,940.00		
Net Income/ (Loss)	(1,039,564.00)	-0.04	(74,639,789.00)	-2.96	5%

Table 8: Notes: Net Energy Sales is exclusive of Reinvestment for Sustainable CAPEX
Other Income consists of Prompt Payment Discounts, Surcharges , Rent from Electric Property, etc.

Where Our Revenue Goes.



○ REPORT OF INDEPENDENT AUDITOR ○



ODSINADADIOSCORO
PHILIPPINES

DIOSCORO O. ODSINADA • Certified Public Accountants • Audit • Tax & Management Consulting

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of **Benquet Electric Cooperative, Inc.**, which comprise the statements of financial position as of December 31, 2014 and 2013, 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.

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Odsinada Dioscoro & Co.

BENECO

-2-

Opinion

In our opinion, the financial statements presents fairly, in all material respects, the financial position of **Benquet Electric Cooperative, Inc.** as of December 31, 2014 and 2013, and of its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards, with the Emphasis of Matter below.

Emphasis on Matter

We draw attention to the Notes to Financial Statements more particularly to the accumulated loss of P337,807,091 (Note 14) as of December 31, 2014, including the net loss of P1,952,229 for the year then ended.

This accumulated loss has impaired 14.9% of the total equity base of P2,260,457,444 and 9.9% of the total assets of P3,414,968,922. This includes the appraisal surplus of P787,608,968. This means that every peso of equity is already at the reduced worth of P0.85 centavos; whereas, every peso of asset is at the reduced worth of P0.90 centavos.

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, 2014 required by the Bureau of Internal Revenue on taxes, duties and license fees disclosed in Note 35 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. 18098

TIN 113-345-240 (Individual)

TIN 008-3722-356 (Firm)

BIR AN: 07-00538-1-12012

PRC/BOA Accreditation No. 5090

SEC Accreditation No. 1162-A

NEA Accreditation No. 2013-04-07

CDA Accreditation No. CEA No. 0859

ERC Accreditation No. 1-13-028

PTR No. 0680105C, Jan. 13, 2015 Quezon City

April 10, 2015

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,	
		2014	2013
ASSETS			
Noncurrent Assets			
Property and equipment	8 & 15	2,222,086,691	2,124,790,218
Other non-current assets	10	126,851,253	152,422,796
Total Noncurrent Assets		2,348,937,944	2,277,213,014
Current Assets			
Cash and cash equivalents	4	465,397,376	174,943,704
Investments	6	30,085,431	186,505,754
Receivables	5	175,015,567	200,647,901
Materials and supplies inventories	9	29,568,468	34,333,937
Prepayments and other current assets	7	28,177,045	22,943,075
Total Current Assets		728,243,887	619,374,371
TOTAL ASSETS		3,077,181,831	2,896,587,385
EQUITIES AND LIABILITIES			
Equities			
Membership	11	679,850	655,545
Donated capital	12	453,327,429	334,964,949
Reinvestment fund for sustainable CapEx	13	1,018,741,196	941,192,287
Accumulated loss	14	(337,807,091)	(597,798,158)
Revaluation surplus	15	787,608,968	872,599,895
Total Equities and (Loss)		1,922,550,353	1,551,614,517
Noncurrent Liabilities			
Long-term debt	16	267,842,025	291,180,173
Consumers' deposit	17	204,780,465	194,440,797
Retirement liability	20	194,131,420	202,209,366
Total Noncurrent Liabilities		666,753,910	687,830,337
Current Liabilities			
Current portion of long-term debt	16	27,467,344	11,613,146
Accounts payables and accrued expenses	18 & 19	460,410,224	588,854,073
Total Current Liabilities		487,877,568	600,467,219
TOTAL LIABILITIES AND EQUITIES		3,077,181,831	2,896,587,385

*See Accompanying Notes to Financial Statements

Table 9:

BENECO 2014 ANNUAL REPORT

BENGUET ELECTRIC COOPERATIVE, INC.

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

STATEMENT OF COMPREHENSIVE INCOME

	Notes*	Year Ended December 31	
		2014	2013
NET ENERGY SALES	23	2,546,115,882	2,519,655,655
Cost of Energy Sold	25	2,186,959,704	2,195,378,603
GROSS INCOME		359,156,178	324,277,052
OPERATING EXPENSES			
Administrative and General	27	112,943,442	110,025,397
Distribution	26	131,598,230	125,524,661
Consumers' Accounts	26	58,943,626	57,928,604
		303,485,298	293,478,661
Depreciation	8, 26 & 27	84,669,499	135,022,415
Finance Cost	28	17,859,666	13,523,704
TOTAL EXPENSES		406,014,463	442,024,781
LOSS FROM OPERATION		(46,858,285)	(117,747,729)
Rental income		7,904,799	8,217,388
Interest income		2,674,904	1,756,486
Others, net		34,326,353	33,134,065
OTHER INCOME	24	44,906,056	43,107,939
NET LOSS		(1,952,229)	(74,639,789.14)

*See Accompanying Notes to Financial Statements

Table 10:

BENECO 2014 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,	
		2014	2013
EQUITIES			
Membership	11		
Balance Beginning		655,545	618,770
Receipt of Additional Membership		24,305	36,775
		679,850	655,545
Donated Capital	12		
Balance, Beginning		334,964,949	334,964,949
Receipt of Additional Donations		118,362,480	0
		453,327,429	334,964,949
Reinvestment Fund for Sustainable CAPEX	13		
Balance, Beginning		941,192,287	866,716,279
Receipt of Additional Contributions		77,548,909	74,476,008
		1,018,741,196	941,192,287
LOSS			
Accumulated Loss	14		
Balance, Beginning		(597,798,158)	(438,519,330)
Prior Period Adjustment, Net		261,943,296	(84,639,038)
Net Loss for the Year		(1,952,229)	(74,639,790)
		(337,807,091)	(597,798,158)
REVALUATION SURPLUS			
Balance, Beginning	15		-
Revaluation Surplus Adjustment		872,599,895	922,179,502
		(84,990,927)	(49,579,607)
TOTAL EQUITIES AND LOSS		1,922,550,353	1,551,614,518

*See Accompanying Notes to Financial Statements

Table 11:

BENECO 2014 ANNUAL REPORT

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

STATEMENT OF CASH FLOWS

	Notes*	As of December 31	
		2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss		(1,952,229)	(74,639,790)
Depreciation and Amortization	8, 26 & 27	84,669,499	135,022,415
Prior Period Adjustment	14	261,943,296	(84,639,039)
Revaluation Surplus	15	(84,990,927)	(49,579,607)
Operating Income Before Working Capital Changes		259,669,639	(73,836,021)
Decrease (increase) in:			
Receivables	5	25,632,334	(30,763,612)
Materials And Supplies Inventories	9	4,765,469	(12,787,433)
Other Current Assets	7	(5,233,970)	(7,654,046)
Other Noncurrent Assets	10	25,571,543	(27,632,411)
Increase (decrease) in:			
Trade Payables and Accrued Expenses	18 & 19	(128,443,849)	190,508,453
Consumers' Deposit	17	10,339,668	23,917,553
Other Non-current Liability	20	(8,077,947)	32,868,176
Net Cash Provided by Operating Activities		184,222,888	94,620,659
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Property and equipment	8 & 15	(181,965,971)	(113,368,463)
Investments	6	156,420,323	(103,517,749)
Net cash used in investing activities		(25,545,648)	(216,886,211)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in:			
Long-term debt	16	(7,483,950)	93,448,093
Membership	11	24,305	36,775
Donated capital	12	61,687,169	0
Members' contribution for sustainable CAPEX	13	77,548,909	74,476,007
Net Cash Provided by (used In) Financing Activities		131,776,433	167,960,875
Net Increase (Decrease) In Cash		290,453,672	45,695,322
Cash at Beginning of Year	4	174,943,704	129,248,382
CASH AT END OF YEAR	4	465,397,376	174,943,704

*See Accompanying Notes to Financial Statements

Table 12:

○ NOTES TO FINANCIAL STATEMENTS

BENGUET ELECTRIC COOPERATIVE, INC.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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 April 07, 2015.

● Administrative Regulations

R.A. 10531. "National Electrification Administration Reform Act of 2013".

Department Circular No. 2013-07 provides for the Implementing Rules and Regulations (IRR) of this law. The Rules are promulgated under the authority of the Department of Energy (DOE), to formulate, in coordination with NEA and the CDA, and in consultation with the electric cooperatives, to implement the act and to establish a framework for introducing structural, reforms in the NEA and the electric cooperatives. This Act further amends for the purpose P.D. 269, as amended, otherwise known as the "National Electrification Administration Decree."

Some salient points follow:

1. Total Electrification. Pursue a review and analysis of the Distribution Development Plan of the electric cooperatives, to confirm the viable and unviable areas that the electric cooperatives have electrified and will electrify.

2. Supervisory Powers of NEA Over Electric Cooperatives. (a) Issue orders, rules and regulations, *motu proprio* or upon petition of third parties, to conduct investigations, referenda and other similar actions on all matters affecting the electric cooperative; (b) appoint independent board of directors in the electric cooperatives.

The supervisory and oversight functions of the NEA, as may be detailed in this Act and its IRR, shall be applicable to both stock and non-stock cooperatives.

Electric cooperatives which register with the CDA shall continue to enjoy the benefits under this Act. Despite the registration of the electric cooperative under the CDA or

SEC, the NEA shall retain its supervisory and disciplinary power over them in the conduct of its operation as electric distribution utilities.

3. NEA Orders, Rulings or Decisions Not Subject to Injunctive Orders. Only the Court of Appeals may restrain, but only upon the posting of a bond sufficient to cover the liabilities and expenditures arising during the pendency of the writ or injunction or temporary restraining order; provided further, that the injunction shall only be effective for a period not exceeding sixty (60) days.

4. NEA Step-in Rights in Cases of Ailing Cooperatives. Immediate take over from the Board of Directors the operations of the ailing electric cooperative. Within a reasonable period after take over, the NEA may convert it to either a stock cooperative registered with the CDA or a stock cooperative registered with the SEC. The NEA may appoint or assign third persons to the Board or may create a management team for the purpose. In the exercise of step-in rights under this Act, the NEA follows the guidelines in determining ailing cooperatives, and shall strictly observe due process of law.

5. NEA shall set guidelines for the minimum qualifications of the Board of Directors, disqualifications of a director, and persons who shall be ineligible to be elected or be appointed as member or an officer to run the electric cooperative.

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.) 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;

3.) 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 evaluated 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;

4.) 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 nonstick cooperative registered with NEA and governed by the provisions of P.D. No. 269.

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

Consumption	Discount
20 & below	50%
21 to 25 kwh	40%
26 to 30 kwh	30%
31 to 35 kwh	20%
36 to 40 kwh	10%
41 to 45 kwh	5%

ERC Regulations, RSEC-WR

On September 23, 2009, the Energy Regulatory Commission issued Resolution No. 20, Series of 2009 – Rules for Setting the Electric Cooperative Wheeling Rates (RSEC-WR). The rule establishes a cap on the Distribution, Supply and Metering (DSM) charges that the electric

cooperatives can charge to its customers. All on-grid electric cooperatives are classified into (7) groups depending on its size and structure. Group F, where the Cooperative belongs, charges its customers an average DSM charge of P0.9900 plus P.2178 mcc per kilowatt hour. This DSM cap will be reviewed by the ERC on the next regulatory period which is 2013

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

● **Preferential Tax Treatments**

CDA, R.A. 9520

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

1.) The transactions of members with the cooperative shall not be subject to any taxes and fees, including not limited to final taxes on members' deposits and documentary tax;

2.) Cooperatives with accumulated reserves and undivided net savings of not more than Ten million pesos (P10,000,000.00) shall be exempt from all national, city, provincial, municipal or barangay taxes of whatever name and nature for transacting business with non-members. Such cooperatives shall be exempt from customs duties, advance sales or compensating taxes on their importation of machineries, equipment and spare parts used by them and which are not available locally a certified by the Department of Trade and Industry (DTI), provided that such importation shall not be sold nor the beneficial ownership thereof be transferred to any person until after five (5) years;

3.) Cooperatives with accumulated reserves and divided net savings of more than Ten million pesos (P10,000,000.00) shall be exempt of the following taxes at the full rate:

(a) Income Tax – On the amount allocated for interest on capitals: Provided, That the same tax is not consequently imposed on interest individually received by members: Provided, further, That cooperatives regardless of classification, are exempt income tax from the date of registration with the Authority;

(b) Value-Added Tax – On transactions with non-members: Provided, however, That cooperatives duly registered with the Authority; are exempt from the payment of value-added tax; subject to Section 109, sub-sections L, M and N of Republic Act No. 9337, the National Internal Revenue Code, as amended: Provided, That the exempt transaction under Section 109 (L) shall include sales made by cooperatives duly registered with the Authority organized and operated by its member to undertake the production and processing of raw materials or of goods produced by its members into finished or process products for sale by the cooperative to its members and non-members: Provided, further, That any processed product or its derivative arising from the raw materials produced by its members, sold in the name and for the account of the cooperative: Provided, finally, That at least twenty-five per centum (25%) of the net income of the

cooperatives is returned to the members in the form of interest and/or patronage refunds;

(c) All other taxes unless otherwise provided herein; and

(d) Donations to charitable, research and educational institutions and reinvestments to socioeconomic projects within the area of operation of the cooperative may be tax deductible.

4.) All cooperatives, regardless of the amount of accumulated reserves and undivided net savings shall be exempt from payment of local taxes and taxes on transactions with banks and insurance companies: Provided, That all sales or services rendered for non-members shall be

5.) subject to the applicable percentage taxes sales made by producers, marketing or service cooperatives: Provided further, That nothing in this article shall preclude the examination of the books of accounts or other accounting records of the cooperative by duly authorized internal revenue officers for internal revenue tax purposes only, after previous authorization by the Authority;

6.) In areas where there are no available notaries public, the judge, exercising his ex officio capacity as notary public, shall render service, free of charge, to any person or group of persons requiring the administration of oath or the acknowledgment of articles of cooperation and instruments of loan from cooperatives not exceeding Five Hundred Thousand Pesos (P500,000.00);

7.) Any register of deeds shall accept for registration, free of charge, any instrument relative to a loan made under this Code which does not exceed Two Hundred Fifty Thousand Pesos (P250,000.00) or the deeds of title of any property acquired by the cooperative or any paper or document drawn in connection with any action brought by the cooperative or with any court judgment rendered in its favor or any instrument relative to a bond of any accountable officer of a cooperative for the faithful performance of his duties and obligations;

8.) Cooperatives shall be exempt from the payment of all court and sheriff's fees payable to the Philippine Government for and in connection with all actions brought under this Code, or where such actions is brought by the Authority before the court, to enforce the payment of obligations contracted in favor of the cooperative;

9.) All cooperatives shall be exempt from putting up a bond for bringing an appeal against the decision of an inferior court or for seeking to set aside any third party claim: Provided, That a certification of the Authority showing that the net assets of the cooperative are in excess of the amount of the bond required by the court in similar cases shall be accepted by the court as a sufficient bond; and

10.) Any security issued by cooperatives shall be exempt from the provisions of the Securities Act provided such security shall not be speculative.

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

Effective January 1, 2002, the Cooperative's tax and duty exemption privileges had expired after thirty (30) calendar years of operation pursuant to the provision of P.D. No. 269. Hence, the Cooperative has voluntarily subjected its operation to income tax beginning January 1, 2002. However, the Bureau of Internal Revenue in its opinion per Delegated Authority Ruling No. 108-2006 dated March 14, 2006, stated that the 30 year period or until completely free of indebtedness whichever comes first, prescription of tax exemption privileges enjoyed by

electric cooperatives covers only franchise tax, value added tax, percentage tax and other taxes except income tax. However, income derived from other sources not related to its primary purpose is subject to income tax.

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

● **Other Tax Privileges / Limitations**

BIR Revenue Memorandum Circular No. 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.

BIR Revenue Memorandum Circular No. 74-2013

This RMC, dated November 26 2013, provides that electric cooperatives registered with the NEA are subject to:

1.) Income tax from its electric service operations and all other national government taxes and fees, including VAT, filing, recordation, license or permit fees or taxes beginning the year after the thirtieth full calendar year after the cooperative's organization as stated in its registration papers or until it shall become completely free of indebtedness incurred by borrowing, whichever comes first;

2.) 20% final income tax on interest from any currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements and royalties derived from sources within the Philippines;

3.) 7.5% final income tax on interest income derived from a depository bank under the expanded foreign currency deposit system;

4.) Capital Gains Tax on sales or exchanges of real property classified as capital assets or shares of stocks;

5.) Documentary stamp taxes on transactions of cooperatives dealing with non-members, except with banks and insurance companies, Provided that whenever one party to the taxable document enjoys the exemption from DST, the other party who is not exempt shall be the one directly liable for the tax;

6.) VAT billed on purchase of goods and services;
 7.) Value-added tax, on sales relative to the generation and distribution of electricity as well as their importation of machineries and equipment, including spare parts, which shall be directly used in the generation and distribution of electricity; and

8.) All other taxes for which the ECs are not otherwise expressly exempted by any law.

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 2013

PAS 7	Amendments Financial Statements: Disclosures-Transfer of Financial Assets
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

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 PFRS 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.

(2) 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

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 31).

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, 2014 and 2013, 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 invest-

ments 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, 2014 and 2013, 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 (Note 16).

• Offsetting Financial Instruments

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

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

• Impairment of Financial Assets

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

Impairment on Assets Carried at Fair Value

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

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

Impairment on Assets Carried at Amortized Cost

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

Impairment on Assets Carried at Cost

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

• Reversal of Impairment Loss

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

• Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

- (a) the rights to receive cash flows from the asset have expired;
- (b) the Cooperative retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or

(c) the Cooperative has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

- **Financial Liabilities**

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

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

- **Non-Financial Assets**

- Inventories

Inventories, which comprise of raw materials (warehouse merchandise), are stated at the lower of cost or net realizable value (NRV). Cost of warehouse merchandise is the purchase cost and is determined using the weighted-average method; NRV is the current replacement cost of each inventory. As of December 31, 2014 and 2013, the Cooperative has inventory items on hand amounting to P29,568,468 and P34,333,937, 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).

- 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 the electricity consumption of consumers applying for temporary connection and are

equivalent to the estimated consumption for three (3) months. The energy deposit is applied to the power bills of the consumer after applying for permanent connection or refunded to the consumer upon termination of the temporary contract for electric service connection. (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 Kwh 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 (Note 25).

Cost of services is recognized when the related services are performed (Note 26).

Operating Expenses

Operating expenses constitute costs of administering the business and are expensed and recognized in the period in which they are incurred (Note 27).

- **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 29).

- **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 scenarios a, c or d above, and at the date of renewal or extension period for scenario b. As of December 31, 2014, the Cooperative has no outstanding lease contracts that can be considered as a finance lease.

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 (Note 16).

• 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, 2014 and 2013, financial assets recognized in the statement of financial position amounted to P 742,290,861 and P679,568,989, respectively, and financial liabilities amounted to P 1,154,631,478 and P1,288,297,556, respectively (Note 31).

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 P2,188,371 in 2014. Consumer's receivable accounts, net of allowance for doubtful accounts, amounted to P175,015,567 in 2014. Previous year's balance amounted to P200,647,901 (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 P2,222,086,691 as of December 31, 2014. This is accordance with an Independent Appraisal Report dated July 20, 2013 rendered by Cuervo Appraisers, Inc. (Note 15). Previous years balance amounted to P2,124,790,217 (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 amount-

BENECO 2014 ANNUAL REPORT

ing to P194,131,420 and P202,209,366 at December 31, 2014 and 2013, 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 than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

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

4. CASH AND CASH EQUIVALENTS

This account represents general and other funds maintained as follows:

Items	2014	2013
General and other funds		
General	462,600,324	171,675,299
Cash on hand	2,362,831	2,711,405
Revolving/Change fund	505,000	412,000
Petty cash fund	130,000	145,000
	2,997,831	3,268,405
Total	465,598,155	174,943,704

Cash in banks earn interest at the prevailing bank deposit rates. (Note 24).

5. RECEIVABLES - NET

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

Items	2014	2013
Consumers' accounts receivable	177,203,938	203,196,130
Less, allowance for doubtful/ uncollectible accounts	2,188,371	2,548,229
Net Realizable Value	175,015,567	200,647,901

Management has provided an allowance for doubtful accounts amounting to P2,188,371 to cover normal losses that may be sustained from uncollectible accounts. This represents about 1.23% 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	2014	2013
Temporary Cash Investment		
DBP/TD	26,617,000	-
BDO	3,409,031	57,831,098
TPEC SSLA	51,405	-
NEA	7,995	16,272,579
TPEC Line rental	-	72,528,493
Gratuity	-	39,873,584
Total	30,085,431	186,505,754

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	2014	2013
Prepayments		
Various suppliers	26,522,761	14,275,442
Insurance	821,228	975,408
Others	515,402	7,016,425
	27,859,391	22,267,275
Restricted fund		
Membership (Note 11)	262,506	620,652
Members' contribution for CAPEX (Note 13)	55,148	55,148
	317,654	675,800
Total	28,177,045	22,943,075

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	2014	2013
Utility Plant In-Service	2,520,396,248	2,349,152,862
Appraisal Increase	2,494,435,577	2,494,435,577
	5,014,831,825	4,843,588,439
Less, Accumulated Depreciation	2,939,730,106	2,853,909,388
Net Book Value	2,075,101,719	1,989,679,051
Construction Work In Progress	146,984,972	135,111,166
Total	2,222,086,691	2,124,790,217

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 conditioned and assumed by the Power Sector Assets and

BENECO 2014 ANNUAL REPORT

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 2014, depreciation charged to cost of service

amounted to P 66,811,239 and to operating expenses amounted to P 17,858,260.

The details of utility plant in 2014 are recapitulated below:

Items	Depreciation Rate	Acquisition Cost	2014 Depreciation	Accumulated Depreciation	Net Book Value
DISTRIBUTION PLANT					
Station equipment	10%	393,407,860	5,229,328	306,240,590	87,167,270
Wooden poles and others	5%	871,701,071	11,883,004	640,648,591	231,052,480
Concrete poles	3.33%	267,207,232	3,753,404	161,361,996	105,845,236
Overhead conductors and devices	5%	776,529,985	18,113,603	357,760,980	418,769,005
Line transformers	3.33%	877,717,291	12,025,356	375,470,475	502,246,816
Meters	4%	924,008,039	12,657,031	618,095,661	305,912,378
Transportation equipment -heavy	20%	210,583,781	3,149,513	200,600,421	9,983,360
		4,321,155,259	66,811,239	2,660,178,714	1,660,976,545
GENERAL PLANT					
Land and land rights	-	320,354,038	-	-	320,354,038
Buildings	10%	17,307,333	337,469	1,406,435	15,900,898
Structures and improvements	10%	163,168,576	544,633	145,062,498	18,106,078
Office furniture and fixtures	20%	45,799,236	5,011,573	18,112,216	27,687,020
Transportation equipment - Light	25%	107,664,152	2,640,879	101,042,146	6,622,006
Tools, Shop & Garage Equipment	10%	27,537,446	4,970,920	9,209,975	18,327,471
Miscellaneous Equipment	20%	11,845,785	4,352,786	4,718,122	7,127,663
		693,676,566	17,858,260	279,551,392	414,125,174
T O T A L S		5,014,831,825	84,669,499	2,939,730,106	2,075,101,719

The details of additions, disposals and adjustments to utility plant in 2014 are recapitulated below:

(and continued on the following page)

Items	Balance Beginning	Additions	Adjustments/ Disposals	Balance Ending
DISTRIBUTION PLANT				
Meters	390,454,670	2,953,190	2,080,532	915,620,485
Wooden Poles and Others	853,420,483	19,906,001	1,080,346	853,420,483
Line Transformers	259,121,527	8,223,696	8,692,237	815,970,098
Overhead Conductors and Devices	702,463,386	74,066,599	103	702,463,386
Station Equipment	815,970,098	61,898,301		390,454,670
Concrete Poles	915,620,485	8,426,188	526,847	259,121,527
Transportation Equipment - Heavy	210,583,781	-	-	210,583,781
	4,147,634,430	75,025,487	10,293,369	4,147,634,430
GENERAL PLANT				
Land and land rights	319,518,076	835,962	-	320,354,038
Buildings	17,307,333	-	-	17,307,333
Structures and improvements	163,168,576	-	-	163,168,576
Office furniture and fixtures	42,282,013	3,687,096	169,873	45,799,236
Transportation equipment - light	108,284,677	-	620,525	107,664,152
Tools, shop & garage equipment	23,903,759	3,633,687	-	27,537,446
Miscellaneous equipment	10,385,661	1,475,298	15,174	11,845,785
	684,850,095	9,632,044	805,572	693,676,566
COMPLETED CONSTRUCTION				
NOT CLASSIFIED	11,103,914	-	11,103,914	-
T O T A L S	4,843,588,439	184,657,531	13,862,632	5,014,831,825

9. MATERIALS AND SUPPLIES INVENTORY

This account consists of inventoriable items, as follows:

Items	2014	2013
Electric distribution items	12,250,416	24,298,871
Housewiring	10,735,411	8,591,904
Others	6,582,641	1,443,161
Total	29,568,468	34,333,937

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	2014	2013
Other receivable		
Due from other RECs	12,476,799	12,468,091
Other Customer Accounts		
Cost Estimate	2,026,550	1,022,469
Pole Rental	4,211,758	2,206,687
Penalty	1,193,541	1,186,557
Others	208,569	422,714
	7,640,418	4,838,427
Officers and Employees' account		
Salary and other Loans	6,751,187	1,971,551
RMBA	1,149,256	1,803,679
Others	5,689,696	5,066,384
	13,590,139	8,841,614
Other Receivables	17,018,888	49,912,889
Total	50,726,243	76,061,021
Input VAT and other Taxes	55,376,419	35,626,967
Security Deposits -WESM (Note 18)	12,050,198	32,016,417
Security Deposits-Transco (Note 18)	2,698,392	2,698,392
Telephone	-	20,000
	70,125,009	70,361,775

Continued on next column

Items	2014	2013
Total	120,851,252	146,422,796
Investment in Equity Securities		
Rural Electrification Financing Corporation	6,000,000	6,000,000
Total	126,851,252	152,422,796

11. MEMBERSHIP ACCOUNT

Membership equivalent to 135,970 members at P5 per member has already been subscribed. As at December 31, 2014 and 2013, this already amounted to P679,850 and P655,545; whereas, the balance of restricted fund with depository bank for this purpose amounted to P262,506 and P620,652 as of said dates (Note 7).

12. DONATED CAPITAL

This account consists of:

Items	2014	2013
PSALM	134,891,822	134,891,822
NEA	183,261,072	153,448,389
Subsidy	41,682,938	9,808,452
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
	318,435,607	256,748,438
Total	453,327,429	391,640,260

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 (RFSC)

Items	2014	2013
Reinvestment fund for sustainable CAPEX	1,018,314,367	940,765,457
Consumers Capital Contribution	426,829	426,829
Total	1,018,741,196	941,192,287

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

On December 3, 2003, the Cooperative's application for unbundling of rates was approved by the Energy Regula-

BENECO 2014 ANNUAL REPORT

tory Commission (ERC). From the unbundled rates, NEA requires the Cooperative to set-up a separate reinvestment fund 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. However, starting February 2010, a P0.2178/kwh rate on RFSC CAPEX is used. At December 31, 2014, this already amounted to P1,018,314,367.

14. ACCUMULATED LOSS

The changes in the accumulated loss account follow:

Items	2014	2013
Accumulated loss, Beginning	(597,798,158)	(438,519,331)
Prior period adjustment, Net	261,943,297	(84,639,039)
Items	2014	2013
Corrected balance, Beginning	(335,854,862)	(523,158,369)
Net loss for the year	(1,952,229)	(74,639,789)
Accumulated loss, Ending	(337,807,091)	(597,798,158)

The composition of prior period adjustments follows:

Items	
Refund of line rental	76,000,000
Revaluation surplus	74,371,409
NEA loans adjustment	(4,817,373)
Prudential deposit	2,698,391
Temporary cash investments	996,687
Others	112,694,183
Total	261,943,297

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, 2013 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, 2014 and 2013, the carrying balance of revaluation increment amounted to P787,608,968 and P872,599,895 respectively.

16. LONG AND SHORT TERM DEBT

This account consists of:

Items	2014	2013
Long term loans		
LGUGC - BPI	151,235,650	163,498,000

Continued on next column

NEA		
Construction loan	67,575,859	80,547,801
Calamity loan	20,356,197	21,965,206
Overseas Economic Cooperation Fund	18,773,155	20,218,983
Restructured	4,799,565	5,499,069
	262,740,426	291,729,0594
Matured long term debt and interest	24,279,313	1,569,264
	287,019,739	293,298,323
BDO		
Employees salary loan	-	657,954
Service vehicle loan	-	6,053,633
	-	6,711,587
Items	2014	2013
DBP		
Motorcycle loan	3,767,000	-
Vehicle loan	600,000	-
Laptop loan	250,000	-
Loan takeout from BDO:		
Service vehicle	2,205,473	-
	6,822,475	-
Rural Electrification Financing Corp.	1,467,155	2,783,409
Others	-	290,063
	295,309,369	303,083,383
Current Portion	(27,467,344)	(11,903,209)
Total	267,842,025	291,180,173

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 DBP loans are payable in equal monthly installments up to December 2015, renewable annually, and with annual interest rate of 0.05032%. This is secured by the Cooperative's restricted funds: whereas, the employee salary loans are guaranteed by the Cooperative but paid by the employees through salary deduction and issuance of postdated checks for their monthly amortizations.

17. CONSUMERS' DEPOSIT

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

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BENECO 2014 ANNUAL REPORT

Items	2014	2013
Advances for construction	114,456,109	105,854,726
Meters and Accessories	75,029,435	75,029,435
Energy	15,167,516	13,429,230
Others	127,405	127,405
Total	204,780,465	194,440,797

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. 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	2014	2013
Team Phils. Energy Corp.	109,060,272	132,011,846
PEMC- WESM	11,119,008	42,745,094
National Grid Corporation of the Phils.	32,308,242	28,612,894
LUELCO	193,472	412,964
Hedcor	-	183,846
Total	152,680,994	203,966,644

- 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 2014 amounted to P1.53 Billion. At December 31, 2014, the outstanding power supply account amounted to P109,060,272.

- 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, 2014, the outstanding power supply account to WESM amounted to P11,119,008.

- 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 2014 amounted to P396.13 Million. At December 31, 2014, outstanding transmission service account inclusive of VAT amounted to P32.3 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.

19. TRADE PAYABLES AND ACCRUED EXPENSES

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

Accounts	2014	2013
Trade payables		
Net settlement - WESM	76,120,391	191,214,595
Various suppliers	133,657,151	19,188,608
	209,777,542	210,403,203
VAT payable		
System Loss	19,268,637	18,509,783
Generation	2,785,730	71,919,329
Transmission	6,840,731	8,221,248
BIR	2,065,839	1,522,297
VAT Refund	-	11,848,192
	30,960,937	112,020,850
Accrued Liabilities		
NEA Subsidy		56,675,311
PSALM, Universal charges billed (Note 21)	28,312,916	30,331,100
EVAT billed to consumers	16,927,777	15,729,464
SSS, Philhealth, HDMF and taxes	7,632,065	5,638,795
Katas ng VAT	50,584	59,170
	52,923,342	108,433,840

more...

BENECO 2014 ANNUAL REPORT

Accounts	2014	2013
Others		
Due to other RECs	5,154,285	5,154,285
Others	8,913,124	5,260,499
	14,067,409	10,414,785
Total	307,729,230	384,597,367

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 registered with the BIR the BENECO Employees' Retirement Plan (BERP). The amount deposited at BDO for the plan is P 8,740,000 with realized earnings of P 24,168 as of December 31, 2014.

As per Board Resolution No. 28A-2011 dated June 22, 2011, the Cooperative's Board of Directors approved the request of the employees to use a portion of the retirement fund to purchase a lot amounting to P 78.5 million with an area of 21,495 sq.m. purposely for the employees housing needs.

At December 31, 2014 and 2013, the amounts of P194,131,420 and P202,209,366 have already been recognized as obligation for retirement benefits, respectively.

21. PSALM, UNIVERSAL CHARGES

PSALM charges the Cooperative certain fees referred to as universal charge. At December 31, 2014 and 2013 accrued fees to PSALM amounted to P 28,312,916 and P 30,331,100, respectively (Note 19).

The rates of universal charges billed follow:

Rate	
NPC Stranded Contract Costs	0.1938/kwh
Missionary electrification	
Effective January to July 2014	0.1163/kwh
Effective August 2014	0.1544/kwh
Environmental charges	0.0025/kwh
Cash Incentive for Renewable Energy Developers (RED)	0.0017/kwh

Details of universal charges follow:

	2014
Billings	91,838,269
Collections	63,777,950
Remittances	70,379,439

On February 8, 2013, the Energy Regulatory Commission (ERC) approved the provisional authority for the recovery of NPC Stranded Contract Costs portion of the universal charges (ERC Case No. 2011-091 RC) filed by PSALM on June 28, 2011.

On February 17, 2014, the Energy Regulatory Commission (ERC) directed NPC, PSALM and all distribution utilities (DUs) under ERC Case no. 2012-046 RC (Annex A)

to defer the collection of the UC-ME equivalent to Php0.0381/kwh for the period February 2014 to July 2014, and to commence the collection of the said rate in August 2014. The total UC-ME rate to be collected from all electricity end-users for the period February 2014 to July 2014 shall be Php0.1180/kwh, and additional Php0.0381/kwh in August 2014.

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 P50,584. 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	2014	2013
Residential	1,377,353,980	1,358,373,673
Commercial	984,830,346	980,113,510
Public bldg. & facilities	111,065,921	110,524,390
Public street and highways	61,434,261	59,977,417
Industrial sales - LV	11,431,374	10,666,665
Total	2,546,115,882	2,519,655,655

24. OTHER INCOME

This account consists of:

Accounts	2014	2013
Rental income	7,904,799	8,217,388
Interest income (Note 4)	2,674,904	1,756,486
	10,579,703	9,973,874
Others		
Retrobilling	85,156	201,761
Penalties	265,900	317,500
Others, Net	33,975,297	32,614,804
	34,326,353	33,134,065
Total	44,906,056	43,107,939

25. COST OF ENERGY SOLD

This account consists of:

Accounts	2014	2013
Power purchased	2,236,923,027	2,242,425,097
Less prompt payment discount		
Net	49,963,323	47,046,494
Total	2,186,959,704	2,195,378,603

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

BENECO 2014 ANNUAL REPORT

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:

	2014	2013
Kilowatt-hour sold	355,728,487	341,663,677
Kilowatt-hour purchased	393,399,817	377,680,618

26. COST OF SERVICES

This consists of:

Accounts	2014	2013
Distribution		
Structures	37,897,720	40,725,816
Overhead Lines	34,132,852	26,083,864
Line Transformer	17,849,848	13,360,067
Supervision and Engineering	8,812,253	9,741,232
Station Equipment	7,934,932	9,330,166
Street Lighting and Signal System	9,707,233	9,276,593
Meters	4,001,836	8,563,349
Consumer Installation		
Consumer Installation	4,070,585	1,921,644
Miscellaneous	7,190,971	6,521,930
	131,598,230	125,524,661
Consumers' Accounts		
Meter Reading	29,104,686	29,639,299
Records and Collection	7,651,164	9,266,705
Supervision	2,390,408	3,951,313
Information, Instructional & Advertising	600,352	592,321
MECS and BAPA	421,615	534,223
Uncollectible Accounts	608,459	272,265
Campus Journalism	2,000	3,000
Miscellaneous Consumer Services	18,164,942	13,669,477
	58,943,626	57,928,604
Depreciation (Note 8)	66,811,239	113,668,621
Total	257,353,095	297,121,886

27. OPERATING EXPENSES

This account consists of:

Continued on next column

Accounts	2014	2013
General & Administrative		
Employees Pension & Benefits	28,021,971	22,150,608
Salaries	29,120,578	28,876,608
Outside Services Empl'yd	12,476,808	12,865,042
Training and travel	10,165,048	9,384,863
Utilities	5,477,002	5,351,066
Maintenance of Office & General Plant	5,151,728	5,968,716
Office Supplies	5,049,678	5,056,136
Regulatory	2,551,000	2,808,502
Employees Insurance	2,489,982	263,240
Officers Allow'nce & Ben'fit	2,265,400	3,292,352
Property Insurance	2,189,968	2,763,016
Rent	972,885	932,429
Taxes and Licenses	815,285	1,811,196
Injuries and Damages	345,892	139,127
Asst'n & Memb'rshp Dues	82,000	111,858
Miscellaneous	5,768,217	8,250,637
	112,943,442	110,025,397
Depreciation (Note 8)	17,858,260	21,353,794
Total	130,801,702	131,379,191

28. FINANCE COST

This represents the following:

Items	2014	2013
NEA		
Overseas Economic Cooperation Fund	1,988,532	2,125,445
Construction Loan	6,076,816	-
	8,065,348	2,125,445
Service vehicle loan	6,456,892	6,919,521
Rural Electrification Financing Corp. (REFC)	199,538	315,599
Others	3,137,888	4,163,139
	9,794,318	11,398,259
Total	17,859,666	13,523,704

29. 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	2014	2013
Short term employees' benefits		
Key management personnel	2,055,074	1,890,500
Directors	1,960,911	756,000
Total	4,015,985	2,646,500

30. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2014, 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.

31. 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, 2014 and 2013, due to their relatively short-term maturities, as follows:

	December 31, 2014		December 31, 2013	
Financial Assets:	Carrying Values	Fair Values	Carrying Values	Fair Values
Loans and receivables				
Cash and cash equivalents	465,397,376	465,397,376	174,943,704	174,943,704
Restricted funds	317,654	317,654	675,800	675,800
Consumer Receivables	175,015,567	175,015,567	200,647,901	200,647,901
Investments	30,085,431	30,085,431	186,505,754	186,505,754
Other Receivables	71,474,833	71,474,833	116,795,830	116,795,830
	742,290,861	742,290,861	679,568,989	679,568,989
	December 31, 2014		December 31, 2013	
Financial Liabilities	Carrying Values	Fair Values	Carrying Values	Fair Values
Loans and Borrowings				
Interest Bearing Debts	295,309,369	295,309,369	302,793,320	302,793,320
Consumers Deposits	204,780,465	204,780,465	194,440,797	194,440,797
Retirement Liability	194,131,420	194,131,420	202,209,366	202,209,366
Trade and Accrued Expenses	307,729,230	307,729,230	384,887,429	384,887,429
Power Supply Payable	152,680,994	152,680,994	203,966,644	203,966,644
	1,154,631,478	1,154,631,478	1,288,297,556	1,288,297,556

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

- Credit Risk
- Liquidity Risk
- Market Risk

Management ensures it has sound policies and strategies in place to minimize potential adverse effects of

these risks on the Cooperative's financial performance.

Risk Management Structure

The Cooperative's BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles. 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

BENECO 2014 ANNUAL REPORT

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	2014	2013
Cash & cash equivalents	465,397,376	174,943,704
Restricted funds	317,654	675,800
Investments	30,085,431	186,505,754
Consumer Receivables	175,015,567	200,647,901
Other receivables	71,474,833	116,795,830
Total	742,290,861	679,568,989

Impairment Losses on Credit

At December 31, 2014 and 2013, management has already provided an allowance for probable losses amounting to P 2,188,371 and P2,548,229 representing 1.23% 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:

	2014	2013
Balance at beginning of year		
Receivables	2,275,964	2,275,964
Other assets	-	-
	2,275,964	2,275,964
Movement during the year		
Receivables	(359,858)	272,265
Other receivables	-	-
	(359,858)	272,265
Balance at end of year		
Receivables	2,188,371	2,548,229
Other assets	-	-
Total	2,188,371	2,548,229

Liquidity Risk

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

The 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:

Up to	December 31, 2014				
	1 Month	2-3 to 6 Months	6 to 12 Months	Over1 year	Total
Financial Assets					
Cash and cash equivalents	465,397,376	-	-	-	465,397,376
Restricted funds	317,654	-	-	-	317,654
Investments	-	-	-	30,085,431	30,085,431
Receivables	100,773,700	11,685,555	7,377,990	57,366,693	177,203,938
Other receivables and other non-current assets	-	23,745,516	17,018,888	30,710,430	71,474,834
	566,488,730	35,431,071	24,396,878	118,162,554	744,479,233
Financial Liabilities					
Interest bearing debts	2,140,713	10,754,740	13,104,736	269,309,179	295,309,368
Consumer deposits				204,780,465	204,780,465

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BENECO 2014 ANNUAL REPORT

	December 31, 2014				
Up to	1 Month	2-3 to 6 Months	6 to 12 Months	Over 1 year	Total
Retirement liability				194,131,420	194,131,420
Trade and accrued expenses		293,661,821	8,913,124	5,154,285	307,729,230
Power supply payable	152,680,994				152,680,994
	154,821,707	304,416,561	22,017,860	673,395,349	1,154,631,477
Net Liquidity (Gap)	411,667,023	(268,985,490)	2,379,018	(555,232,795)	(410,152,244)

	December 31, 2013				
Up to	1 Month	2-3 to 6 Months	6 to 12 Months	Over 1 year	Total
Financial Assets					
Cash and cash equivalents	174,943,704	-	-	-	174,943,704
Restricted funds	675,800	-	-	-	675,800
Investments	-	-	-	186,505,754	186,505,754
Receivables	200,647,901	-	-	-	200,647,901
Other receivables and other non-current assets	-	-	-	116,795,830	116,795,830
	376,267,405	-	-	303,301,584	679,568,989
Financial Liabilities					
Interest bearing debts	3,477,884	3,614,986	4,520,276	291,180,174	302,793,320
Consumer deposits	-	-	-	194,440,797	194,440,797
Retirement liability	-	-	-	202,209,366	202,209,366
Trade and accrued expenses	-	-	384,887,429	-	384,887,429
Power supply payable	203,966,644	-	-	-	203,966,644
	207,444,528	3,614,986	389,407,705	687,830,337	1,288,297,556
Net Liquidity (Gap)	168,822,877	(3,614,986)	(389,407,705)	(384,528,753)	(608,728,567)

The fair values of financial instruments approximate their carrying value as of December 31, 2014.

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.

33. 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

BENECO 2014 ANNUAL REPORT

all components of equity including membership and accumulated loss.

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

	2014	2013
Debt	1,154,631,478	1,288,297,556
Cash	465,397,376	174,943,704
Net Debt	689,234,102	1,113,353,852
Equity	1,922,550,353	1,608,289,829
Net Debt to Equity Ratio	0.36	0.69

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, 2014 and 2013, the electric cooperative was faced with accumulated losses of P 337,807,091 and P597,798,158 including the net loss of P 1,952,229 and P74,639,789 for the years ended, respectively. These have already impaired 10.98% and 20.6% of the total assets of P3.077 Billion and P2.896 Billion, and by 14.9% and 27.1% of the total equity base of P2.26 Billion and P2.21 Billion as of said dates, respectively (Note 14).

34. KEY PERFORMANCE INDICATORS

The key financial performance indicators follow:

	2014	2013
Cost of Power Purchased Ratio	86%	87%
Non-Power Cost Ratio	14%	16%
Administrative and General	4%	6%
Distribution	5%	5%
Consumers' Accounts	2%	2%
Days Sales in Receivables	25 days	29 days
	2014	2013
Days Payable - Power	25 days	33 days
Net Margin Ratio	(0.08%)	(2.96%)

35. 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 2014:

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

Particulars	Amount
VAT Output	50,427,919
Operating revenues	420,232,660

b. VAT input taxes claimed:

Particulars	Amount
VAT input	16,555,518
Purchases	137,962,646

c. Withholding taxes:

Particulars	Base	Amount
Withholding tax on compensation	91,270,076	21,244,913
Creditable Withholding Tax	2,150,000,545	41,323,085
Total		62,567,998

d. DST on loan instruments, shares of stock and other transactions subject thereto:

Particulars	Amount
DST	2,325,564



○ CONSTITUTION & BY-LAWS

**BY-LAWS OF THE
BENGUET ELECTRIC COOPERATIVE, INC.**

As amended during the 34th Annual General Membership Assembly

On December 6, 2014

Kapangan Municipal Covered Court

Lomon, Kapangan, Benguet

Approved by the NEA on March 17, 2015

**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 to 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

BY-LAWS OF THE BENGUET ELECTRIC COOPERATIVE, INC.

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

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

**ARTICLE IV
BOARD OF DIRECTORS**

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

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

SECTION 2. ELECTION AND TENURE.

A. ELECTION

1. 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.
2. 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:
 - a) 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.
 - b) 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.
 - c) 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.

3. Newly elected Board members shall assume office on the first day of January of the year following their election.

B. TERM OF OFFICE

1. 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.
2. A member of the Board who is elected in a special election under section 3(3.2) of this Code 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.
3. 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.
4. 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,).
5. Newly elected Board members shall assume office immediately after taking their oath of office.

SECTION 3. QUALIFICATIONS: No person shall be elected as a Director unless he posses the following qualifications:

1. He or she is a Filipino citizen;
2. He or she is a graduate of a four (4) year course;
3. He or she is between twenty one (21) and seventy (70) years old on the date of election;
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:
 - a. Barangay where the candidate resides;
 - b. National Bureau of Investigation;
 - c. Philippine National Police; or
 - d. Leader of religious sect where the candidate is affiliated
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:

 - 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 filing 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.
 - 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 Pilferages Act of 1994" which means that a person is caught in flagrante delicto for violating the provision of the said Act;
 - c. Has not been removed for cause as a director or an employee from any EC;

BY-LAWS OF THE BENGUET ELECTRIC COOPERATIVE, INC.

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.

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
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.

(New)

SECTION 3-A. DISQUALIFICATIONS:

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:

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;
2. Such person or his or her spouse has been a candidate in the last preceding local or national elections;
3. Such person has been convicted by final judgment of a crime involving moral turpitude;
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;
5. Such person is related within the fourth civil degree of consanguinity or affinity to any member of the EC Board of Directors, Department Manger, NEA- appointed Project Supervisor (PS) or Acting General Manger (AGM) or its equivalent or higher position; and
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.

(New)

SECTION 3-B. REQUIREMENTS FOR THE FILING OF CERTIFICATE OF CANDIDACY:

1. Duly accomplished and notarized Certificate of Candidacy (3 copies) with (3) copies 2" x 2" picture;
2. Court Clearance;(Municipal/Regional)
3. Photocopy of Tax Identification Number (TIN);
4. Birth Certificate (NSO)
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;
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;
7. Transcript of records or diploma (graduate of a 4 year course);
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

9. Certification from the EC:

- 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.
- b. That the candidate is a member of the cooperative in good standing.
- c. That the candidate has attended at least two (2) Annual General Membership Assemblies' (AGMA) for the last five (5) years.

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:

DISTRICT NUMBER	MUNICIPALITY/BARANGAY
DISTRICT I	BAGUIO CITY
DISTRICT II	BAGUIO CITY
DISTRICT III	BAGUIO CITY / Asin Road Brgy.
DISTRICT IV	BAGUIO CITY/ Irisan Brgy.
DISTRICT V	BAGUIO CITY
DISTRICT VI	BAGUIO CITY
DISTRICT VII	LA TRINIDAD
DISTRICT VIII	ITOGON/BOKOD /KABAYAN
DISTRICT IX	TUBA/SABLAN
DISTRICT X	ATOK/TUBLAY /KAPANGAN/KIBUNGAN
DISTRICT XI	MANKAYAN /BUGUIAS/ BAKUN

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

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

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

SECTION 6. NOMINATIONS. The procedure for nominations 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

BY-LAWS OF THE BENGUET ELECTRIC COOPERATIVE, INC.

annual anniversary (October 5) 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 been 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 complaint against any 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)

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 twice a month at the principal office of the Cooperative at such time as designated by the Board.

Such regular monthly meeting may be held without notice other than such resolution fixing the time thereof, provided that the date and time of the Board meeting shall be posted in the office of the Cooperative.

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

SECTION 3. NOTICE OF SPECIAL BOARD MEETING. Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each Board member either personally or by mail, by or at the directions of the Secretary, or upon default in duty by the Secretary, by the President or by the Board members calling the meeting.

If mailed, such notice shall be deemed to be delivered when deposited in the Philippine mail addressed to the Board member at his address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five (5) days before the date of the meeting.

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

**ARTICLE VI
OFFICERS**

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

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

BY-LAWS OF THE BENGUET ELECTRIC COOPERATIVE, INC.

elected and shall have qualified. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

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

SECTION 4. PRESIDENT. The President shall:

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

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

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

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

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

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

time may be assigned to him by the Board.

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

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

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

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

**ARTICLE VII
NON-PROFIT OPERATION**

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

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

- a) In the furnishing of electric energy with the Cooperative's operations shall be so conducted that members and non-members alike will, through patronage, furnish capital for the cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons, members and non-members alike, for all accounts received and receivable from the furnishing of electric energy in excess of operating cost and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating cost and expenses at the amount of receipt by the Cooperative are received with the understanding that they are furnished by the members and non-members alike as capital. The Cooperative is obligated to pay credit to a capital account for each patron all such amounts in excess of operating cost and expenses.
- b) The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year, the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account.
- c) All other amounts received by the Cooperative from its operation in excess of cost and expenses shall, insofar as permitted by law be [1] used to offset any losses incurred during the current or any prior fiscal year, and [2] to the extent not needed for that purpose, allocated included as part of the capital credited to the accounts of the patrons, as

BY-LAWS OF THE BENGUET ELECTRIC COOPERATIVE, INC.

herein provided.

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

**ARTICLE VIII
DISPOSITION OF PROPERTY**

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

franchises and permits of the Cooperative, whether acquired, and wherever situated, as well as the revenue therefrom, all upon such terms and conditions as the Board shall determine, to secure any borrowing by or indebtedness of the Cooperative to the government of the Philippines or any instrumentality or agency thereof or any lending institution approved by the NEA.

**ARTICLE IX
SEAL**

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

**ARTICLE X
FINANCIAL TRANSACTIONS**

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

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

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

SECTION 4. CHANGE OF RATES. Changes in the rates charged by the Cooperative for electric energy become effective only after approval by the Energy Regulatory Commission (ERC).

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

BENECO 2014 ANNUAL REPORT

BY-LAWS OF THE BENGUET ELECTRIC COOPERATIVE, INC.

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.



○ 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 Dulhuan	La Trinidad, Benguet
Pedro G. Pimentel	Sablan, Benguet
Carlos M. Dumasi	Tuba, Benguet
Mahong S. Muscara	Tublay, Benguet

○ DISTRICTS AREA COVERAGE REFERENCE GUIDE ○

District I	Salud Mitra, Cabinet Hill-Teachers Camp, Marcoville, Engineers Hill, DPS Cmpd., South Drive, Greenwater Village, Military Cut-off, Hillside, Sta. Escolastica, Scout Barrio, Upper Dagsian, Lower Dagsian, Gabriela Silang, Atok Trail, Loakan-Apugan, Camp 8 , Baguio Country Club, Happy Hollow, Outlook Drive, Lucnab, Mines View, Pucsusan, Gibraltar, Lualhati, Pacdal and St. Joseph Village
District II	PMA Fort Del Pilar, Kias, Loakan-Liwanag, Loakan Proper, Camp 7, Poliwes, San Vicente, BGH Cmpd., Phil-Am, Imelda Marcos , Balsigan, SLU-SVP, Bakakeng Norte/Sur, Bakakeng Central, Sto. Tomas Proper, Dontogan and Sto. Tomas School Area
District III	Rizal Monument, Burnham-Legarda, AZCKO, Kayang Extension, Palma-Urbano, MRR-Queen of Peace, Lourdes Extension, Lower Lourdes Subd., Lourdes Proper, Dominican-Mirador, San Roque, San Luis, Asin Road, Upper Rock Quarry, Middle Rock Quarry, Lower Rock Quarry, City Camp Central, City Camp Proper, Lower QM Subd., Upper QM Subd., Ferdinand and Sto. Rosario Village
District IV	Camp Allen, Cresencia Village, Andres Bonifacio, Guisad Central, Guisad Surong, Pinget, Pinsao Pilot Project, Pinsao Proper, Fairview, Quezon Hill Proper, Middle Quezon Hill, Victoria Village, Campo Filipino and Irisan.
District V	Kagitingan, T. Alonzo, New Lucban, ABCR, P. Zamora, Kayang Hilltop, Upper City Market, P. Burgos, Upper Magsaysay, Sto. Nino-Slaughterhouse, Magsaysay Private Road, Lower Magsaysay, Antonio Tabora, Happy Homes-Lucban, Dizon Subd., Camdas Subd., Lower Quirino Hill, Middle Quirino Hill, West Quirino Hill and East Quirino Hill
District VI	Trancoville, South Sanitary Camp, North Sanitary Camp, Lopez Jaena, Aurora Hill Proper, North Central Aurora Hill, South Aurora Hill, Bayan Park Village, San Antonio Village, Ambiong, Brookspoint, West Bayan Park, East Bayan Park, West Modern Site, East Modern Site, Brookside, Imelda Village, M. Roxas-Teahers Camp, Holy Ghost Proper, Honeymoon-Holy Ghost, Holy Ghost Ext., Upper General Luna, Lower General Luna, Kabayanihan, Session Rd., Harrison-Carantes and Malcolm Square
District VII	La Trinidad
District VIII	Bokod, Itogon and Kabayan
District IX	Sablan and Tuba
District X	Atok, Tublay, Kapangan and Kibungan
District XI	Buguias, Mankayan

○ MANAGEMENT STAFF

Mr. Gerardo P. Verzosa
General Manager



Ms. Brenda B. Carling
Manager
Non-Network & Revenue
Services Dept



Atty. Delmar O. Cariño
Manager
Institutional Service Dept.
Corporate Legal Counsel



Engr. Melchor S. Licoben
Manager
Network Services Dept.



Mr. Alejandro G. de los Santos, Jr.
Manager
Internal Audit Office



Engr. Ricardo S. Pallogan
Manager
Power Generation Operations
Dept.



○ My NOTES:



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