



28th AGMA

ANNUAL GENERAL MEMBERSHIP ASSEMBLY

LOWER BNAC CAMPUS SOCIAL HALL, SAN ISIDRO, BILIRAN, BILIRAN
MAY 23, 2015, 1:00 PM

digital file
design server
log-in data
people new
address send
program
production operation
download future
user mail
marketing community
technology
business isp

web
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advertising upload url
electricity signal
cloud
light website
computer agent generation
system

services solutions
advancement language
integration digital
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collection security search
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application media

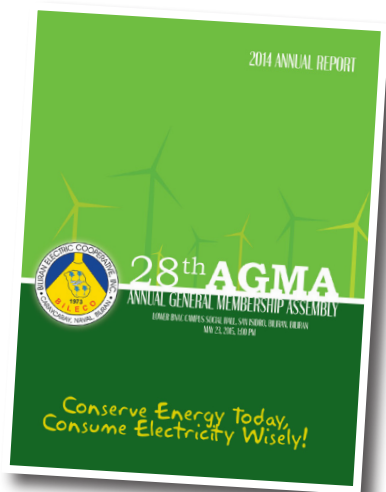
Conserve Energy Today,
Consume Electricity Wisely!



The 10 MVA BILECO sub-station located in Brgy. San Roque, Biliran, Biliran serves as the heart of the entire power distribution system of the mainland province serving approximately 28,000 member-consumers. It was officially inaugurated on November 25, 2009.

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about the cover

This year's cover depicts BILECO's response to the Department of Energy's call to implement demand-side management programs to all consuming sectors to reduce the country's demand for supply of electricity. The government is giving focus to the power situation facing the country, especially the tightness of supply, in order to help ensure the longevity of the country's positive economic performance. Thus, the theme "Conserve Energy Today, Consume Electricity Wisely!" was conceived.

PROGRAMME

28TH ANNUAL GENERAL MEMBERSHIP ASSEMBLY

PART I	
9:00 AM - 3:00 PM	Registration, Distribution of Annual Report and Raffle Tickets
PART II - OPENING PROGRAM	
Invocation	Sound System
Parade of Colors	BILECO Linemen
Pambansang Awit	Sound System
Welcome Address	HON. GRACE J. CASIL Municipal Mayor of Biliran
Welsome Message	ENGR. CESAR D. CORDETA Board President
Presentation of the Newly Re-Elected BOD Member	ALLAN JOSEPH S. BORRINAGA ISD Manager
Oath-taking Ceremony of the Newly Re-Elected BOD Member	
Pasundayag	BILECO Family
Message from the General Manager	ENGR. GERARDO N. OLEDAN OIC-General Manager
Video Presentation	The 2014 Performance Highlight
Dance Number	BILECO OJTs and Staff
Introduction to the Guest Speaker	MA. LEIZYL Q. GARCIA FSD Manager
Message from the Guest Speaker	HON. ROGELIO J. ESPINA, MD, FPOA Representative, Lone District of Biliran
Symbolic Switch-on Ceremony of the NEA-SEP 2014 Sitios	
Presentation of Plaques and Citations	
a. Plaque of Appreciation to the Guest Speaker	
b. Plaque of Appreciation to the Host Municipality	
c. Plaque of Appreciation to the NSU-Biliran Campus	
d. Plaque of Recognition to Engr. Cesar D. Cordeta	
e. Plaque of Recognition to Dir. Reymando B. Garabiles	
f. Plaque of Recognition to the Top Ten Big Load Prompt Payors of 2014	
Closing Remarks	DIR. REYMANDO B. GARABILES Board Secretary
PART III - ORDER OF BUSINESS	
1. Calling to Order	
2. Reading the Minutes of the Previous Annual Meeting	
3. Approval of the Minutes	
4. Presentation of the 2014 Annual Report	
5. Plenary Agenda	
6. Open Forum	
PART IV - ELECTRONIC ATTENDANCE RAFFLE	
	Emcee: ALLAN JOSEPH S. BORRINAGA ANN-MARIE B. MERACAP

message



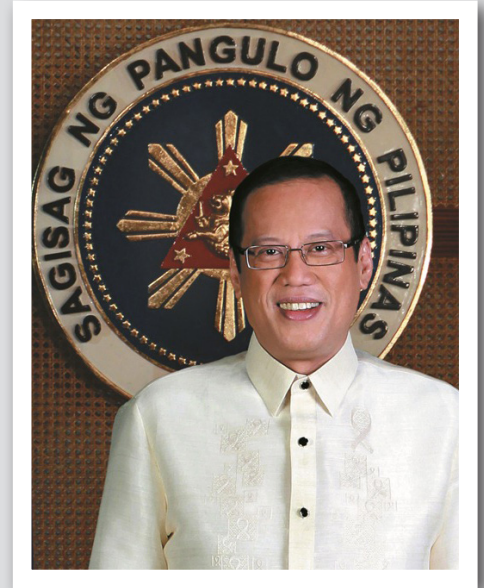
Office of the President
of the Philippines
Malacañang

My warmest greetings to the **Biliran Electric Cooperative** as you hold your **28th General Membership Assembly**.

Biliran, despite being among the country's smallest provinces, is a land brimming with huge potential; its excellent harbors are home to bustling industries centered on fishing and aquaculture, while its scenic vistas, pristine beaches, and enchanting forests are among the top eco-tourism destinations in our archipelago. Harnessing these advantages for the sake of Biliran's people requires a reliable and ample supply of electricity, a task that is adequately fulfilled by the Biliran Electric Cooperative. I thus hope that this assembly will ensure that your client-stakeholders will have better, more stable, and more efficient service, that you may reach your collective goals and contribute to our nation's resurgence at this juncture in our history.

It is heartening to know that BILECO has heeded government's call to promote the judicious use of power among its consumers to lessen the enormous load required during hot summer months. Thank you for your solidarity in this program; your participation in this agenda will make sure that our country will sustain its phenomenal rise uninterrupted, even as we continue to find ways to improve our ability to generate more energy to fuel the needs of our rapidly expanding economy.

I wish you a productive assembly.




BENIGNO S. AQUINO, III
President

message



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

Greetings to the officers and member-consumers of the Biliran Electric Cooperative, Inc. (BILECO) as you hold your 28th Annual General Membership Assembly (AGMA).

Guided by the motivation to instill to your members the importance of energy conservation and efficiency, we laud BILECO for incorporating the Department's initiatives to all your programs and projects. Realizing the significance of the people in the policymaking and direction of BILECO, it is our desire that your present undertakings will mirror the true objectives and standards of a competitive and empowered cooperative.

On the occasion of your AGMA, may you always be fervent in all your actions and future engagements.

You can be assured of the Department's constant support in all your aspirations and endeavors.

Mabuhay and more power!

CARLOS JERICHO L. PETILLA
Secretary

message



Republic of the Philippines
**NATIONAL ELECTRIFICATION
ADMINISTRATION**
Diliman, Quezon City



Warm greetings to the Member-Consumers, Board of Directors, Officials and Employees of Biliran Electric Cooperative, Inc. (BILECO) on the occasion of your 28th Annual General Membership Assembly on May 23, 2015.

The energy industry is faced with a lot of trials. Among these is the power supply shortage due to plant shutdowns and maintenance which has caused rotating brownouts in some parts of the country. These challenges shall drive the key industry players like the Electric Cooperatives (ECs) to be excellently efficient in their operations.

ECs, like BILECO, have always been committed in their shared mission of total electrification of the countryside. For the past years, BILECO showed its dedication to provide its members with opportunities to attain good quality of life even in the presence of uncertainties. This is evident in its performance for 2014 with the attainment of Triple A key Performance Standard (KPS) rating. Specifically, 98% collection efficiency and good account payment status with its providers further affirm its aspiration to pursue better service for its members. However, BILECO must reduce its system loss to single digit and accelerate the remaining 9% of potential connections in its area coverage thus benefiting more people in Province of Biliran.

Your AGMA's theme, "Conserve Energy Today, Consume Electricity Wisely" clearly shows your strong support to contribute in providing solutions to the country's current power situation.

More power!


EDITA S. BUENO
Administrator

message



Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pacific Center Building, San Miguel Avenue,
Ortigas Center 1600, Pasig City,
Metro Manila, Philippines


The Energy Regulatory Commission (ERC) congratulates the Member-Consumers, Officials, Officers, and Staff-Members of the Biliran Electric Cooperative, Inc. (BILECO) on the occasion of your 28th Annual General Membership Assembly (AGMA) on 23 May 2015 at the BNAC Auditorium, BNAC Lower Campus, San Isidro, Biliran, Biliran Province.

This year's theme: **"Conserve Energy Today, Consume Electricity Wisely!"** adheres to the call of the Department of Energy (DoE) to implement the demand-side management programs of our government. These projects seek to reduce the nation's energy consumption. Also, these programs entail the conservation and preservation of the environment. The rapid depletion of our planet directs our attention to secure our survival by finding ways to safeguard our sources of electricity. On the other hand, the economic growth of these areas depend on effective and efficient electric power supply. We have to weigh and balance the supply and demand outlook of our current and future consumption.

ERC commends distribution utilities like BILECO for aligning your programs with the advocacy of making energy efficiency a lifestyle. One cannot afford to be unmindful with the current situation of the electric power industry. We have to work hand in hand and consolidate our efforts to have a stable, reliable and adequate electric power supply. Ensuring its sustainability will serve generations.

Preparedness is one of the key components to alleviate the adverse effects of climate change. Discussions at the strategic planning are vital to accommodate new technologies to further advance the status of operation. ERC supports the endeavors of BILECO that will be beneficial to your coverage areas and the nation at large. We wish you a fruitful assembly.

Mabuhay!


ZENAIDA G. CRUZ-DUCUT
Commissioner & CEO

message



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

My warmest greetings to the Biliran Electric Cooperative, Incorporated as you hold your **28th Annual General Membership Assembly (AGMA)**.

The Province of Biliran is emerging as a progressive center of trade and tourism, and this era of reform holds vital opportunities for us to bolster our efforts to achieve comprehensive electrification. Your organization's contributions to this endeavor enable our fellow Biliranons to utilize modern conveniences and technologies in pursuit of their aspirations.

Our energy infrastructure is the base upon which we establish equitable progress, enabling individuals and communities to obtain the promise of development by engaging in industries and increasing productivity. Our goal as a nation anchors on these key components, and so we turn to our partners in the energy sector to remain steadfast in driving our collective advancement. As of our distinguished cooperatives, we trust that BILECO will continue to elevate the standard of services in energization and redefine the field with innovative solutions.

Let us be aware that energy conservation should always be observed not just for financial reasons but for the sustainability of our power supply as well. As we face an imminent national power crisis, it is just appropriate that this assembly be the venue for the exchange of positive ideas to face the challenges of power shortages.


We in government remain dedicated in our mission of the revitalization and conservation. May your solidarity help fuel our efforts to realize equitable progress, and allow our citizens to enjoy the benefits of an inclusive, vibrant society with full awareness in the conservation of power as a responsibility.

Your government cannot do this alone. However, we will need your help - both the BILECO and its member-consumers, in advancing these measures. With your bolstered solidarity and commitment, I am confident that we can turn this into opportunity to build an even more empowered Biliran where everyone enjoys the fruits of positive reform.

May this Assembly bring forth inspiration and success in our unified endeavors.

Mabuhay tayong lahat.




ROGELAO J. ESPINA, MD, FPOA
Representative
Lone District of Biliran

message



Biliran Electric Cooperative, Inc.
(BILECO)
Caraycaray, Naval, Biliran

My warmest greetings and felicitation to all of our member-consumers, stakeholders and to the men and women of the Biliran Electric Cooperative, Inc.

We are being constricted to employ necessary measures addressing power crisis in the country today. Thus, this year's AGMA centers on conserving energy and consuming electricity wisely. As electricity considered being a fundamental form of energy that is never created nor destroyed, proper conservation should be our front act. We geared for a sustainable development anchored with a reliable and efficient power supply as it drives economic activities for progress. Electric power is a powerful tool in catalyzing a community. It indicates improvement and diversification.

As we remain to endeavor providing quality, affordable services and setting higher standards for the energy industry, we are also steadfast in bringing active participation from our private sector. We aimed for an inclusive progress that is why we need everyone to be involved. Especially that we face tremendous challenge of bringing light to our far-flung sitios alongside fueling industries. Reliability is our thing now to maintain and transform communities to partake national growth and comfort of simple living. We need to grow and take our share for future generation's use of electricity. A legacy of reliability and efficiency backed up with excellent management direction. For a better Biliran and a conducive Philippines aimed at attracting foreign investment because of a high end power industry that will result for an inclusive growth and competitive edge from among our Asian counterparts.

Thank you and God Bless.

A handwritten signature in black ink, appearing to read "Cesar D. Cordeza".

CESAR D. CORDETA, REE
BOD President

message



Biliran Electric Cooperative, Inc.
(BILECO)
Caraycaray, Naval, Biliran

I am delighted to welcome our respected guests, member-consumers, stakeholders, partners of rural electrification from the 7 municipalities of the Province of Biliran on this momentous event of celebration of BILECO's **28th Annual General Membership Assembly** on May 23, 2015.

Year 2014 was a time of completing the restoration phase brought about by Typhoon Yolanda, and hail Oh Glory to the men and women of BILECO, we have successfully catapulted such lingering challenge to fully recover and remain steadfast of bringing reliable electricity even to the most affected areas. The journey was not easy, yet cooperation and unity enabled us to become a foundation of passion and pride in which we are very proud of.

We would like to convey our deepest gratitude to all those who helped us during the restoration effort, to the government agencies and stakeholders whose support was to expedite the process of rehabilitation. It is of great value and salutation because it has proven that with great hands come desirable results. Thus, the power of unity in excellence and continue raising the bar of greatness.

This year's AGMA theme is "**Conserve Energy Today, Consume Electricity Wisely!**", a simple reminder that we need to be responsible in utilizing electricity because we are now bombarded with power crisis brought about by a thin generation of the same by our power generators. So as an electric distribution utility, it is our thrust to be fully informing our end-users of the beneficial advantage if we are wise enough in saving and conserving energy. To conserve is providing ample reserve of energy which is vital for future use especially in fueling economic activities for progress and inclusive growth. We need to have stable supply of electricity because it attracts investments, mushrooming of businesses because they are assured of an efficient supply and distribution in a justifiable and affordable rate. This is the challenge of involving everyone to be frontline in attaining this goal of a long-term reliability. Our industry is critical and unpredictable so we need to cope with the future demands brought about by internal and external factors.

The year 2015 will come to be a promising one because it will test the challenge of transformation, the need to innovate, to be a stand-out among the rest in all aspects of the cooperative's operations. Changes come and go but the reputation we build up is one thing we can leave as legacy, being able to inspire and aspire for excellence. We will always continue to serve and preserve our purpose as the sole electric distribution utility in the Lone Province of Biliran.

To God be the Glory.


GERARDO N. OLEDAN, REE
OIC-General Manager





ABOUT BILECO

BRIEF HISTORY

The Biliran Electric Cooperative, Inc. (BILECO) is a non-stock, non-profit electric cooperative registered with the National Electrification Administration on July 6, 1973. Its main office is located in Caraycaray, Naval, Biliran.

BILECO is the sole electric cooperative providing electric service to the province of Biliran covering 117 barangays within the seven (7) municipalities, namely: Almeria, Biliran, Cabucgayan, Caibiran, Culaba, Kawayan and Naval.

BILECO officially started its operation with the ceremonial lighting of the first bulb in the Municipality of Biliran on June 17, 1983. The initial capitalization for the construction of power distribution line was obtained through a loan extended by the Republic of Germany sometime in 1981 in the amount of P12,048,800.00.

At the start of its operation, the Coop connects power being served by Leyeco V, Ormoc City while the 69kV line of NAPOCOR from Tongonan, Ormoc City to the municipality of Biliran was under construction. The 69kV line of NPC from Lemon to Biliran and the 3.15 MVA Substation of BILECO were energized on May 25, 1988.

In early 1985, BILECO held its first regular district election in the seven districts. Those elected replaced the Interim Board who served for more than ten years since the organization and incorporation in 1973. It was also in March 1985 that the first Annual General Meeting was held in Naval, the capital town of Biliran Province.

October 21, 2006 marked BILECO's energization milestone after its remarkable 100% barangay energization. It concluded with the ceremonial switch-on of two island barangays of Mabini and Libertad in Higatangan Island, Naval.

With the continued commitment to missionary electrification, BILECO has energized roughly 90% of the total potential sitios in the area coverage including Sitio Palayan in Brgy. Caucab, Almeria, the farthest sitio energized on July 12, 2009 with a total funding requirement of P2.1 million pesos.

On November 25, 2009, BILECO held an inauguration ceremony of the new 10 mVA substation transformer located in San Roque, Biliran, Biliran to address the growing energy demand of the province.

As of February 2015, BILECO posted a total actual house connection of 30,293 registering a total membership of 28,861. Naval, the largest of the seven districts, comprise thirty-five percent (36%) of the total house connection.

VISION

A Solutions Enabled Electric Distribution Utility by 2017

MISSION

To deploy relevant technologies, processes and procedures that turn organizational challenges into enabling solutions that is highly flexible, innovative and cost-effective for greater operational efficiency

AWARDS & CITATIONS

2012

Special Award for being an AAA Electric Cooperative

2011, 2010, 2009 & 2008

Special Award for being a Category A+ Electric Cooperative

2011

Special Citation for Valuable Contribution to the Attainment of the 1,520 P-Noy Sitio Energization

Special Citation for Implementing an Effective and Innovative Information & Communication Technology

2010

Special Citation for its Excellent Rating in the Scorecard on Electric Cooperative Governance

2007

Commendation for being a consistent Prompt Payor to the National Power Corporation

2007 & 2006

Best in Collection Performance Award

OUR FRANCHISE AREA

The Biliran Electric Cooperative, Inc. is operating in the mainland province of Biliran as its franchise area including the off-grid island barangays of Mabini and Libertad in Higatangan Island. Its area coverage covers a total land area of 56,546 sq. km. It is comprised of seven municipalities/districts and 117 barangays.

BILIRAN PROVINCE



ALMERIA

FAST FACTS

No. of Barangays: 13
House Connection: 3,534
Total Membership: 3,312
Percent Loading: 8.8%

BILIRAN

FAST FACTS

No. of Barangays: 11
House Connection: 2,915
Total Membership: 2,797
Percent Loading: 7.9%

CABUCGAYAN

FAST FACTS

No. of Barangays: 13
House Connection: 3,432
Total Membership: 3,460
Percent Loading: 9.6%

CAIBIRAN

FAST FACTS

No. of Barangays: 17
House Connection: 3,629
Total Membership: 3,740
Percent Loading: 9.4%

CULABA

FAST FACTS

No. of Barangays: 17
House Connection: 2,200
Total Membership: 2,435
Percent Loading: 5.5%

KAWAYAN

FAST FACTS

No. of Barangays: 20
House Connection: 3,625
Total Membership: 3,926
Percent Loading: 8.4%

NAVAL

FAST FACTS

No. of Barangays: 26
House Connection: 10,774
Total Membership: 9,037
Percent Loading: 50.5%

THE PRESENT BOARD OF DIRECTORS



The business and affairs of the cooperative is under the responsibility of the board of directors which shall formulate and adopt policies and plans, promulgate rules and regulations for the management, operation and conduct of the business of the cooperative, and exercise all of the powers of the Cooperative. Essentially it is the role of the board of directors to assess the overall direction and strategy of the business.

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

ENGR. CESAR D. CORDETA

President
Cabucgayan (District 03)

- ▣ Re-elected in the 2012 District Elections (3rd term)
- ▣ BOD President 2014-present
- ▣ BOD Secretary 2006-2014
- ▣ Engineer II at DPWH 1989-present
- ▣ Senior Electrical Engineer at DPWH 1983-1989
- ▣ Registered Electrical Engineer
- ▣ Graduated Bachelor of Science in Electrical Engineering
- ▣ Attended NEA EC Conferences from 2006-2014
- ▣ Attended PHILRECA Annual General Membership Meeting from 2006-2014
- ▣ Attended Cooperative Management Course I & II (CMC I & II)
- ▣ Attended Course on Credentialed Cooperative Director

DIR. JUAN R. AVILA, JR.

Vice-President
Caibiran (District 04)

- ▣ Re-elected in the 2012 District Elections (1st term)
- ▣ BOD Vice-President 2014-present
- ▣ Parish Pastoral Lay Minister and Parish Choir Member
- ▣ Graduated Bachelor of Arts in Social Sciences
- ▣ Attended NEA EC Conferences from 2012-2014
- ▣ Attended PHILRECA Annual General Membership Meeting from 2012-2014
- ▣ Attended Cooperative Management Course I & II (CMC I & II)
- ▣ Attended Course on Credentialed Cooperative Director

No BOD representatives for the districts of Naval and Biliran due to failure of regular and special elections of the said districts.



DIR. REYMANDO B. GARABILES

Secretary
Culaba (District 05)

- ▣ Re-elected in the 2012 District Elections (3rd term)
- ▣ BOD Secretary 2014-present
- ▣ BOD Treasurer 2006-2014
- ▣ President, Culaba Lay Ministers Association
- ▣ Member, Knights of Columbus
- ▣ Attended NEA EC Conferences from 2006-2014
- ▣ Attended PHILRECA Annual General Membership Meeting from 2006-2014
- ▣ Attended Cooperative Management Course I & II (CMC I & II)
- ▣ Attended Course on Credentialed Cooperative Director

DIR. ROLANDO Z. GOZON

Treasurer
Kawayan (District 06)

- ▣ Elected in the 2013 District Elections (1st term)
- ▣ BOD Treasurer 2014-present
- ▣ Managing Director, Kawayan Lending Investors, Inc. (KALI) 2012-present
- ▣ Member, Association of Kawayan PTA
- ▣ Former Member of the Multi-Sectoral Electrification Advisory Council (MSEAC) - Kawayan District
- ▣ Former Elementary Grade Teacher
- ▣ Retired MLGOO-DILG
- ▣ Graduated Bachelor of Science in Elementary Education
- ▣ Attended 6-month Training on Defunct DLGCD now DILG
- ▣ Attended the Cooperative Management Course I (CMC I) and Good Corporate Governance
- ▣ Attended Course on Credentialed Cooperative Director

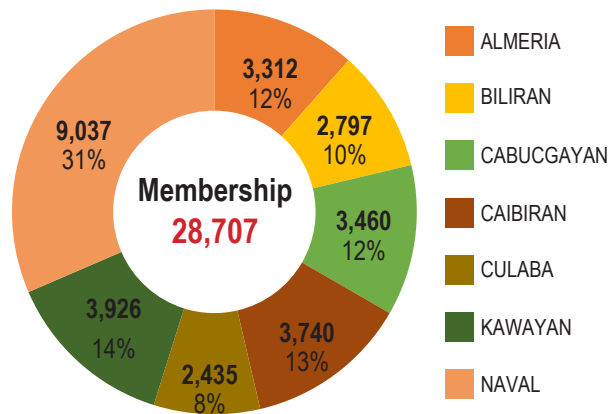
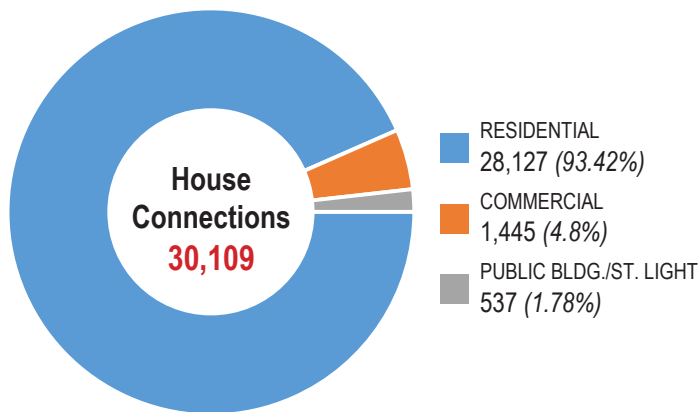
DIR. ALBERTO R. ESPREGANTE

Member
Almeria (District 01)

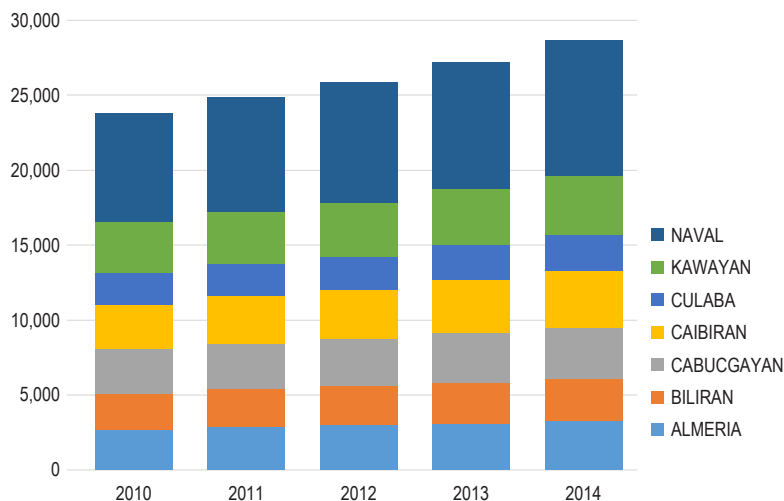
- ▣ Elected in the 2014 District Elections (1st term)
- ▣ Former SB Member of the Sangguniang Bayan of Almeria
- ▣ Graduated Bachelor of Science in Computer Engineering
- ▣ Businessman/Proprietor of Micromind Computer Services & Supplies



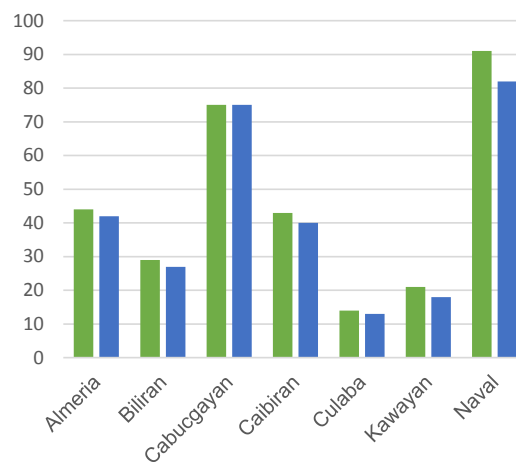
INSTITUTIONAL HIGHLIGHTS



FIVE-YEAR MEMBERSHIP GROWTH



STATUS OF SITIO ENERGIZATION



MEMBERSHIP AND HOUSE CONNECTION

Total Number of New Membership	1,050
Total Number of New House Connections	1,362
Total Number of Energized Barangays	117
Total Number of Unenergized Barangays	0



ASSEMBLIES AND SECTORAL MEETINGS

Annual General Membership Assembly (AGMA)	1,590 participants
District Elections <i>Regular</i>	District 1 (Almeria)
<i>Regular</i>	District 2 (Biliran)
<i>Special</i>	District 7 (Naval)
Multi-sectoral (MSEAC) Meetings	65 participants
	2 meetings
Pre-Membership Orientation Seminar (PMOS)	1,123 participants
	44 sessions
Barangay Meetings	14 sessions
Barangay Power Associations	13 assemblies

FINANCIAL HIGHLIGHTS

↑ 6%

NET SALES

P204,873,978.00

↓ 13%

CASH FLOW

P40,986,199.00

↑ 17%

TOTAL ASSETS

P304,903,917.00

↑ 54%

CURRENT LIABILITIES

P109,880,129.00

↑ 28%

NET INCOME

P139,119.00

↑ 6%

GROSS INCOME

P53,675,724.00

↑ 3%

OPEX

P46,526,308.00

↓ 10%

FINANCE COST

P3,073,009.00

Net Sales - Net energy sales from commercial, residential, public building & street lights

Cash Flow - Cash balance at the end of year

Total Assets - includes current & non-current assets

Current Liabilities - payables to power suppliers, accounts payables, accrued liabilities & others

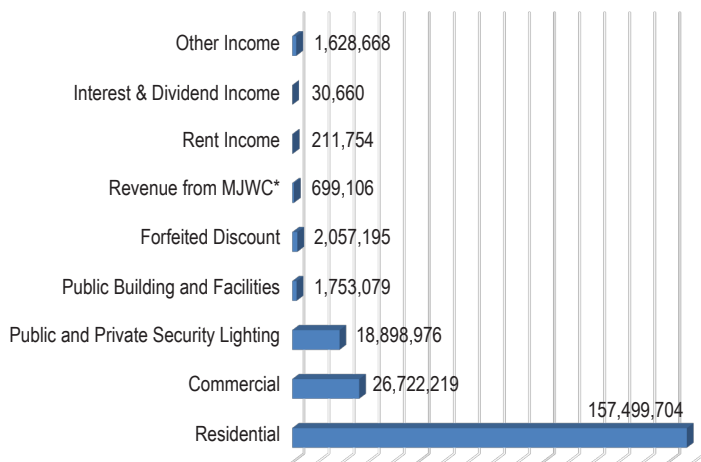
Net Income - Gross revenue less operating expenses

Gross Income - Net energy sales less cost of energy sold

Opex - Operating expenses includes general and administrative expenses

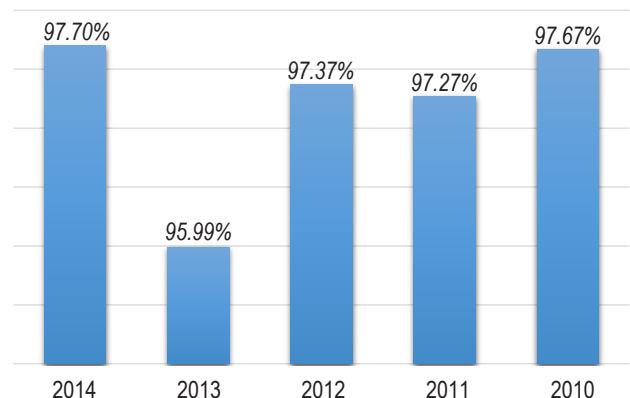
Finance Cost - Debt service cost by NEA and other institutions

SOURCES OF REVENUE



* Merchandising, Jobbing and Contact Work

COLLECTION EFFICIENCY





CAPACITATING THE HUMAN RESOURCE

HR is a company's human resource multiplier. The functions of an HR professional should focus on the company's greatest resource of all - its employees. Without good employees, the best business plan and ideas will fail.

Human resource plays an essential role in developing a company's strategy as well as handling the employee-centered activities of an organization.

HRM is expected to add value to the strategic utilization of employees and that employee programs impact the business in measurable ways. Effective human resource management enables employees to contribute effectively and productively to the overall company direction and the accomplishment of the organization's goals and objectives.



EMPLOYEE REORIENTATION

It has been the practice of the cooperative to elaborate in detail to the newly hired and probationary employees its culture, basic information regarding employment terms and conditions, the BILECO management principles, and so with the present trend of the electric industry under the post EPIRA environment for them to understand the significance of productivity and good public relations as a means of achieving the EC's goals and objectives.

Further, the coop believed that spouses or parents of employee in the case of newly hired personnel are to be involved in this re-orientation seminar for them to gain a thorough understanding on the nature of work of their husbands and wives working for the electric cooperative.



DAILY DANCE EXERCISE

All work and no fun make one person down. In an electric cooperative where a sound mind and body is a necessity, a physical activity is important to ensure that its employees stay fit and healthy.

First introduced in BILECO in the year 2013, dance exercise is synchronized during the conduct of the daily RQIM. It is usually in the form of Zumba dance and is participated by all of the employees of the cooperative present during RQIM. Said activity not only exercises the employee physically but also revitalizes their mental being. It also lifts up their inner self, making them able to work enthusiastically all throughout the day. Most of all, it produces happiness and creates

a joyful atmosphere to each employee and boosts camaraderie. It is a fun and ideal way to jumpstart the day for work.



MONTHLY MEDICAL CHECK-UP

A fit and healthy employee is the foundation of the cooperative. BILECO aims to maintain healthy employees so that they can work efficiently and serve member-consumers at their best.

To ensure a sound health condition of every employee, a medical check-up is regularly observed. It gives them the opportunity to closely monitor their health including the prevention of possible diseases and illnesses.

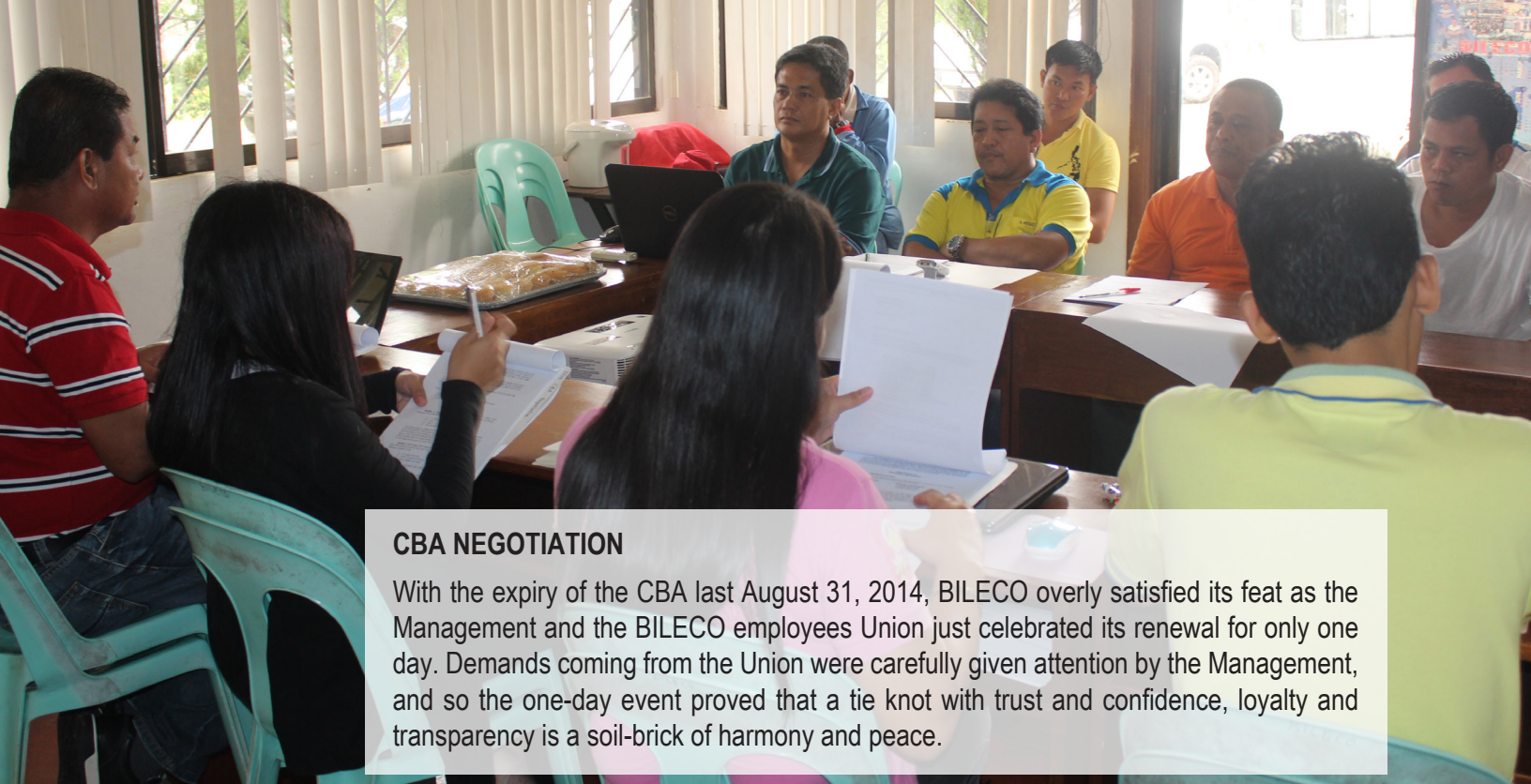
DAILY RQIM

Before the start of their respective work, all BILECO employees attend the daily RQIM at 8:00 am. RQIM stands for Reflection, Question, Information and Message.

The conduct of the daily RQIM centers on the inculcation of the seven (7) corporate cultures of the cooperative namely Honesty, Discipline, Hardwork, Teamwork, Thrift, Generosity and Palabra de Honor. It carries out transparency not only to the cooperative's employees but also to those who joined in the conduct of said morning activity, be it stakeholders, partners, member-consumers and among others, due to various information being reported and imparted by respective informants from every department.

With these, every employee are equipped with appropriate knowledge so that they will be able to act as information officers of the cooperative.





CBA NEGOTIATION

With the expiry of the CBA last August 31, 2014, BILECO overly satisfied its feat as the Management and the BILECO employees Union just celebrated its renewal for only one day. Demands coming from the Union were carefully given attention by the Management, and so the one-day event proved that a tie knot with trust and confidence, loyalty and transparency is a soil-brick of harmony and peace.

ZERO ACCIDENT PROGRAM

It has been observed in the past years that actual expenses in the medication of employees who have been injured while in the conduct of official duties and function has been way beyond the approved annual budget. Personnel who have been recuperating from injuries have been underutilized being assigned to perform lesser task.

To avoid unnecessary injuries in the workplace, the management, through the Zero Accident Program, initiated an incentive system for consistently practicing the highest degree of precaution to further avoid injuries in the workplace. If no employee, officer or OJT has been injured in the workplace for the preceding year, a service incentive will be granted. This is not only to abstain from the expenses incurred by the coop for hospitalization and extensive medication, but also to ensure the safety and well-being of every employee.



FAMILY WELFARE PROGRAM

BILECO, already established to be a family-oriented organization, embraces in institutionalizing programs that will firmly promote Agak-Kauban, livelihood programs among its employees that will be secondary source of income. In 2014, there have been series of brainstorming as to how to carry out this program creating a committee that will have oversight for its success in compliance also with the mandate from DOLE.





AWARDING OF TFK-YOLANDA



E-ICPM WORKSHOP



GENDER SENSITIVITY TRAINING



NEA-SEP ONCE-AND-FOR-ALL SUMMIT

SEMINARS, TRAININGS, WORKSHOPS AND CONFERENCES

Training and development is one of the major thrusts that the cooperative successfully capacitated in meeting and compensating the skills brought about by the demands of the power industry. Among the highlights of 2014 seminars and trainings was the realization of the managers' & supervisors' effectiveness training as preparation of the transitory management leadership considering that GM Roa is planning for his retirement. It was made to realize that good management strategy depends on the competence of an individual overlay with proper execution and transformation. To equip with the quality management skills requires the orchestration of process with objectiveness and impartiality. The results will bear good corporate practices. The need to transform is the ability to innovate along changes which is constant. To steer people requires deep understanding on the individuality of knowledge, skills and attitudes which greatly affects performance of every employee. That is why, there is a need to develop underperformers and retain highly talented people. The latter being a good challenge because you might not know that your caliber performer will be scouted by competing industries with good working environment and salary programs.

The annual e-ICPM was successfully participated by the BILECO management



NEW PROCUREMENT GUIDELINES WORKSHOP



MANAGERIAL & SUPERVISORY TRAINING





PMAP ANNUAL CONFERENCE



team modeling the annual work plan of the cooperative in the coming years to ensure a well-balanced management of its operations. The goal is to project and implement within the given time frame especially the upgrading of our deteriorating distribution network vital for a reliable power service within the coverage area.

Another workshop actively partaken was the People Management Association of the Philippines' (PMAP) 51st Annual Conference centering on how to meet the challenges of the ASEAN Integration aiming with a Common Identity and Shared Destiny. It assimilated on how to bring out the competitive edge and advantage within Filipinos from among our Asian counterparts. It might have economic setbacks but the help of an excellent human resource management in every company and organizations, the challenge to step-up will for sure be materialized because every worker will be equipped with standards of skills to work and produce.

Gender Sensitivity Training conducted by NEA-OCET aimed to neutralize unnecessary gender-related issues was also attended by BILECO personnel encouraging organizations to be instrumental in becoming a Gender Sensitive and Empowered-People environment.

GM Roa attends NRECA Annual Meeting in Tennessee

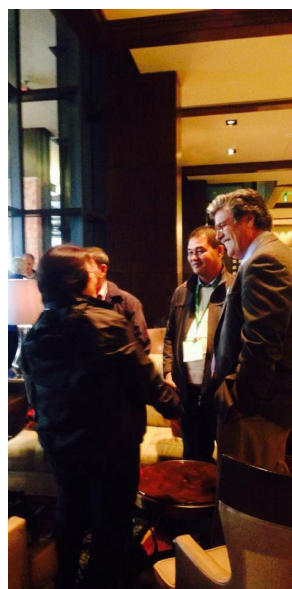
GM Marlon B. Roa, BILECO's chief executive, attended the 72nd National Rural Electric Cooperative Association (NRECA) Annual Meeting and Expo in Nashville, Tennessee, USA which commenced on February 27 and culminated on March 6, 2014.

"Coop Nation: Strong and Proud" served as the theme for the 2014 annual meeting. It boldly defined the ideals and spirit of cooperativism and unity among rural ECs as manifested by the convergence of thousands of electric cooperatives around the globe to chart the course for their future and to celebrate the cooperative movement.

The meeting was loaded with opportunities to mingle and network with coop peers and learn from industry experts. Among the activities lined up were Director Education aimed at helping directors develop and refine the skills they need to fulfill their duties, Community Service Project, NISC Annual Meeting, NRTC Annual Meeting, Cooperative Action Center and Educational Forums.

On the latter part of the event, TechAdvantage Expo brought the participants to a defining experience as they were introduced to latest innovations and state-of-the-art facilities, equipment and services designed for the Coop.

GM Roa was joined by NEA Administrator Edita S. Bueno and other NEA executives and the management/BOD of other electric coops as the country's delegates to the conference.





ENHANCING CUSTOMER RELATIONS & ADVOCACY

Customers are the lifeblood of a business. Good customer relation stems from good customer service and the key to good customer service is building good relationships with customers.

Strong and effective customer relations can be the direct route to long-term success. It is in this premise that made BILECO devise measures to continuously build connections, rapport and personal relationships with customers. Constant communication and dialogue with stakeholders and member-consumers on relevant issues were established through various programs and activities to promote awareness and increase consumers' participation and involvement. Efficiency of its services were also highly regarded to build customer loyalty and enhance customer satisfaction.

A great customer relations strategy not only improves business reputation but also forges sincere and lasting relationships with the customers.

BIG LOAD CUSTOMERS SYMPOSIUM

BILECO conducted on October 24 an Energy Forum for the big load consumers, private entities, government agencies and stakeholders held at Naval State University AVR. The participants were informed of the latest updates and services of the cooperative and educate them of proper energy conservation measures. BILECO introduced plans and programs such as the Power Supply Aggregation with other electric coops in Region 8 to ensure ample supply of electricity in the coverage area in the coming years. The reasons behind varying power rates, DOE's Demand-side Management Program, including coop policies, energy saving and safety tips were also thoroughly discussed.



SCHOOLS SYMPOSIA

As part of our corporate social responsibility and in celebration of the Consumer Welfare Month last October 2014, BILECO conducted symposia in 1 university and 4 different high schools in the province. A total of 1,030 students coming from Naval State University (NSU), Cabucgayan National School of Arts and Trade (CNSAT), Naval School of Fisheries (NSF), Almeria National High School (ANHS) and Tucdao National High School (TNHS) were able to listen and were educated regarding the power industry sector and its key players, the EPIRA law, the importance of electricity and the energy conservation and safety tips.

MEETING WITH FIRE MARSHALS AND MUNICIPAL ENGINEERS

A coordination meeting was called by BILECO with the Municipal Fire Marshals and Municipal Engineers of the seven municipalities together with the representative of the Barangay Electricians Association to harmonize and resolve some glitches in the process of application of new and temporary service connections and the waiving of service fees in their respective offices for the beneficiaries of NEA Sitio Electrification Project 2013. All participants gave their take on the issues and provided suggestions and solutions which was agreed by the majority. Several other concerns were brought up and consequently addressed.





BAPA/SIPA CONFERENCE

The first Barangay Power Association (BAPA) Conference was held last September 22, 2014 at the VRC Resort in Talahid, Almeria, Biliran with the theme "Sa Paghiusa ug Paningkamot, Kalamboan sa BAPA Makab-ot." It was attended by the BAPA Chairmen and Readers coming from the 46 BAPAs organized in the coverage area. New BAPA representatives were also appointed per district. The participants were re-oriented of coop policies, the reading cycle, the procedures on meter reading and the submission of reports to BILECO. BAPA Sampao from Almeria District who was recognized during the 27th AGMA as the Most Outstanding BAPA also presented their best practices for other BAPAs to have ideas on how to improve their operations.

MEMBERSHIP MASTER LIST SANITATION

Master list sanitation was constantly undertaken to keep an updated and reliable roster of membership of the cooperative. BILECO adopted NEA Memorandum No. 2014-006 entitled "Guidelines in the Sanitation of Master List of Member-Consumers of Electric Cooperatives." The Board had submitted a Resolution certifying the sanitized list of membership for the districts of Almeria, Biliran, Kawayan and Naval. The systematic sanitation was also undertaken for the districts of Cabucgayan, Caibiran and Culaba before the end of the year as requisite for the scheduled district elections of the three districts for the following year.



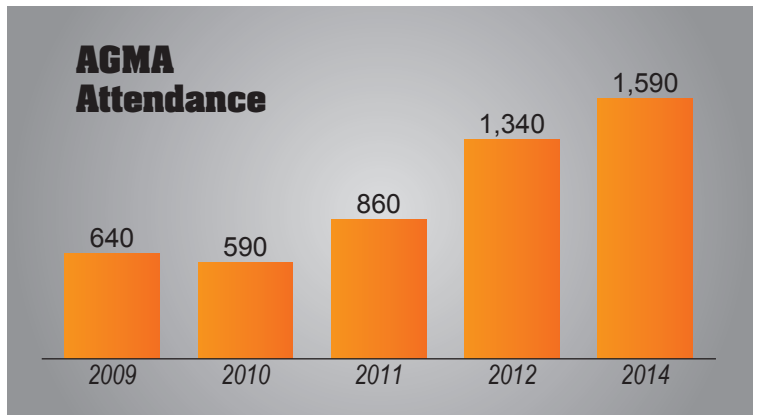
MSEAC MEETINGS

New set of federation officers for the Multi-Sectoral Electrification Advisory Council (MSEAC) were duly elected during the first quarterly meeting on March 10, 2014. MSEAC is an important partner of the Cooperative which serves as channel in informing various sectors of the Coop's programs and projects. The second quarterly meeting was set last May 29, 2014. The third and fourth quarterly meeting were merged into one during the Annual General Membership Assembly held at Cabucgayan Municipal Gymnasium last June 28, 2014. Important topics were discussed such as updates on finance services and institutional services including new projects and programs to be implemented by the cooperative.

CONSUMER AFFAIRS

AGMA

A total of 1,590 member-consumers had attended the 27th Annual General Membership Assembly (AGMA) on June 28, 2014 held at the Cabucgayan Municipal Gymnasium, Magbangon, Cabucgayan, Biliran. The theme of the occasion was "Transforming Electric Distribution Operation through Integrated Systems and Technological Innovations" which depicts BILECO's ardent desire of achieving its vision to become a solutions enabled electric distribution utility by 2017. The plenary agenda included the proposed construction of express feeder from Biliran substation to Naval town, the incorporation of disconnection date to the monthly power bill and the new bills payment facility through Remitbox which were all approved by the assembly. Also highlighted during the event was the formal switch-on and energization of the 24 sitios funded through NEA-SEP 2013.



DISTRICT ELECTION

On March 15, 22 and 29, 2014, BILECO called its special election for the district of Naval and regular elections for the districts of Almeria and Biliran, respectively. With the stringent qualifications of the Board of Directors, no one qualified to run which subsequently resulted to failure elections. On August 23 and 30, 2014, the Board, through a Resolution, called for a special elections for the districts of Almeria and Biliran, respectively. In Almeria, Mr. Alberto Espregante, a lone candidate, obtained a total votes of 184 out of 3,161 registered members or 5.82%. On the other hand, the district of Biliran was declared by the DECOM to have a failure of election due to the disqualification of the applicants.





MEMBERSHIP EDUCATION AND INFORMATION

With the recent improvements in information technology, BILECO has continued to employ technological means of delivering information to member-consumers. Member-consumers who are connected through social networking sites such as Facebook and Twitter are constantly updated of the scheduled power interruptions, coop activities, and other information dissemination campaigns. Aside from social networking sites, BILECO also constantly updates its websites for activities recently conducted. We also use SMS messaging to inform member-consumers of the power rates and power interruptions schedule. Press releases, regular radio programs and TV plugs are also

being done. The Pre-Membership Orientation Seminar (PMOS) is constantly being updated for new information that is beneficial to future members of the cooperative. By the end of 2014, BILECO distributed newsletters and pamphlets.



BARANGAY ELECTRICIANS ASSOCIATION (BEA)

The Barangay Electricians Association (BEA) is regularly met by the Cooperative for the evaluation of their work especially in the compliance with the standards in house-wiring installation. Every meeting is an opportunity for both parties to air suggestions that are beneficial to the cooperative and the member-consumers which generally boils down to improving customer relationship.

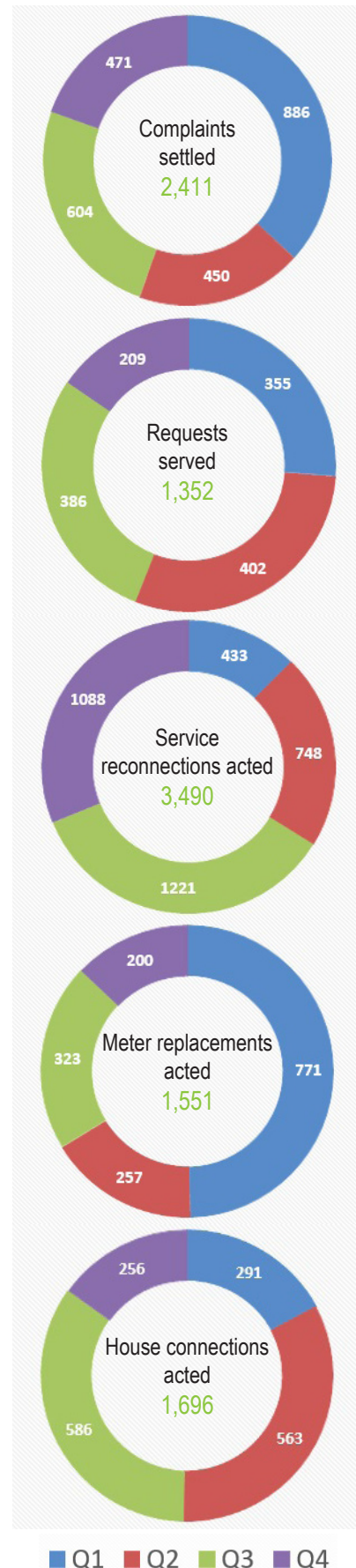
SERVICE EFFICIENCY

The efficiency of various services of an electric cooperative is gauged through the Key Performance Standards (KPS) set forth by the National Electrification Administration. They indicate whether service is performed at a desired level, as measured specifically to established targets or goals. In order to meet these standards, the Coop embarked into innovative approaches to deliver services as timely and as reliable as possible.

For instance, monitoring of complaints and requests from member-consumers was made easy and convenient through an EDP-Based Customer Service Standard to ascertain that the following established standards are met:

Type of Request /Complaint	Service Standards
Service Dropping	48 hrs
Service Reconnection	24 hrs
Voluntary/Temp Disconnection	24 hrs
KWH Meter Relocation	24 hrs
SDW Relocation/Replacement	24 hrs
Renaming of Account (with complete supp docs)	30 mins
On-Site Meter Testing	24 hrs
No Power (individual house connection)	4 hrs
Responding to Emergency Calls	30 mins

Likewise, a centralized dispatch has been established for the proper endorsement of all complaints and requests to all service crew personnel. For the year 2014, the central dispatch was able to record the following accomplishments:





SUSTAINING THE CORPORATE SOCIAL RESPONSIBILITY

It has always been one of BILECO's aims to be involved in civic and socio-economic activities that promote both employee wellness and community welfare. Its participation in tree planting activities is proof of its purpose for a greener world and cleaner environment for the benefit of the future generation. The concept of CSR is strengthened by the idea that organizations can no longer operate as isolated entities from society. Traditional views about competitiveness, survival and profitability are being swept away. Entities such as that of electric cooperatives now need to join hands with the local government to extend the latter's role in nation building.

Corporate social responsibility is not just a good idea or simply a nice thing to do; it can result in a strong bottom line and a more sustainable cooperative in the long term. Cooperatives that are able to exhibit a culture of giving back and a commitment to social responsibility are the organizations that ultimately endure. It is because they seem to have an understanding that their actions alleviate the health of their business, as well as the health of the global community.



ANNUAL TREE PLANTING

The Biliran Electric Cooperative, Inc. (BILECO) joined once again in the conduct of the 2014 NEA-ECs' Nationwide Tree Planting Program in coordination with the Provincial Environment and Natural Resources Office (PENRO-Biliran) and the MLGU-Naval on September 30, 2014. Some 300 mangrove propagules were planted in the identified site in Brgy. Catmon, Naval, Biliran participated by 26 BILECO personnel.

The display of unity and cooperation of BILECO was part in the celebration of the National Electrification Awareness Month and a support to President Aquino's National Greening Program (NGP). The Coop's involvement and direct support to the activity was a contribution to our country's holistic approach to a Greener Philippines towards climate mitigation and sustainable development.

WAIVING OF COOP FEES FOR SEP BENEFICIARIES

NEA under the directive of President Aquino was tasked to make sure that all residents of the newly energized sitios must benefit this project. As implementing agency of the project, BILECO heeded the call of the President to help the marginalized Biliranons reap and enjoy the benefits of the program which is why the Coop, through a Board Resolution, waived all service charges comprised of 1) Service Connection Fee, 2) Meter Calibration Fee, 3) Bill Deposit, and 4) ID for the household-beneficiaries of the SEP. The beneficiaries will only pay the membership fee of 5 pesos and the excess beyond 30-meter free service drop wire. The subsidy of these fees was taken from the Board's CSR fund included in the approved budget of the current year.



OPLAN ELECTRIC CHECK

BRIGADA ESKWELA-OPLAN ELECTRIC CHECK is an annual undertaking of BILECO prior to the opening of classes.

This program aimed to conduct a thorough inspection of electrical wirings particularly inside elementary and secondary schools in the Province of Biliran to ascertain its dependability and safety. Findings related to said activity are immediately relayed to the school head who shall in turn come up with a corresponding report to the physical facilities coordinator of the DepEd Division Office.



INFORMATION TECHNOLOGY & PHYSICAL INFRA

In today's fast-changing world, it is a must for organizations to be capable of adapting to technological innovations. In electric cooperatives, an upgraded IT system is the foundation of prompt service in responding to customer complaints, requests, and other concerns including finance services related to billing and accounting. An advanced IT system in electric cooperatives gives way to a higher customer satisfaction rate and improved operations.

Physical infrastructure is the basic facility needed for the functioning and delivery of services of an organization; therefore, it must be renovated from time to time in order to cater the diverse needs and growing number of customers.

INFRASTRUCTURE AND PHYSICAL IMPROVEMENTS

It has been the long desire of GM Marlon B. Roa of BILECO to improve the image of the cooperative not only through efficient services and laudable achievements but also through concrete projects that benefit both the employees and the member-consumers. The year 2014 had marked another milestone for BILECO after the successful construction of the new office building.

Inaugurated during his 50th birthday last November 9, 2014, the new building served as the new main office of BILECO employees to continuously serve the member-consumers at their best.

Conducted at the main office in Caraycaray, the inauguration was attended and witnessed by the BILECO Board of Directors, the Management Team and all its employees with their spouses. General managers from the different electric cooperatives of Region VIII also partake in the celebration.

On the other hand, in the recently conducted e-ICPM workshop conducted by NEA on November 24-28 in Ormoc City, the coop had included in its proposed projects, particularly in the field of infrastructure, the establishment of an air-conditioned customer lounge.

Said customer lounge shall be provided for the ease and convenience of all our member-consumers. The coop also planned to beautify and landscape the entrance area and the pavements.

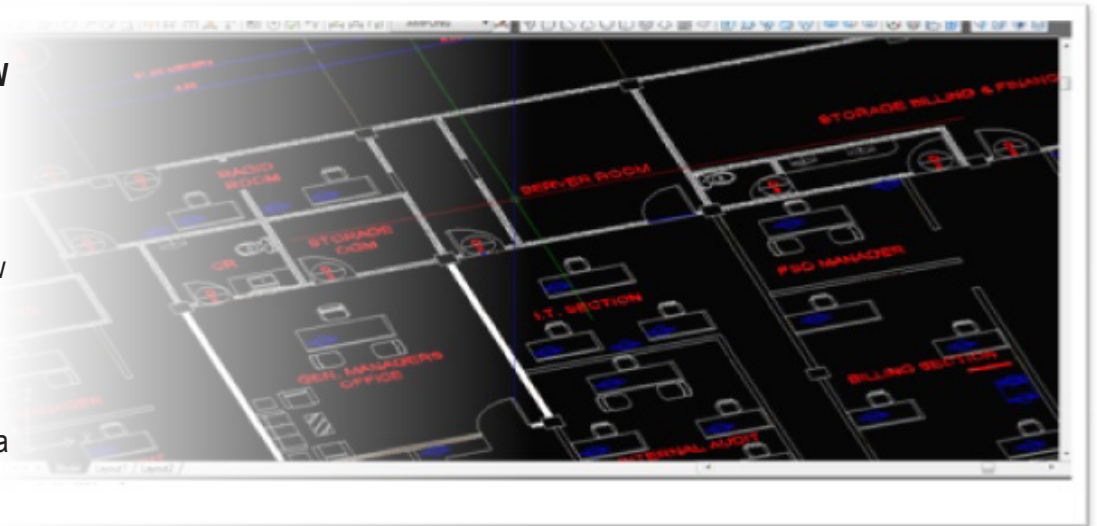
As compliance to the Environmental Management Bureau (EMB), BILECO had also included in its workplan the construction of a transformer storage facility to ensure safety not only of the people working but also of the environment as its wastes and by-products are potentially harmful and hazardous to both man and nature.



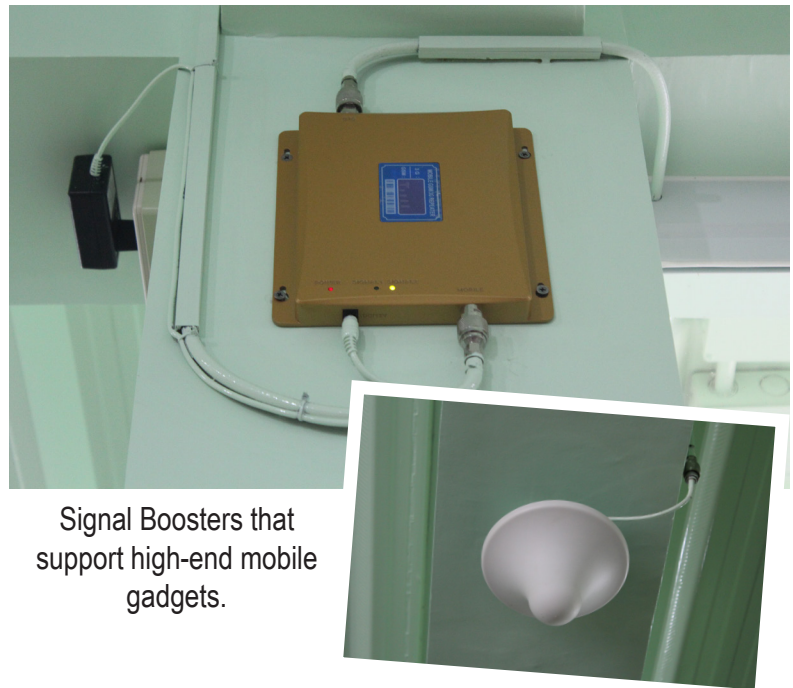
INSTALLATION OF IT EQUIPMENT IN THE NEW OFFICE BUILDING

The IT Personnel was involved in the design and implementation for the new BILECO building which includes the following services:

Structured Cabling for Data and Voice (VoIP).



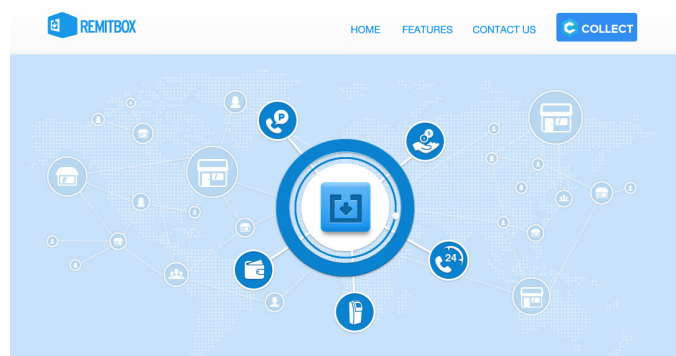
Installation of CCTV Cameras



Signal Boosters that support high-end mobile gadgets.



Relocation for all Access Points both indoor and outdoor and also the main Tower for Radio and IP Radios for communications.



Full Integration of RemitBox

Successfully integrated the Remitbox of Payvenue Sytem with BILECO's ICT System to acknowledge a real-time payment from its nationwide collection facilities

Launching of the new BILECO Website (www.bileco.net)



A new BILECO website was created with a fresh design that is easy to navigate and provides useful information to its member-consumers. Part of its feature will soon be integrated called "e-Service", where it will provide online services such as online payment, bill inquires, online support etc. as part of its new vision to become "A Solutions Enabled Electric Distribution Utility by 2017".



Dedicated eMail Server: (name@bileco.net)

Bileco now is using its email server, to secure all communications via internet. The official email address is likewise to be used as the username of BILECO's "e-Procurement System".

e-Procurement System
Automates existing procurement process to enhance transparency, effectiveness and efficiency.



New Data Center Infrastructure was designed to ensure uptime, high availability, scalable for cloud management services, N+1 power system (with built-in Automatic Transfer Switch) that ensures redundancy and has Automatic Voltage Regulator (AVR) for power quality.

PROBLEMS	e-PROCUREMENT SOLUTION
1. Processes delay, long quotation/canvass period	1. Cost and time savings
2. Absence of signatories	2. System is accessible anytime, anywhere within/ outside the country through internet
3. Difficulty in looking for possible suppliers within and outside the coverage area	3. Pre-registered suppliers, constantly accredited and updated, readily identifiable in the system
4. Human intervention/manipulation of the process	4. Lesser human manipulation due to enhanced internal control
5. Necessitates paperwork	5. Paperless transaction



TECHNICAL OPERATIONS HIGHLIGHTS

An electric cooperative's technical operations are vital in sustaining the distribution and supply of electricity in its franchise area. Maintaining a reliable distribution system through heightened procedures will ensure a stable connection for member-consumers in the entire coverage. Constant upgrading and maintenance is the key to a steady power supply thus resulting to a dependable power service and elevating customer satisfaction and trust ratings.

Electric cooperatives are constantly expanding and upgrading their distribution systems to respond to the rising needs of member-consumers. As a result, the installation of additional power transformers and construction of expansion facilities become necessary for the overall efficacy of technical operations.



SUB-STATION

Location
Brgy. San Roque, Biliran, Biliran

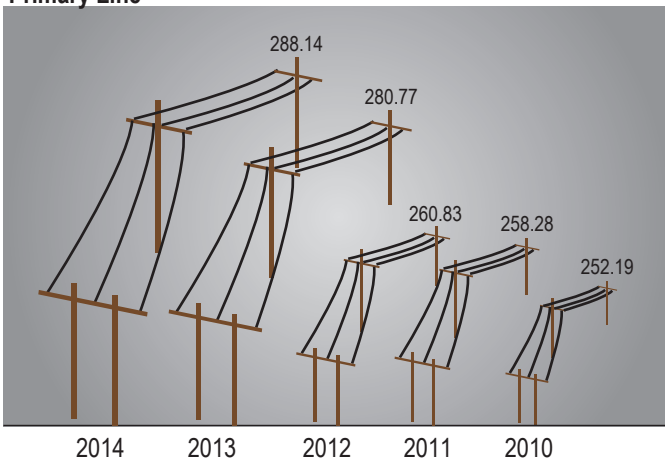
Rated Capacity
10.00 MVA

Technical Indicators	Annual
Number of Sub-station	1
Number of Distribution Transformers	353
Peak Demand (MW) - Night	6.395
System Load Factor	51.74
System Power Factor	98.29 %

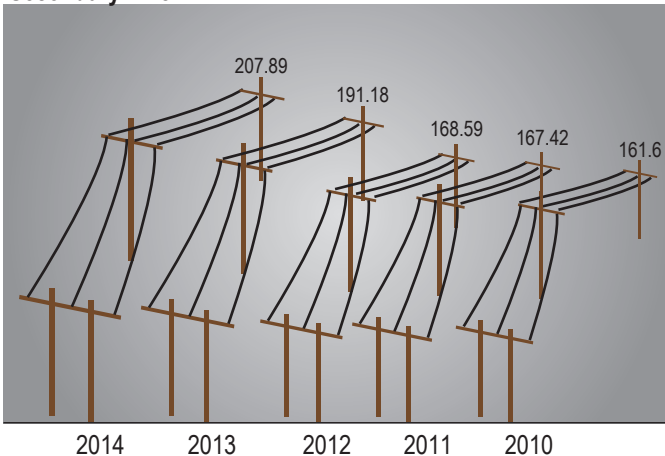
DISTRIBUTION SYSTEM (in Kms.)

Line Energized

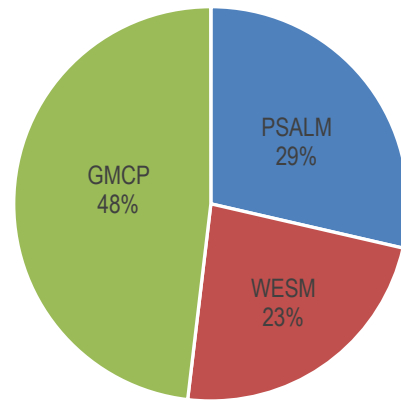
Primary Line



Secondary Line

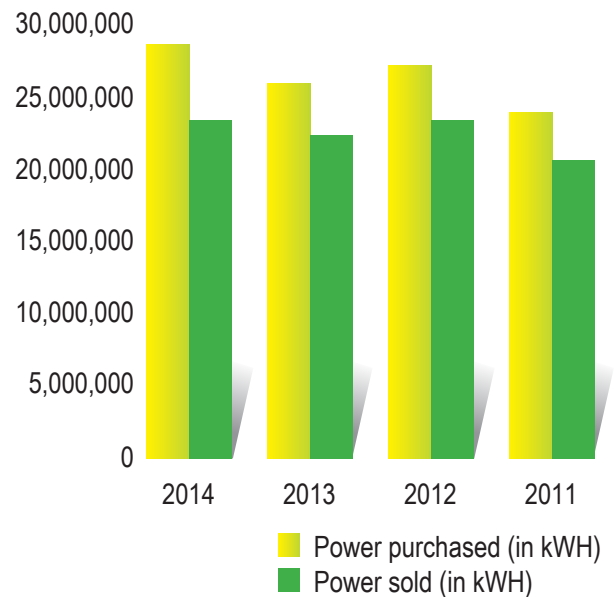


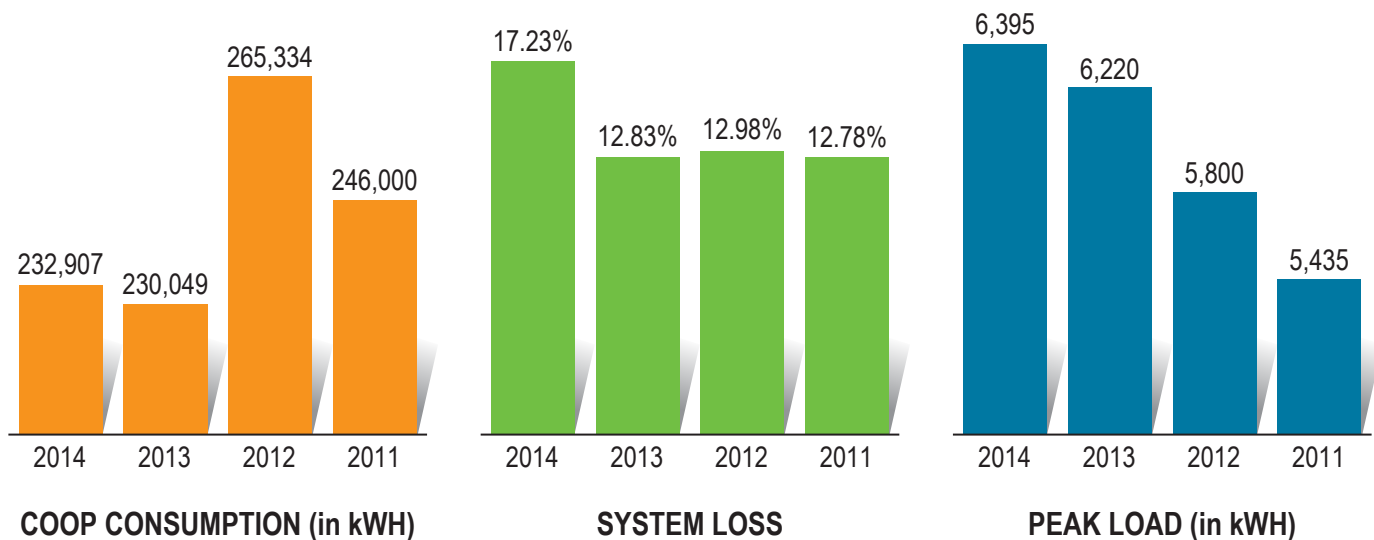
SOURCES OF POWER



PSALM - Power Sector Assets and Liabilities Management
GMCP - GN Power Mariveles Coal Plant, Ltd.
WESM - Wholesale Electricity Spot Market

POWER PURCHASED & SOLD





TRANSFORMER CAPACITY UPGRADING

LOCATION	FROM (kVA)	TO (kVA)
Sitio Agsim, Naval	10	15
Baganito, Kawayan	25	37.5
Kanto Nueve, Naval	37.5	50
Puro Kube, Lucsoon, Naval	15	37.5
P.I. Garcia, Naval	37.5	50
San Pablo, Naval	10	15
Langgao, Cabucgayan	25	37.5
Corvera St., Smo. Rosario, Naval	25	37.5

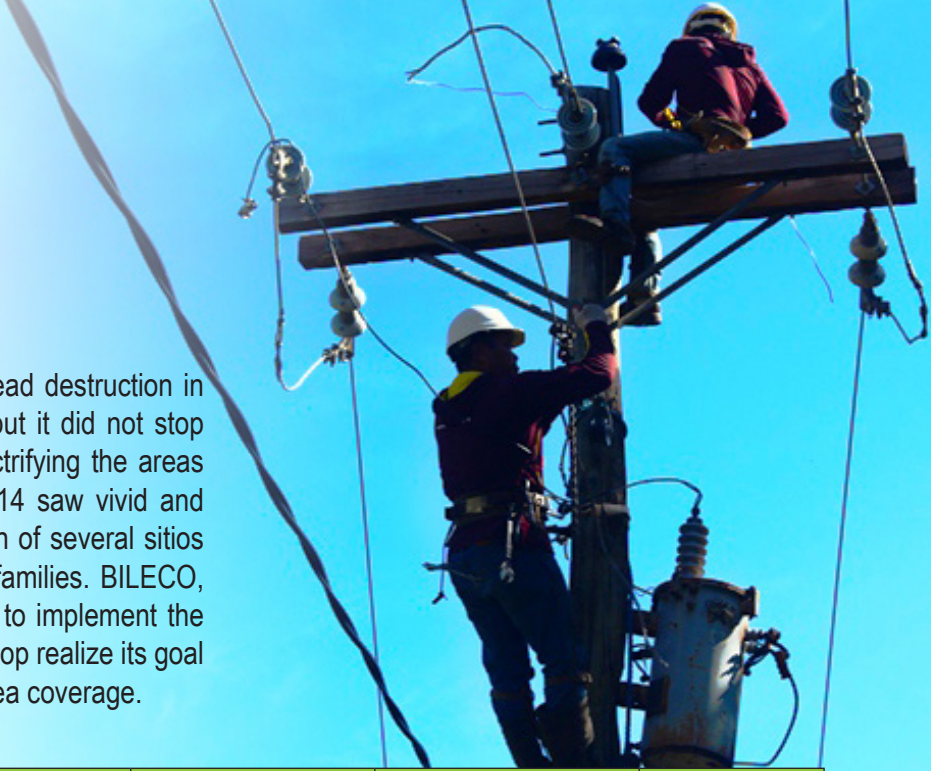
ADDITIONAL TRANSFORMERS INSTALLED

LOCATION	CAPACITY (kVA)
San Lorenzo, Kawayan	15KVA
Talustusan, Naval	15 KVA
Japan Japan, Lico, Naval	15 KVA
Libtong Gamay, Naval	10 KVA
Haguikhican, Naval	15 KVA
Lupa, Calumpang, Naval	25 KVA
Vicentillo Ext., P.I. Garcia, Naval	15 KVA
Lombay, Calumpang, Naval	25 KVA

TRANSFORMER TESTED		
i	10 KVA	13 units
ii	15 KVA	26 units
iii	25 KVA	19 units
iv	37.5 KVA	11 units
v	50 KVA	13 units
vi	75 KVA	1 units
vi	100 KVA	2 units

SITIO ELECTRIFICATION PROJECT

Typhoon Yolanda may have caused widespread destruction in our power distribution system back in 2013 but it did not stop us to advance our desire and mission of electrifying the areas which desperately need power. The year 2014 saw vivid and reasonable efforts that led to the electrification of several sitios and benefit a large number households and families. BILECO, thru the subsidy extended by NEA, was able to implement the Sitio Electrification Project which helped the coop realize its goal of energizing even the remotest areas in its area coverage.



SITIO	BARANGAY	MUNICIPALITY	DATE COMPLETED	DATE ENERGIZED	BUDGET
Naga-naga	Iyusan	Almeria	May 22, 2014	June 20, 2014	295,068.70
Torres	Poblacion	Almeria	July 2, 2014	July 15, 2014	759,105.56
Lower Talahid	Talahid	Almeria	July 28, 2014	September 9, 2014	380,217.29
Sandayong	Tamarindo	Almeria	May 22, 2014	June 20, 2014	315,097.95
Napo	San Isidro	Biliran	July 8, 2014	August 15, 2014	518,853.07
Upper Lumbia	San Roque	Biliran	July 7, 2014	August 15, 2014	442,041.08
Iraya	Kaulangohan	Caibiran	August 14, 2014	September 5, 2014	445,814.34
Taluto	Maurang	Caibiran	August 14, 2014	September 5, 2014	410,161.58
Lo-oc Gamay	Marvel	Culaba	August 12, 2014	September 5, 2014	375,922.52
Upper Tabunan	Tabunan North	Kawayan	June 25, 2014	September 9, 2014	604,113.42
Upper Anas	Atipolo	Naval	July 1, 2014	August 30, 2014	404,697.31
Tubod	Calumpang	Naval	May 15, 2014	June 13, 2014	387,231.41
Upper Calumpang	Calumpang	Naval	May 15, 2014	June 13, 2014	375,213.86
Anislag	Capiñahan	Naval	May 23, 2014	June 17, 2014	1,043,071.17
Banderahan	Caraycaray	Naval	July 23, 2014	July 25, 2014	1,099,048.71
Bonot	Haguikhican	Naval	June 25, 2014	July 15, 2014	1,259,941.63
Grandstand	Larrazabal	Naval	May 15, 2014	June 6, 2014	740,058.38
Hayahay	Larrazabal	Naval	May 15, 2014	June 6, 2014	658,296.33
Sona Siete	Larrazabal	Naval	May 15, 2014	June 6, 2014	641,237.36
Puro Kube	Lucsoon	Naval	May 15, 2014	June 17, 2014	436,786.03
Santol	P.I. Garcia	Naval	May 15, 2014	June 13, 2014	604,113.42
Upper Biga-a	San Pablo	Naval	May 15, 2014	July 23, 2014	431,591.49
Lower San Pablo	San Pablo	Naval	July 7, 2014	July 23, 2014	300,755.64
Kawayanan	Talustusan	Naval	June 13, 2014	June 18, 2014	501,302.66

TYPHOON RUBY

A little more than one year after super typhoon Yolanda ravaged and inflicted extensive damage in the Eastern Visayas on November 8, 2013, another typhoon locally codenamed Ruby slammed the region including the province of Biliran on December 6-7, 2014.

As part of its all-out preparation, BILECO took all considerable measures to brace the coming typhoon after learning lessons from typhoon Yolanda in 2013. On December 3, the Task Force Kapatid Ruby was launched and activated. Series of coordination meetings were undertaken to ensure harmonized actions among the personnel in its pre- and post-typhoon activities.

On December 8, the task force immediately commenced the clearing of lines, data gathering and documentation. A total of 85 structures in the primary distribution line were damaged, 32 of which were in the badly hit district of Culaba. The Coop has incurred an estimated total loss of more than 6 million pesos worth of line hardware, special equipment, kilowatt-hour meters and timber/steel materials including the cost of labor.



The rehabilitation and restoration activities along the backbone line started on the succeeding days. All the seven districts were ready to receive power from the NGCP five days after the mobilization of the task force.

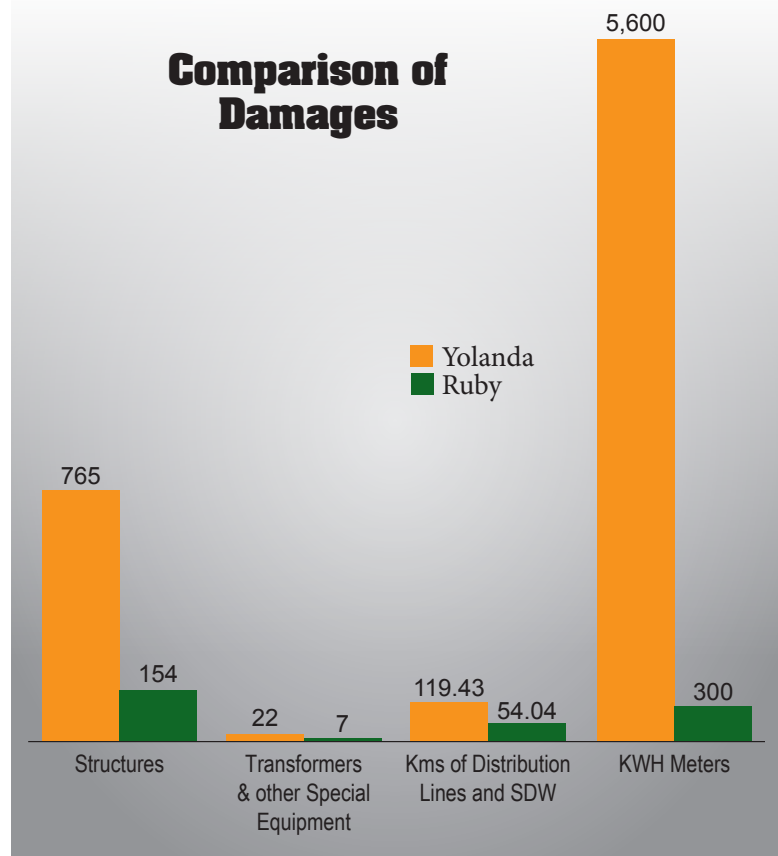
NGCP was able to restore the power in BILECO's end on December 11 after rehabilitating its two damaged structures located between Leyte-Leyte - Biliran line section.

The 100% barangay restoration was achieved on December 19 excluding the two off-grid barangays Mabini and Libertad in Higatangan Island.

ENERGIZATION TIMELINE

	Energization of Backbone Line	100% Energization
Sub-Station	Dec 11	
Almeria	Dec 11	Dec 18
Biliran	Dec 11	Dec 16
Cabucgayan	Dec 11	Dec 16
Caibiran	Dec 11	Dec 17
Culaba	Dec 12	Dec 18
Kawayan	Dec 12	Dec 17
Naval	Dec 11	Dec 19

Comparison of Damages



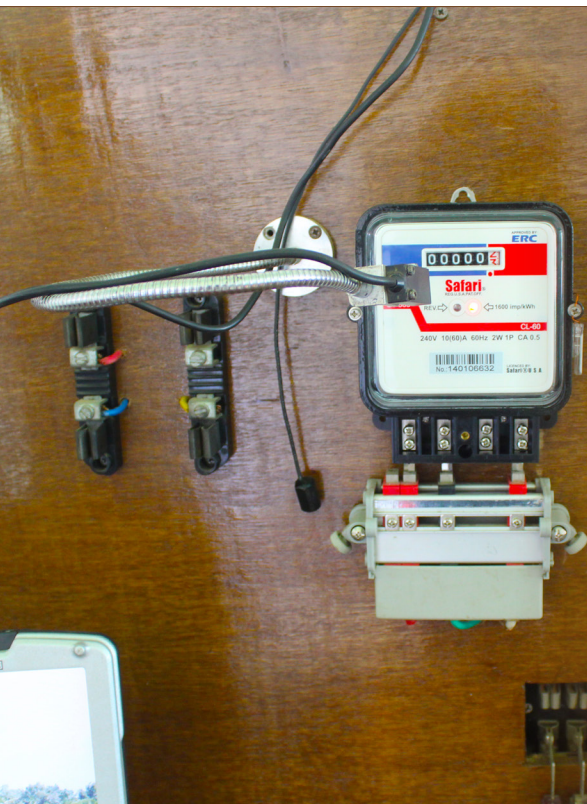
SYSTEMS LOSS REDUCTION PROGRAM

With the desire to combat the perennial problem of incurring high system losses, BILECO has persevered in finding solutions to lower and ultimately obtain a systems loss cap of 13% or even lower. The three departments of the Coop jointly undertake plans and actions that would contribute to the reduction of losses. In terms of technical losses, the Technical Services has constantly conducted right-of-way clearances to its distribution lines, load balancing, upgrading of open secondary to single-phase and from single-phase to three-phase, transformer load centering, thermal scanning and correction of hotspots, replacement of stopped meters and phased-out electro-mechanical meters, uprating of #2 neutral and secondary conductors to 2/0 for DX-Transformers and meter clustering.

On the other hand, the Finance Services rectified some identified flaws in the meter-reading section. Some activities include reporting of stopped meters and leaning wires, accuracy in the meter reading and monitoring of the abrupt increase and decrease on the consumer's consumption. The Institutional Services has also strictly implemented the Coop Policy No. 90-04 especially the theft of electricity and its corresponding penalties.



The ISD and TSD had also jointly implemented the upgrading and metering of the flat rate streetlights in the town of Caibiran comprising barangays Palanay, Palenque and Victory and another project in Brgy. Bunga in Cabucgayan. Said project not only improved the streetlighting facility of said barangays but also helped reduce the coop's systems losses.



ANTI-PILFERAGE PROGRAM

In order to minimize and prevent incidents of electric pilferages, BILECO has continued the strict implementation of its coop policies. In 2014 alone, a total of 32 notices of apprehension/disconnection were served to reprimand erring member-consumers. Lectures and seminars through regular PMOS, energy forums and barangay meetings were conducted to educate consumers and warn them of possible sanctions and penalties upon incurrance of illegal connections or theft of electricity. Anyone who were caught or found to have performed electric pilferages pay a corresponding penalty, the amount computed through backbilling and a disconnection of power.

According to Section 7 of R.A. 7832 or the "Anti-electricity and Electric Transmission Lines/Materials Pilferage Act of 1994", a person who shall be caught in violation of the said law shall be imprisoned or imposed fine ranging from Ten Thousand Pesos (Php10,000.00) to One Hundred Thousand Pesos (Php100,000.00) or both, at the discretion of the court depending on the gravity of the offense or violation.

FRECOR-8 ECs ENGAGE IN POWER AGGREGATION

To ensure a reliable supply of electricity in the coming years for the entire area coverage, BILECO engaged into a Power Supply Aggregation with other electric cooperatives in Region 8. The transaction is called Region 8 Joint Competitive Power Supply Procurement (R8 JCPSP) wherein 11 ECs agreed, through a Memorandum of Agreement, to conduct a joint procurement for their aggregated base load power supply for 2015 to 2018 through a competitive bidding process in order to achieve a specific set of objectives.

The Memorandum of Agreement was entered into and signed by all general managers and board presidents coming from the different ECs in Region 8 which also include the creation of the R8 JCPSP Board represented by them, a special Bids and Awards Committee (BAC) represented by the respective BAC of each EC, and a support Technical Working Group (TWG) represented by engineers and finance officers of each EC. Total demand of the whole region was estimated at 65 megawatts in 2015, 78 megawatts in 2016, 83 megawatts in 2018 and 93 megawatts in 2019. The pre-bid conference started on October 14, 2014 followed by another pre-bid conference on October 23, 2014 and the official bid opening was successfully conducted on November 7, 2014. A total of nine generation companies from all over the country participated in the competitive bidding process wherein five of them won and were awarded separate Power Supply Contracts for each year from 2015 to 2018.

On November 21, 2014, a negotiation between the Core Technical Working Group and the winning bidders took place to arrange the provisions of the contracts. On December 20, 2014, BILECO's contract with Trans Asia Oil and Energy Development Corporation for the year 2015 was finally signed aiming to supply the coop with one megawatt per month for the year 2015. Likewise, power supply for the year 2016 was awarded to GMCP and FDC Utilities, Inc. while San Miguel Energy Corporation will supply for our 2017 and 2018 power requirement.



TOP 10 BIG LOAD PROMPT PAYORS FOR 2014

ACCOUNT NAME	ACCOUNT NUMBER	TOTAL KWH CONSUMPTION FOR 2014
1. Naval State University	02-0218-0010	440,020
2. Morillo, Ferdinand	02-0218-0329	75,245
3. Diu, William A. C/O J&F Department Store	02-0218-0301	63,440
4. Naval Monterey Meatshop	02-0218-0321	54,964
5. GSE BLDNG C/O BGI (2nd Floor)(T.L.)	02-0201-0309	47,870
6. Diu, William C/O FM	02-0218-0324	42,920
7. Naval Pastoral Center	02-0218-0035	35,347
8. NFA Office	02-0218-0230	24,722
9. Espimen 4 C/O BGI	02-0218-0322	23,964
10. Sisters of Mercy	02-0218-0299	18,324

POWER PAYMENTS FOR PSALM, WESM & NGCP FOR 2014

MONTH	PSALM / WESM	NGCP	TOTAL	NO. OF KWH (Nodal Point)
January	2,215,731.00	2,440,137.30	4,655,868.30	1,164,137
February	7,936,638.32	-	7,936,638.32	1,539,916
March	11,422,813.38	-	11,422,813.38	1,628,407
April	7,952,685.92	2,607,176.90	10,559,862.82	2,097,872
May	10,151,291.65	2,684,601.75	12,835,893.40	2,434,128
June	15,648,695.16	2,515,997.95	18,164,693.11	2,592,323
July	15,231,109.84	2,449,819.89	17,680,929.73	2,008,163
August	14,122,653.54	2,417,301.01	16,539,954.55	2,308,100
September	11,824,079.90	2,691,190.86	14,515,270.76	2,182,057
October	9,242,186.03	2,625,485.25	11,867,671.28	2,244,617
November	10,039,520.18	7,468,342.07	17,507,862.25	2,368,562
December	12,232,380.45	2,731,587.87	14,963,968.32	1,726,880
TOTAL	128,019,785.37	30,631,640.85	158,651,426.22	24,295,162

OFFICE OF THE GENERAL MANAGER



GERARDO N. OLEDAN, REE
OIC-General Manager



LAURENCE I. DELA PENA
System Administrator/
WESM Trader

INTERNAL AUDIT DEPARTMENT



MAUREEN D. NIERRA, CPA
Internal Auditor



INSTITUTIONAL SERVICES DEPARTMENT



ALLAN JOSEPH S. BORRINAGA
ISD Manager



MICHAEL M. GABING
Human Resource and
Administration Supervisor



FINANCE SERVICES DEPARTMENT



MA. LEIZYL Q. GARCIA
FSD Manager



MA. ROSARIO R. BANTOLA
Accountant



RAZEL Q. CASAS
Meter Reading, Billing and Collection
(MRBC) Supervisor



TECHNICAL SERVICES DEPARTMENT



CARLITUS CAE B. CASINILLO
OIC-TSD Manager



ROQUE B. MACOROL, REE
Area 1 Engineer



LUCRESIO S. VIDAL, REE
Area 2 Engineer





ODSINADA DIOSCORO PHILIPPINES

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

Report of Independent Auditor

The Board of Directors
BILIRAN ELECTRIC COOPERATIVE, INC.
Caraycaray, Naval, Biliran
PHILIPPINES

Report on the Financial Statements

We have audited the accompanying financial statements of Biliran 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 misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **BILIRAN 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

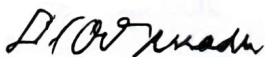
We draw attention to the Notes to Financial Statements herein stated pertaining to the electric cooperative's accumulated loss amounting to P 65,793,472 (Note 14) as of December, 31, 2014, including the net income of P 139,119 for the year then end. Also, this accumulated loss includes the prior period adjustments of P 1,286,151. Such accumulated loss is equivalent to a 17.7% impairment of total asset and a 33.0% impairment of total equity base. Which means that every peso of asset is already at the reduced value of P 0.67 centavos, as of said date.

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 is required by the Bureau of Internal Revenue on taxes, duties and license fees disclosed in Note. 36 to the financial statements in presented for purposes and 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 the 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.

By:

**DIOSCORO O. ODSINADA**

Partner

CPA License No. 18098

BIR AN: 07-00538-1-12012

SEC Accreditation No. 1162-A

PRC/BOA Accreditation No. 5090

NEA Accreditation No. 2013-04-07

CDA Accreditation No. CEA No. 0859

ERC Accreditation No. 1-13-028

March 20, 2015

Quezon City, Philippines

Audited Financial Statements

BILIRAN ELECTRIC COOPERATIVE, INC.

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

STATEMENT OF FINANCIAL POSITION

		As of December 31,	
	Notes	2014	2013
ASSETS			
Noncurrent Assets			
Property, plant and equipment	8	195,246,613	168,929,430
Investments	6	7,42,476	6,843,276
Other noncurrent assets	10	11,401,775	6,268,809
Total Noncurrent Assets		214,073,864	182,041,515
Current Assets			
Cash	4	40,986,199	47,132,183
Receivables, net	5	22,110,190	17,810,368
Materials and supplies inventories	9	14,463,455	11,051,828
Prepayments and other current assets	7	13,270,209	2,103,513
Total Current Assets		90,830,053	78,097,892
TOTAL ASSETS		304,903,917	260,139,407
LIABILITIES AND EQUITIES			
Equities			
Membership	11	160,045	152,010
Donated capital	12	92,165,834	92,165,834
Members' contribution for sustainable CAPEX	13	106,520,666	93,585,885
Accumulated loss	14	(65,793,472)	(64,646,450)
Total Equities and Loss		133,053,073	121,257,279
Noncurrent Liabilities			
Long-term debt	15	38,887,996	45,210,235
Consumers' deposits	16	23,082,719	22,346,807
Total Noncurrent Liabilities		61,970,715	67,557,042
Current Liabilities			
Accounts payable and accrued expenses	17 & 18	109,880,129	71,325,086
TOTAL LIABILITIES AND EQUITIES		304,903,917	260,139,407

See accompanying Notes to Financial Statements

BILIRAN ELECTRIC COOPERATIVE, INC.
(A Nonstock, Not-for-Profit Rural Electric Cooperative)

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year Ended December 31,	
		2014	2013
NET ENERGY SALES	22	204,873,978	192,615,971
COST OF ENERGY SOLD	24	151,198,255	141,901,453
GROSS INCOME		53,675,724	50,714,518
OPERATING EXPENSES			
Administrative and general	26	23,036,784	24,990,954
Distribution	25	13,707,813	11,746,466
Consumers' accounts	25	9,781,712	8,624,359
			45,361,779
DEPRECIATION	8,25& 26	8,564,670	7,750,804
FINANCE COST	27	3,073,009	3,404,510
TOTAL EXPENSES		58,163,988	56,517,093
LOSS FROM OPERATION		(4,488,264)	(5,802,575)
OTHER INCOME (CHARGES)	23	4,627,383	5,911,353
		4,627,383	5,911,353
NET INCOME	31	139,119	108,778

See accompanying Notes to Financial Statements

Audited Financial Statements

BILIRAN ELECTRIC COOPERATIVE, INC.

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

STATEMENT OF CHANGES IN EQUITIES AND LOSS

	Notes	As of December 31,	
		2014	2013
EQUITIES			
Membership	11		
Balance beginning		152,010	144,210
Receipt of additional membership		8,035	7,800
		<u>160,045</u>	<u>152,010</u>
Donated capital			
Balance, beginning	12	92,165,834	86,215,500
Receipt of additional donations		-	5,950,334
		<u>92,165,834</u>	<u>92,165,834</u>
Contribution in aid of construction			
Balance, beginning	13	93,585,885	81,190,894
Receipt of additional contributions		12,934,781	12,394,991
		<u>106,520,666</u>	<u>93,585,885</u>
LOSS			
Accumulated loss	14		
Balance, beginning		(64,646,450)	(60,821,137)
Prior period adjustment		(1,286,141)	(3,934,091)
Net income (loss)		139,119	108,778
		<u>(65,793,472)</u>	<u>(64,646,450)</u>
TOTAL EQUITIES AND LOSS		133,053,073	121,257,279

See accompanying Notes to Financial Statements

BILIRAN ELECTRIC COOPERATIVE, INC.
(A Nonstock, Not-for-Profit Rural Electric Cooperative)

STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31,	
		2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	32	139,119	108,778
Depreciation and amortization	8, 25& 26	8,564,670	7,750,804
Prior period adjustment	14	(1,286,141)	(3,934,091)
Operating income before working capital changes		7,417,649	3,925,491
Decrease (increase) in:			
Receivables	4	(4,299,822)	6,281,890
Materials and supplies inventories	9	(3,411,627)	(2,427,768)
Other current assets	7	(11,166,696)	3,102,504
Increase (decrease) in:			
Trade payable and accrued expenses	17 & 18	38,555,043	9,723,437
Consumers' deposits	16	735,912	571,965
Net cash used in operating activities		27,830,458	21,177,519
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Investments	6	(582,200)	141,954
Plant, property and equipment	8	(34,881,854)	(31,780,301)
Other noncurrent assets	10	(5,132,966)	5,148,033
		(40,597,019)	(26,490,314)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in:			
Long-term debt	15	(6,322,239)	9,361,274
Membership	11	8,035	7,800
Donated capital	12	-	5,950,334
Members' Contribution for sustainable CAPEX	13	12,934,781	12,394,991
Net cash provided by financing activities		6,620,577	27,714,399
NET INCREASE (DECREASE) IN CASH		(6,145,984)	22,401,604
CASH AT BEGINNING OF YEAR	4	47,132,183	24,730,579
CASH AT END OF YEAR	4	40,986,199	47,132,183

See accompanying Notes to Financial Statements

BILIRAN 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**

Biliran Electric Cooperative, Inc., (the “Cooperative”) was incorporated on July 6, 1973 and was first energized on July 17, 1983 under the provisions of Republic Act (R.A.), No. 6038 which created the National Electrification Administration (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.

The cooperative’s franchise area for electric distribution covers the municipalities of Almeria, Biliran, Cabucgayan, Caibiran, Culaba, Kawayan and Naval. Its registered office address is in Naval, Biliran, Philippines.

- **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 .

- **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. 9136, EPIRA of 2001

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

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

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

Consumption	Discount
0-15 kwh and below	20%
16 kwh	15%
17 kwh	10%
18-20 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. The Cooperative belongs to Group G and charges its customers P.3216 rfsc 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. 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**

Permanent Income Tax Exemption Under P.D. 269

Effective January 1, 2007, 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. 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, the Cooperative Development Authority (CDA), and the Energy Regulatory Commission (ERC).

(b) *Basis of Measurement*

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

(c) *Functional and Presentation Currency*

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

(d) *Changes in Accounting Policies*

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

(1) *Effective in 2013*

PAS 7	Amendments Financial Statements: Disclosures-Transfer of Financial
PAS 10	Consolidated Financial Statements
PAS 11	Joint Ventures/ Arrangements
PAS 12	Disclosures: Interest in other entities
PAS 13	Fair Value Measurements
PAS 19	Revised Standards on Fringe Benefits
PAS 28	Investments in Associates and Joint Ventures

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 categorises 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.

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(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 realise 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 recognise a liability for levy, both for levies that are 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 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 30).

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

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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 arms 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.

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

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

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

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

As of December 31, 2014 and 2013, the Cooperative has no free-standing and embedded derivatives.

Trade and Other Receivables

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

As of December 31, 2014 and 2013, the Cooperative's cash, receivables, due from a related party and advances to officers and employees are classified as loans and receivables.

Investments

These assets are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Cooperative has the positive intention and the 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 financial assets for sale. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less impairment value.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. Gains and losses are recognized in the profit or loss financial assets 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.

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

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

- **Offsetting Financial Instruments**

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

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

- **Impairment of Financial Assets**

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

Impairment on Assets Carried at Fair Value

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

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

Impairment on Assets Carried at Amortized Cost

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

Impairment on Assets Carried at Cost

If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value

of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

- **Reversal of Impairment Loss**

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

- **Derecognition of Financial Assets and Financial Liabilities**

Financial Assets

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

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

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

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

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

Financial Liabilities

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

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

- **Non-Financial Assets**

Inventories

Inventories, which comprise of raw materials (warehouse merchandise), are stated at the lower of

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cost or net realizable value (NRV). Cost of warehouse merchandise is the purchase cost and is determined using the first-in, first-out 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 P14,463,455 and P11,051,828, respectively (Note 9).

Prepayments and Other Current Assets

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

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

Prepaid Input Value-Added Taxes

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

Investment Property

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

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

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

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

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

At December 31, 2014 and 2013, the Cooperative has no property under this category.

Utility Plant, Property and Equipment

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

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

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

Category	Estimated Useful Life
Distribution plant	25 years
Structures and improvements	10 to 25 years
Others	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 that the Cooperative considers in deciding when to perform impairment test, among others include the following:

Significant under-performance of a business in relation to expectations; and

- Significant changes or planned changes in the use of the assets.
-

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

Consumers’ Deposits

Consumers’ deposits include meter and bill deposits. Meter deposits cover the whole cost of metering equipment while the bill deposits guarantee payment of the monthly bills for electricity

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consumption and are equivalent to estimated bill for one month. These meter deposits will be converted into capital share. The bill deposits are refundable upon request of the consumers, who has paid electric bills on or before its due date for three (3) consecutive years. If the bill deposits and related accrued interest already exceeded the consumer's current monthly bills, a refund of the excess can be also be made upon the consumer's request. But in some cases, additional deposit will be demanded from the consumers when the amount of deposit falls below the average monthly bill (Note 16).

- **Member's Equity**

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

Member's Contribution

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

Donations, Grants and Subsidies

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

- **Revenue Recognition**

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

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

Net Energy Sales

Revenue from distribution of electricity are recognized upon supply of power to the consumers, net of portion allocated to capital contribution for reinvestment, based on rates established by the Energy Regulatory Commission (ERC) on consumption per individual KW meters (Note 22).

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 23).

Interest income from bank deposits is recognized on a time proportion basis on the principal

outstanding and at the rate applicable.

Miscellaneous Income

Miscellaneous income includes penalties and surcharges, income from sale of duplex wires, merchandising jobs and other non-electrical revenues, which are recognized as revenue upon collection except for penalties on apprehension, which are recognized as revenue upon billing (Note 23).

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

- **Cost and Expenses**

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

Cost of Sales and Services

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

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

Operating Expenses

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

- **Related Party Transactions**

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

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

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

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

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method, the cost of providing retirement benefits is determined on the basis of services rendered by employees at the date of the actuarial valuation.

At December 31, 2014, the Cooperative has not yet obtained an actuarial valuation for its retirement plan using the Projected Unit Credit Method. However, it has already established a retirement plan under Board policy direction (Note 19).

Separation Benefits

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

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

Present Value of Retirement Benefit

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

- **Estimation of Retirement Benefit**

The determination of the obligation and retirement benefits is dependent on management's assumptions used by actuaries in calculating such amounts. Those assumptions normally include among others, discount rates per annum and salary increase rates. Actual results that differ from the Cooperative's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Cooperative believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations (Note 19)

- **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 and 2013, 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.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred. At December 31, 2014 and 2013, the Cooperative has no borrowings secured by qualifying assets under this category of obligation.

- **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 (Note 31).

Deferred Income Tax

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

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

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

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expiration. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

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

- **Provisions and Contingencies**

Provisions are recognized under the following conditions:

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

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

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

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

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

- **Events After the Reporting Date**

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

3. SIGNIFICANT ACCOUNTING ASSUMPTIONS, JUDGMENTS AND ESTIMATES

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

- **Judgments**

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

Determination of Functional Currency

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

- **Estimates**

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

Valuation of Financial Assets and Financial Liabilities

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

As of December 31, 2014 and 2013, financial assets recognized in the statement of financial position amounted to P76,613,979 and P73,720,427, respectively, and financial liabilities amounted to P148,768,125 and P116,535,321, respectively (Note 33).

Allowance for Impairment Losses on Receivables

The Cooperative maintains an allowance for impairment losses on receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Cooperative on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Cooperative’s relationship with its customers, their payment behavior and known market factors. The Cooperative reviews the age and status of the receivables, and identifies accounts that are to be provided with allowance on a continuous basis.

The amount and timing of recorded expenses for any period would differ if the Cooperative made different judgments or utilized different estimates.

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

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

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

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Provisions for doubtful accounts amounted to P385,786 in 2014. Consumer's receivable accounts, net of allowance for doubtful accounts, amounted to P22,110,190 in 2014. Previous year's balance amounted to P17,810,268 (Note 5).

Estimation of Useful Lives of Property and Equipment

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

Utility plant, property and equipment, net of accumulated depreciation amounted to P195,246,613 in 2014 and P168,928,426 in 2013 (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 19).

Present Values of Retirement Benefits

Based on Management's assessment, the fair values of the Cooperative's retirement benefit approximate the carrying values of obligation already recognized amounting to P20,758,337 and P22,976,936 on December 31, 2014 and 2013, respectively (Notes 18 and 19).

Estimate of Income Taxes

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

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

4. CASH

This account consists of:

Items	2014	2013
General and other funds		
General fund	17,883,017	19,759,066
Meter	5,937,081	4,309,984
Housewiring	960,710	600,880
DOE subsidy/ loan fund	16,141,346	22,184,497
	40,922,154	46,854,337
Cash on hand	29,045	252,846
Petty cash fund	35,000	25,000
	64,045	277,846
Total	40,986,199	47,132,183

Cash in banks earn interest at the prevailing bank deposit rates. Interest earned amounted to P 30,659 in 2014 and P62,384 in 2013 (Note 23).

5. RECEIVABLES - NET

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

Items	2014	2013
Consumers' accounts receivable	22,495,976	18,196,154
Less, allowance for doubtful/ uncollectible accounts	385,786	385,786
Net Realizable Value	22,110,190	17,810,368

Management has provided an allowance for doubtful accounts amounting to P385,786 to cover normal losses that may be sustained from uncollectible accounts. This represents about 1.72% of consumers' accounts for collection.

6. INVESTMENTS

This account consists of:

Items	2014	2013
Retirement plan	4,480,476	3,898,276
Power supply aggregation subscription	1,600,000	1,600,000
Rural Electrification Financing Corporation	385,786	385,786
Total	7,425,476	6,843,276

The Retirement Pension Plan covers the retirement benefit of qualified employees. This is maintained with Loyola Plans, Inc., at P31,425 monthly amortization.

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Investment with the Rural Electrification Financing Corporation represents common shares of stock paid by the Cooperative to the said financing institution at P1,000 par value. With this, the Cooperative can avail loan from REFC limited to the amount invested to the latter. As of December 31, 2014 and 2013, this already amounted to P1,345,000.

Based on management assessment, the carrying values of the investment are not subject to an insignificant risk of change in value.

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		
NEA loan fund amortization (Note 15)	1,655,635	1,655,635
Insurance	11,854	59,524
Globe deposit	8,200	8,200
	1,675,689	1,723,359
Restricted fund		
Retirement (Note 19)	7,731,159	95,211
Members contribution for CAPEX (Note 13)	3,674,720	102,365
Membership (Note 11)	188,641	182,578
	11,594,520	380,154
Total	13,270,209	2,103,513

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	190,496,967	173,115,804
Less, accumulated depreciation	63,808,080	55,273,571
Net Book Value	126,688,887	117,842,233
Construction work in progress	68,557,726	51,086,193
Total	195,246,613	168,928,426

The utility plant, property and equipment have been utilized as security to (NEA) loans. However, the substantial part is now restricted as security to the NEA loans condoned and assumed by the Power Sector Assets and Liabilities Management Corp. (PSALM) amounting to P148,090,288 in accordance to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001 (Notes 17 and 20).

In 2014, depreciation charged to cost of service amounted to P 5,504,518 and to operating expenses amounted to P 3,060,152.

The details of utility plant in 2014 are recapitulated below:

Items	Depreciation Rate	Acquisition Cost	2014 Depreciation	Accumulated Depreciation	Net Book Value
INTANGIBLE ASSETS					
Miscellaneous	20.0%	634,040	116,866	424,165	209,875
PRODUCTION PLANT					
Generator	3.0%	669,085	18,573	150,128	518,957
DISTRIBUTION PLANT					
Station equipment	3.0%	34,806,005	1,042,461	7,071,695	27,734,310
Poles, towers and fixtures	3.0%	44,062,559	1,687,220	13,209,789	30,852,770
Meters	3.0%-6.67%	32,202,256	1,472,924	9,945,656	22,256,600
Line transformers	3.0%	20,941,515	639,884	4,924,935	16,016,580
Overhead conductors and devices	3.0%	12,694,323	374,539	5,168,089	7,526,234
Structures and improvements	3.0%	2,132,669	63,980	454,713	1,677,956
Services	3.0%	1,944,092	58,323	1,679,039	265,053
Street lighting and signal system	3.0%	25,920	778	17,043	8,877
		148,809,339	5,340,109	42,470,959	106,338,380
GENERAL PLANT					
Land and land rights	-	2,273,000	-	-	2,273,000
Transportation equipment	10.0%	13,234,114	1,209,710	7,478,560	5,755,554
Office furniture and equipment	10.0%-20.0%	8,550,594	781,509	5,253,632	3,296,962
Tools, shop and garage equipment	10.0%	3,366,515	263,600	1,856,952	1,509,563
Communication equipment	10.0%	1,909,511	133,939	1,288,583	620,928
Buildings	10.0%	1,803,426	180,343	1,442,741	360,685
Laboratory equipment	10.0%	2,356,730	230,894	966,970	1,389,760
Structures and improvements	10.0%	1,709,694	112,963	1,321,437	388,257
Miscellaneous	10.0%	308,940	30,327	167,639	141,301
		35,512,524	2,943,285	19,776,514	15,736,010
ELECTRIC PLANT LEASED TO OTHERS	3.33%	218,497	6,233	9,084	209,413
COMPLETED CONSTRUCTION NOT CLASSIFIED	3.0%	4,653,482	139,604	977,230	3,676,252
TOTALS		190,496,967	8,564,670	63,808,080	126,688,887

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

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Particulars	Balance Beginning	Additions (Disposals), Net	Balance Ending
INTANGIBLE ASSETS			
Miscellaneous	583,262	50,778	634,040
PRODUCTION PLANT			
Generator	619,085	50,000	669,085
DISTRIBUTION PLANT			
Station equipment	34,707,790	98,215	34,806,005
Poles, towers and fixtures	34,899,096	9,163,463	44,062,559
Meters	30,521,520	1,680,736	32,202,256
Line transformers	18,858,239	2,083,276	20,941,515
Overhead conductors and devices	9,958,234	2,733,089	12,694,323
Structures and improvements	2,132,669	-	2,132,669
Services	1,944,092	-	1,944,092
Street lighting and signal system	25,920	-	25,920
	133,047,560	15,761,779	148,809,339
GENERAL PLANT			
Land and land rights	2,273,000	-	2,273,000
Transportation equipment	13,069,657	164,457	13,234,114
Office furniture and equipment	7,364,869	1,185,725	8,550,594
Tools, shop and garage equipment	3,303,573	62,942	3,366,515
Communication equipment	1,865,293	44,218	1,909,511
Buildings	1,803,426	-	1,803,426
Laboratory equipment	2,356,730	-	2,356,730
Structures and improvements	1,709,694	-	1,709,694
Miscellaneous	301,376	7,564	308,940
	34,047,618	1,464,906	35,512,524
ELECTRIC PLANT LEASED TO OTHERS	164,796	53,701	218,497
COMPLETED CONSTRUCTION NOT CLASSIFIED	4,653,482	-	4,653,482
TOTALS	173,115,803	17,381,164	190,496,967

9. MATERIALS AND SUPPLIES INVENTORY

This account consists of:

Items	2014	2013
Electric distribution items	12,613,832	9,831,223
Housewiring	763,696	785,152
Office supplies	314,386	330,523
Others	771,541	104,930
Total	14,463,455	11,051,828
Less, allowance to reduce value to NRV	-	-
Net Realizable Value	14,463,455	11,051,828

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 accounts receivable		
Wholesale Electricity Spot Market	4,120,684	556,230
Due from other EC	386,726	386,726
Officers/employees account	81,754	25,777
Housewiring	19,541	25,292
Others	1,483,409	940,575
	6,092,114	1,934,600
Interest charged to construction	3,998,967	3,998,967
Input VAT-Purchases	3,423,882	2,594,267
Security deposit (Note 17)	1,929,145	1,929,145
Withholding tax	132,552	166,059
Input VAT-NPC	(4,174,884)	(4,354,229)
	5,309,662	4,334,209
Total	11,401,776	6,268,809
Less, allowance for probable loss	-	-
Net Realizable Value	11,401,776	6,268,809

11. MEMBERSHIP ACCOUNT

Membership equivalent to 32,009 members at P5 per member has already been subscribed. As of December 31, 2014 and 2013, this already amounted to P160,045 and P152,010, respectively. The balance of restricted fund maintained with its depository bank for the purpose amounted to P188,641 and P182,578, respectively (Note 7).

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12. DONATED CAPITAL

This account consists of:

Items	2014	2013
PSALM	36,212,287	36,212,287
NEA	46,968,603	46,968,603
USAID	25,777	25,292
CRA from NEA and NPC	343,874	343,874
Others	8,070,129	8,070,129
	55,953,547	55,953,547
Total	92,165,834	92,165,834

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 P36,212,287 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 20)

13. MEMBERS CONTRIBUTION FOR CAPEX

This account consists of:

Items	2014	2013
Contributions for reinvestment (Note 7)	46,406,225	46,406,225
Members' contribution for sustainable Capex	59,969,042	47,034,261
Consumers capital contribution	145,399	145,399
Total	106,520,666	93,585,885

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

On December 29, 2003, the Cooperative's application for unbundling of rates was approved by the Energy Regulatory Commission (ERC). From the unbundled rates, NEA requires the Cooperative to set-up a separate reinvestment fund equivalent to 5% of gross revenue to finance expansion and rehabilitation of existing electric power systems in accordance with the systems rehabilitation plan submitted by the Cooperative. These represent P0.3183/kwh reinvestment costing the basic rate. At December 31, 2014, this amounted to P46,406,225.

However, starting February 2010, a P0.5324/kwh rate on members' contribution to CAPEX is used. At December 31, 2014, this amounted to P59,969,042.

14. ACCUMULATED LOSS

The changes in the accumulated loss account follow:

Items	2014	2013
Accumulated loss, beginning	(64,646,450)	(60,821,137)
Correction of prior years, net	(1,286,141)	(3,935,095)
Corrected balance, beginning	(66,296,781)	(64,756,232)
Net income (loss) for the year	139,119	108,778
Accumulated loss, ending	(65,793,472)	(64,647,454)

As provided in the electric cooperative's By-Laws, its operations shall be conducted that members and non-members alike will, through their patronage, furnish capital for the cooperative. Towards this end, the cooperative is obliged to account on a patronage basis, to all its patrons, all amounts received in excess of operating costs and expenses and to pay by credits to capital accounts for each patron such excess amounts. Its disposal is however, subject to regulatory policies. (Note 34)

15. LONG TERM DEBT

This account consists of balances of NEA loans, as follows:

Items	2014	2013
Expansion	17,437,194	19,705,433
Rehabilitation	13,038,531	14,573,789
Building construction	4,477,819	4,832,786
Logistical	2,283,010	3,709,403
Construction	1,651,442	2,388,824
Total	38,887,996	45,210,235

The loans bear interest of 3-12% per annum, payable at various intervals of quarterly payments for an average period of 5 to 25 years, and secured by a pledge on a portion of the utility plant of the electric cooperative. (Note 8)

Pursuant to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001", all outstanding financial obligations of ECs to NEA and other government agencies as of June 26, 2001, incurred for the purpose of financing Rural Electrification Program, were assumed by PSALM. This amounted to P36,212,287 recognized by the cooperative as donated capital, in accordance with said law. (Note 12)

16. CONSUMERS' DEPOSIT

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

Items	2014	2013
KWH meters	17,550,903	17,476,862
Energy consumption	5,506,801	4,844,930
Others	25,015	25,015
Total	23,082,719	22,346,807

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

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

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

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

17. POWER SUPPLY CONTRACT/ PAYABLE

This account consists of:

Accounts	2014	2013
National Power Corporation	7,258,003	764,951
National Transmission Corporation	2,440,137	2,440,137
GMCP	1,449,501	1,449,501
PEMC-WESM	3,411	3,411
Total	11,151,052	4,658,000

NPC/ PSALM

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

At December 31, 2014 and 2013, the outstanding power supply account inclusive of VAT amounted to P7,258,004 and P764,951, respectively.

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. At December 31, 2014 and 2013, outstanding transmission service account inclusive of VAT amounted to P2,440,137.

At December 31, 2014 and 2013, the security deposit with power suppliers aggregated to P1,929,145 for both years (Note 10).

18. TRADE PAYABLES AND ACCRUED EXPENSES

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

Accounts	2014	2013
Accrued liabilities		
Retirement payable (Note 19)	20,758,337	22,976,936
Withholding tax payable	63,546	420,839
SSS, Philhealth, HDMF payable	400	-
Others	1,230,193	898,185
	22,052,476	24,295,960
Accounts payable		
NEA subsidy Pantawid Kuryente (Note 21)	39,472,187	9,223,857
Suppliers	10,407,291	14,712,236
PSALM, universal charge (Note 20)	1,491,845	839,017
Others	4,291,479	1,416,277
	55,662,802	26,191,387
Others		
Due to other ECs	2,918,363	2,918,363
Deferred items	18,095,436	13,261,376
	21,013,799	16,179,739
Total	98,729,077	66,667,086

19. RETIREMENT BENEFIT PLAN

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

Under PAS 19, Retirement Benefit Costs pertains 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. Both methods require an actuarial valuation which the Cooperative has not yet undertaken.

At December 31, 2014 and 2013, the equivalent cost based on an independent actuarial valuation has not yet been determined. Nonetheless, the amounts of P20,758,337 and P22,976,936 have been recognized as estimated obligation for retirement benefits. The balance of the restricted fund maintained with depository bank for the purpose amounted to P 7,731,159 and P95,211 as of said dates, respectively (Note 7 and 18).

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20. PSALM, UNIVERSAL CHARGES

PSALM charges the Cooperative certain fees referred to as universal charge, billed as 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 on universal charges follow:

	2014	2013
Billings	8,185,809	6,533,951
Collections	7,916,943	6,316,391
Remittances	7,926,943	6,142,072

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) has directed the 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.

Accordingly, ERC authorized PSALM to recover the Universal Charge-Stranded Contract Costs (UC- SCC) amounting to P 53.581 Billion with UC-SCC rate of P 0.1938/kwh for Luzon, Visayas, and Mindanao Grids. All distribution utilities and the NGCP are directed to collect from the consumers the above UC-SCC charge starting March 2014 billing period (February 26 to March 25, 2014 billing period). As of December 31, 2014, total UC-SCC billing amounted to P4,719,445 while collection amounted to P4,601,565. Remittances to PSALM amounted to P4,611,565.

At December 31, 2014 and 2013 accrued fees due to PSALM amounted to P 1,491,845 and P 839,017, respectively (Note 18).

21. 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 P7,685,500. The qualified consumers are those residential consumers consuming 100 KWH and less per month and be applied to their monthly bill starting April 2009 until fully applied. As of December 31, 2014, the amount applied amounted to P8,593,807. The restricted fund maintained with Land Bank of the Philippines has no withdrawable balance (Note 7).

Accounts	2014	2013
Residential	157,499,704	147,465,520
Commercial	26,722,219	24,685,093
Public and private security lighting	18,898,976	18,792,032
Public building and facilities	1,753,079	1,673,326
Total	204,873,978	192,865,152

23. OTHER INCOME

This account consists of:

Accounts	2014	2013
Forfeited discount	2,057,195	1,900,875
Revenue (expense) from MJCW	699,106	994,505
Rent income	211,754	158,462
Interest and dividend income (Note 4)	30,660	62,384
Other income (expenses), net	1,628,668	2,795,127
Total	4,627,383	5,911,353

24. COST OF ENERGY SOLD

This account consists of:

Accounts	2014	2013
Power purchased (Note 17)	153,862,789	144,041,634
Fuel	528,914	665,528
Generation expense	-	5,900
	30,660	62,384
	154,391,703	144,713,062
Less prompt payment discount		
net Power Act reduction	3,193,448	2,811,609
Total	151,198,255	141,901,453

Under Section 72 of the Act, the NPC is mandated to reduce its rates for residential end -users by thirty (30) centavos per kilowatt-hour upon the affectivity of the said law on June 26, 2001.

To fulfill this mandate, the ERC approved ERC Resolution No. 2001-4, directing NPC to reduce its regular rates to electric distribution utilities sourcing their power supply entirely from NPC by thirty (30) centavos per kilowatt-hour.

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

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Kilowatt-hour sold and purchased follow:

	2014	2013
Kilowatt-hour sold	24,295,162	23,511,400
Kilowatt-hour purchased	29,634,084	27,750,351

25. COST OF SERVICES

This account consists of:

Accounts	2014	2013
Distribution		
Overhead lines	5,511,010	4,462,390
Consumer installation	3,851,566	3,120,365
Station equipment	1,562,601	1,424,537
Meters / line transformers	1,510,891	1,331,395
Supervision and engineering	1,227,861	1,207,345
Miscellaneous	43,884	200,434
	13,707,813	11,746,466
Consumers' accounts		
Records and collection	4,960,511	4,720,274
Uncollectible accounts	2,657,834	2,157,431
Meter reading	1,805,100	1,435,795
Supervision	293,347	94,226
Info., instructional and advertising	64,920	-
Consumer prompt payment discount	-	216,633
	9,781,712	8,624,359
Depreciation (Note 8)	5,504,518	4,778,786
Total	28,994,043	25,149,611

26. OPERATING EXPENSES

This account consists of:

Accounts	2014	2013
General and administrative		
Employees pension and benefits (Note 19)	8,571,299	10,030,939
Salaries (Note 29)	4,900,847	4,661,954
Officers allowances and benefits (Note 29)	2,953,176	2,864,435
Travel	1,518,217	1,241,634
Outside services employed	1,353,121	1,284,343
Office supplies	823,264	828,169
Maintenance of general plant	580,843	678,300
Communication	476,701	416,402
Training	439,140	630,627
Rent (Note 28)	317,000	307,243
Property insurance	75,319	75,498
Injuries and damages	67,964	628,370
Regulatory fees	67,242	59,642
Association and membership dues	36,000	72,075
Miscellaneous	856,651	1,211,323
	23,036,784	24,990,954
Depreciation (Note 8)	3,060,152	2,972,018
Total	26,096,936	27,962,972

27. FINANCE COST

This represents debt service cost on NEA loans (Note 15) as follows:

Items	2014	2013
Expansion	1,761,277	1,958,258
Rehabilitation loan	360,786	491,524
Automation loan	376,149	-
Construction loan	295,330	339,423
Logistical loan	279,467	403,414
Building construction	-	198,344
Others	-	13,547
Total	3,073,009	3,404,510

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28. LEASES

The premises occupied by its sub-office are leased for periods ranging from 5 to 20 years, renewable upon mutual agreement of the parties. Total rentals charged to current operations amounted to P317,000 in 2014 and P307,243 in 2013. (Note 26)

The Cooperative has future minimum lease payments in respect of office and building premises, under an operating lease, which are due for annual payments, estimated as follows:

Items	2014	2013
Due within one year	317,000	307,243
Due within two to five year	336,020	325,000
Total	653,020	598,409

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 for the benefit of its employees are also considered to be related parties. Transactions between related parties are based in terms similar to those offered to non-related parties.

Compensation of Key Management Personnel

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

The compensation of key management personnel included under "salaries and fringe benefits" account follow.

Items	2014	2013
Short term employees' benefits		
Key management personnel	6,182,436	6,279,991
Directors	1,148,050	1,642,705
Total	7,330,486	7,922,696

30. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2014, the Cooperative has no pending court cases filed by and against various parties involving collection and/or claim against each other. Management has yet to determine the probable liability that may be sustained for such contingency. Hence, no provision for contingent liability is recorded in the financial statements as of financial position dates.

31. INCOME TAXES

Income taxes include corporate income tax, as discussed below, and final taxes paid at the rate of 20%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

Republic Act (RA) No. 9337, An Act Amending National Internal Revenue Code and the Supreme Court decision on October 28, 2005 provide that effective January 1, 2009, the regular corporate income tax rate shall be 30.0%.

The regulations also provide for MCIT of 2% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the bank's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

Corporate Normal Income Tax

	2014	2013
Net Income Before Income Tax	139,119	108,778
Add: Non-allowable interest expense	10,118	20,587
Total	149,237	129,365
Less: Interest Income on bank deposits	30,659	62,384
Taxable Income	118,577	66,981
Tax Rate	30%	30%
Income Tax Payable	35,573	20,094

Minimum Corporate Income Tax

	2014	2013
Gross Income	6,138,760	7,238,356
MCIT Rate	2%	2%
INCOME TAX PAYABLE (MCIT)	122,775	144,767

Reconciliation of Income Tax

INCOME TAX PAYABLE	2014	2013
Income Tax Due (MCIT)	122,775	144,767
Less: Income Tax Paid	-	-
Creditable Withholding Tax	-	-
Total Income Tax Credits	-	-
INCOME TAX CREDIT	122,775	144,767

32. FINANCIAL INSTRUMENTS

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

The fair value of the financial instruments approximate the carrying values as of December 31, 2014 and 2013, due to their relatively short-term maturities, as follows:

	December 31, 2014		December 31, 2014	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets:				
Loans and receivables				
Cash and cash equivalents	40,986,199	40,986,199	47,132,183	47,132,183
Investments	7,425,476	7,425,476	6,843,276	6,843,276
Receivables	22,110,190	22,110,190	17,810,368	17,810,368
Other receivables and advances to employees	6,092,114	6,092,114	1,934,600	1,934,600
	76,613,979	76,613,979	73,720,427	73,720,427
Financial Liabilities:				
Loans and borrowings				
Interest bearing debts	38,887,996	38,887,996	45,210,235	45,210,235
Trade and accrued expenses	98,729,077	98,729,077	66,667,086	66,667,086
Power supply payable	11,151,052	11,151,052	4,658,000	4,658,000
	148,768,125	148,768,125	116,535,321	116,535,321

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk Management Structure

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

Cooperative's approach to risk issues in order to make relevant decisions.

Financial Risk Management Objectives and Policies

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

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

Credit Risk

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

In monitoring contract owner's credit risk, contract owners are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, industry, aging profile and maturity. A Statement of Account which serves as Notice of Disconnection is given to the consumers based on the schedule by 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 in banks and cash equivalents	40,986,199	47,132,183
Consumer and other receivables	22,110,190	17,810,368
Investments	7,425,476	6,843,276
Other receivables and advances to employees	6,092,114	1,934,600
	76,613,979	73,720,427

Impairment Losses on Credit

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

At December 31, 2014 and 2013, an allowance for probable losses has been provided amounting to P385,786 representing 1.7% and 2.1% of the consumers' receivable for collection, respectively.

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

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Movements in allowance for probable losses follow:

	2014	2013
Balance at beginning of year		
Receivables	385,786	385,786
Other assets		
	385,786	276,075
Movement during the year		
Receivables		109,711
Other receivables		
	-	109,711
Balance at end of year		
Receivables	385,786	385,786
Other assets	-	-
Total	385,786	385,786

Liquidity Risk

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

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

The maturity of the Cooperative's financial assets and liabilities as of December 31, 2014 and 2013, based on contractual repayment arrangements, is tabulated below:

	December 31, 2014				Total
	Up to 1 Month	2-3 to 6 Months	6 to 12 Months	Over 1 year	
Financial Assets					
Cash and cash equivalents	40,986,199				40,986,199
Investments				7,425,476	7,425,476
Receivables		22,110,190			22,110,190
Other receivables and advances to employees				6,092,114	6,092,114
	40,986,199	22,110,190	-	13,517,590	76,613,979
Financial Liabilities					
Interest bearing debts	142,155	4,579,598	4,721,753	29,444,489	38,887,996
Trade and accrued expenses	22,052,476	1,491,845	54,170,957	21,013,799	98,729,077
Power supply payable	11,151,052				11,151,052
	33,345,683	6,071,443	58,892,710	50,458,288	148,768,125
Net Liquidity (Gap)	7,640,516	16,038,747	(58,892,710)	(36,940,698)	(72,154,146)

	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	47,132,183				47,132,183
Investments				6,843,276	6,843,276
Receivables		17,810,368			17,810,368
Other receivables and advances to employees				1,934,600	1,934,600
	47,132,183	17,810,368	-	8,777,876	73,720,427
Financial Liabilities					
Interest bearing debts	113,407	2,996,282	3,255,468	38,845,078	45,210,235
Trade and accrued expenses	24,295,960	839,017	25,352,370	16,179,739	66,667,086
Power supply payable	4,658,000				4,658,000
	29,067,367	3,835,299	28,607,838	55,024,817	116,535,321
Net Liquidity (Gap)	18,064,816	13,975,069	(28,607,838)	(46,246,941)	(42,814,894)

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 the Cooperative’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimizing the return on risk.

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

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

Interest Rate Risk

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

34. CAPITAL MANAGEMENT

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

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

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operations and industry.

In managing its capital structure (total equity), the cooperative makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, it may adjust or delay the dividend payment to shareholders, and appropriate a percentage of retained earnings towards expansion and capital expenditures.

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

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

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

	2014	2013
Debt	171,850,844	138,882,128
Cash	40,986,199	47,132,183
Net debt	130,864,645	91,749,945
Equity	133,053,073	121,257,279
Net debt to equity ratio	98.36%	75.67%

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

However, as of December 31, 2014 and 2013, the electric cooperative was faced with accumulated losses of P 65,793,472 and P 64,647,454, respectively. These losses have already impaired the total equity base by 33.1% and 34.7%, and the total assets by 22% & and 25%, as of said dates, respectively (Note 14).

35. KEY PERFORMANCE INDICATORS

The key financial performance indicators follow:

	2014	2013
Cost of power purchased ratio	74%	74%
Non-power cost ratio		
Administrative and general	11%	13%
Distribution	7%	6%
Consumers' accounts	5%	5%
Days sales in receivables	40 days	34 days
Days payable – power	27 days	12 days
Net margin ratio	0.02%	0.01%

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

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

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

Particulars	Amount
VAT output	8,348,525
Sales	69,571,044

- b. VAT input taxes claimed:

Particulars	Amount
	8,348,525
VAT input	3,550,373
Purchases	33,136,817
Beginning balance	2,594,872
Input tax on	
Capital goods	2,710,095
Other goods	678,227
Services	162,052
Subtotal	3,550,373
Input tax credit/refund	-
Input VAT	3,550,373

- c. Withholding taxes:

Particulars	Base	Amount
Withholding tax on compensation	16,617,728	1,547,250
Final withholding tax	18,789,265	943,963
Total		2,491,213

MINUTES OF THE 28TH ANNUAL GENERAL MEMBERSHIP ASSEMBLY OF THE BILIRAN ELECTRIC COOPERATIVE, INC. HELD AT THE CABUCGAYAN MUNICIPAL GYMNASIUM, MAGBANGON, CABUCGAYAN, BILIRAN ON JUNE 28, 2014, 1:30 IN THE AFTERNOON

At around 10:30 am, member-consumers' registration commenced. The process was eased because of the pre-registered numbers of consumers undertaken weeks before the assembly. Raffle coupons and tokens were distributed to those who actively attended.

The opening ceremonies followed with the welcome address given by Hon. Hildeyardo Enage, mayor's representative. Speech of the guest of honor was delivered by Tiburcio Morales, representative of our Congressman.

Symbolic switch-on of NEA-SEP 2013 sitios was one of the highlights participated by the BILECO Board of Directors and partners of rural electrification.

Outgoing BODs from Naval, Almeria and Biliran were given Plaque of Appreciation for their invaluable contribution in realizing the thrusts of the cooperative. Sampao, Almeria BAPA was awarded as the most successful BAPA because of the livelihood programs undertaken among its members which is beneficial for them. Posthumous award was also given to the late Noel J. Manguing whom dedication and love of service befell him in the course of duty while helping rehabilitation activities in LEYECO V coverage area.

One of the highlights presented before the member consumers was the Yolanda updates on restoration and the subsidy from the government in building back better.

Under the new leadership of Engr. Cesar D. Cordeta, rest assured that major innovations will be tapped by BILECO in meeting the demands of its clientele in providing utmost service of electricity within its coverage area. The Biliran Geothermal Power Plant is a big development in our province which hopefully shall lower down the

cost of electricity promising a 50 MW production. It was clarified that BGI is a private and independent power producer and only BILECO is directed to distribute electricity which means that it is their challenge to offer and sell cheaper generation rate of electricity to its patrons.

The buttress of BILECO as a non-stock, non-profit cooperative is the continued support and zeal of enthusiasm coming from the member-consumers in which BILECO is grateful upon. And still hoping that you will continue supporting the future endeavors of the organization embracing the essence of its existence.

With their remarkable stint as BODs of Almeria (Mr. Sammy A. Sale), Biliran (Engr. Nilo P. Penaflo) and Naval (Engr. Leonardo V. Madeja), they were given certificates of recognition emphasizing their relentless effort in realizing the thrusts and objectives of the cooperative.

The message of our dynamic Congressman, Mr. Rogelio J. Espina strongly emphasized that with a reliable power supply, economic development will spur out for the benefit of our constituents that is why we need to take care of our coop. Especially that Biliran had just been recently included as tourism province in the country. Which means that we need to reboost our tourism activities campaigning and attracting local and foreign tourists. With my second term, I had already filed a bill that no forms of mining activities will take place in our locality preserving the natural state of our island because it will serve as our capital in gaining more employment and income among our people. So I challenge BILECO to make good of its service/s in bringing the best of what is expected to become.

Another milestone also is the energization

of sitios under the SEP of the government, we heed for the call and it is through our cooperation that we can make results of what is directed to us. A simple smile from our remote living member-consumers is a sigh of relief giving a little comfort, and that is because they are already connected to the grid.

GM Roa proudly presented to every member-consumer that BILECO is pacing towards a cost-efficient EC and remains unshaken to whatever challenges it will face. The survival from Yolanda's wrath is a manifestation of resiliency and unquestionable effort service with a heart. BILECO is now equipped with the state-of-the-art system and technological infra which enabling to become closer to the member-consumers, we innovate because we need to transform for the welfare of its dependents. After all these years, this has been a joint effort from our Congressman amalgamating the success of this event, to triumph from every challenge surfaced.

The symbolic switch-on was also conducted culminating NEA-SEP 2013.

The outgoing Dir. Of Naval, Engr. Leonardo Madeja handed his closing remarks by way of encouraging everyone to be actively and intelligently engaged to the activities of the cooperative. Because it is only through rightful information that you will learn to act on respective responsibilities as member-consumers. We have now RA 10531 that restricts the qualification of being a BOD, thus limiting the number of qualified BODs, so it is highly encouraged to partake in every activity of the cooperative. It is not just paying bills on-time, but suggesting helpful ideas in improving the current state. One of the latest innovation of our coop is the construction of our new building which will provide a work-conducive environment among its employees and better amenities for our member-consumers' transactions.

BUSINESS PROPER

Dir. Cordeta called the assembly to be in order and the opening of the annual meeting. We have accounted 1,502 member-consumers who actively participated in the said activity. The reading of the previous minutes was read by Dir. Garabiles duly approved by the General Assembly.

Mrs. Caliao, one of our MSEAC suggested for hard copies of the previous minutes. So it was noted that it will be included for next year's Annual report for advance reference.

GM Roa highlighted that our debt ratio has capacitated us even more than to pay our current debts. So we are still at good status in terms of our achievement.

It was carried out also that the date of disconnection/due date will be integrated in our electric bill for easy referral of when to pay on-time.

The procurement of KWHM's with auto-connect was also presented for information and the MCs were very much delighted of the said innovation in countering the most delinquent to pay electric bills.

Mr. Melchor Durango motioned if the assembly will agree on a five or seven days disconnection period after due date.

The management stated that as per suggestion, we need to consider collection efficiency which is one of our Key Performance Indicator.

Mr. Samuel Trinidad informed that when it comes to disconnection, overhead expenses are high so we need to resort a convenient way in notifying notice of disconnection. Because under

Magna Carta, five days is justifiable so I suggest to integrate it to Text Messaging Assistant for easy notification.

Mrs. Rebecca Salloman strongly supported for the five-days lapse before disconnection/notice. It was also resolved that if due dates fall on a holiday, so it is understood that it will due on the next following office hours.

Dir. Madeja capitalized that as part of our obligations, we need to pay on-time, and to avoid consequences, don't wait for due dates if we have the resources.

Mrs. Edna Roxas singled out that our duty is our duty, so we really need to pay our bills. So we need to allocate budget for our utility payments.

On mass motion, the general assembly passed and approved:

A RESOLUTION FOR A FIVE-DAY LAPSE BEFORE SERVING AND NOTIFICATION OF DISCONNECTION NOTICE AFTER DUE DATE AMONG MEMBER-CONSUMERS AND THE INTEGRATION OF DISCONNECTION DATE IN EVERY MEMBER-CONSUMER'S ELECTRIC BILL

Express feeder construction is also one of the highlights aimed at providing reliable voltage especially to the economic hub of the province. It has to be noted that our distribution lines were already transmitting and distributing lines way back 1983. Thus, the need for new lines for efficacious service of electricity. Engr. Oledan presented the situation of low voltage in Naval, and such remedial express feeder will cost us 68 million pesos. He then presented the economic analysis thereby concluding that it is beneficial to construct new lines. Because with the increasing demand of energy in our province, we need to counter such increasing demand so

that no one will be sacrificed especially those located in our load-end.

Mr. Rostata supported the express feeder construction and mass motion of Mrs. Fe Saberon, the Assembly passed and approved:

On mass motion, the assembly passed and approved:

ARESOLUTION APPROVING THE CONSTRUCTION OF AN EXPRESS FEEDER IN AREA-1 IN ADDRESSING UNDERVOLTAGE

Electronic Attendance Raffle was also being participated by our member-consumers with major prizes namely Refrigerator, Television, and washing machine and cellphone units as minor prizes. There being no matters discussed and for deliberation, the meeting was adjourned at exactly 5:00pm in the afternoon, next meeting will be announced officially thru press release and BILECO's official social media accounts.

Certified True and Correct:

(SGD) REYMANDO B. GARABILES
Board Secretary

Attested:

(SGD) CESAR D. CORDETA **(SGD) JUAN R. AVILA, JR.**
Board President Board Vice-President

(SGD) ROLANDO Z. GOZON **(SGD) NILO P. PEÑAFLOR**
Board Treasurer Board Member

(SGD) SAMMY A. SALE
Board Member

(SGD) LEONARDO V. MADEJA, JR.
Board Member

WORKING COMMITTEE FOR THE 28th ANNUAL GENERAL MEMBERSHIP ASSEMBLY

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 ALLAN JOSEPH S. BORRINAGA - ISD Manager
 MA. LEIZYL Q. GARCIA - FSD Manager
 CARLITUS CAE CASINILLO - OIC-TSD Manager
 MAUREEN D. NIERRA - Internal Auditor

Over-all Chairman
 Over-all Coordinator
 Member
 Member
 Member

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	Group 2 - Razel Q. Casas	Alex Quinto	Jiza Rosendal
	Group 3 - Jesus Masibag	Teodoro Abonales	Aldwin Saludar
	Group 4 - Divina Casinillo	Allan S. Obaob	Alfie Arante
	Group 5 - Albert Pitao	Ruel Canonoy	Roderick Macabenta
	Group 6 - Dante Casas	Norman Catigbe	Graciano Nazario
	Group 7-Dindo Malabat	Rommel Tambis	Allan Labajo
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"Coming together is a beginning. Keeping together is progress. Working together is success."