

42nd Annual General



Membership Assembly
46th Foundation Anniversary

LANECO



ANNUAL

REPORT

2017



EMPOWERING
Member-Consumer-Owners:
Key Towards EC Viability
and Sustainability



Contents

VISION STATEMENT

Through the guidance of the Divine Providence, LANECO will be a first-class electric distribution utility ready to serve all types of consumers by 2020.

MISSION STATEMENT

A distribution utility committed to deliver quality electric service at reasonable rates to the member-consumers towards social progress and countryside development.

7 Corporate Values

- God-fearing
- Teamwork
- Commitment
- Honesty and Integrity
- Hard work
- Excellence
- Discipline

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THE ANNUAL REPORT

to the **89,387** Member-Consumer-Owners
on the **PERFORMANCE / ACHIEVEMENTS** of



May 27, 2018
Mindanao Civic Center Gymnasium
Sagadan, Poblacion, Tubod, Lanao del Norte

PROGRAMME

PART ONE – 6:30 – 11:30 A.M.

PRE-ASSEMBLY ACTIVITIES

Registration of Attending Members
Distribution of Raffle Tickets & Annual Report
Open House (LANECO Energy Center)

PART TWO – 10:30 – 12:00 noon

OPENING PROGRAM

I. Processional March

Guests, Board of Directors, Former Officials
Management Staff, Employees, Associates
Multi-Sectoral Electrification Advisory Council (MSEAC)
Lanao del Norte Electricians Association, Inc. (LANEA)
Maranding Electricians Association
Kapatagan Electricians Association
LANECO Retirees Service Cooperative (LARESCO)

II. Invocation

Rev. Fr. Enrique Lacostales
Parish Priest, San Isidro Labrador Parish
Tubod, Lanao del Norte

Director Khalid M. Dimaporo
BOD Vice-President

III. National Anthem

IV. LANECO Hymn

V. Lanao del Norte Hymn

LANECO Power Voices

VI. Welcome Address

Dr. Teddy A. Bernales, Sr.
NEA Representative

VII. Welcome Message

Hon. Leoncio C. Bagol
Municipal Mayor, Municipality of Tubod
Host Mayor

VIII. Acknowledgment of Guests &
Visitors & Presentation of
Coop Officials

Sherwin C. Mañada, CPA
Project Supervisor/ Acting General Manager

IX. Messages

Hon. Mohamad Khalid Q. Dimaporo
Congressional Representative – 1st District, Lanao del Norte

Hon. Abdullah D. Dimaporo
Congressional Representative – 2nd District, Lanao del Norte

Hon. Imelda Q. Dimaporo
Provincial Governor, Lanao del Norte

X. Intermission Number

LANECO B5

XI. Inspirational Message

Alipio Cirilo V. Badelles
Member - NEA Board of Administrator

XII. Introduction of the Guest Speaker

Sherwin C. Mañada, CPA
Project Supervisor/ Acting General Manager

XIII. Address

Guest Speaker: Edgardo R. Masongsong
Administrator
National Electrification Administration

XIV. Awarding of Plaques of Recognition
to the Guest of Honor, & Other Recipients

Pres. Elmira G. Olavides
PS/AGM Sherwin C. Mañada, CPA
Board of Directors

of ACTIVITIES

XV. Oath Taking of Directors Elect

Edgardo R. Masongsong
Administrator
National Electrification Administration

- Jhonny N. Landiza – Kapatagan
- Khalid M. Dimaporo – Sultan Naga Dimaporo
- Jamiri Isagani A. Sanguila – Kauswagan-Munai
- Elmira G. Olavides – Tubod-Magsaysay

XVI. Closing Remarks

Director Karim U. Macarompan
BOD Treasurer

XVII. RAFFLE DRAW OF DOOR PRIZES (To be facilitated by The Prizes Committee)

Emcee: Ms. Mary Edeline O. Cortez

PART THREE – 1:00 – 4:00 P.M.

BUSINESS MEETING

Presiding Officer: President Elmira G. Olavides

I. Determination of Quorum & Reading of Proof of Due Publication of Notice of the 42nd Annual General Membership Assembly

Director Jhonny N. Landiza
Board Secretary

II. Reading of Minutes of the 41st Annual General Membership Assembly Held Last May 28, 2017

Karen Rose E. Caramba
Executive Secretary/Board Recorder

III. Taking of Necessary Action on the Minutes

IV. Presentation of Reports

Technical Accomplishments
by Engr. Marlon L. Capol
OIC-Technical Services Department

Financial Performance
by Angelina G. Estrologo, MBA
Finance Services Department Manager

Institutional Achievements
by Zenaida M. Fabunan, MBA
Institutional Services Department Manager

V. Consideration of Reports

VI. New Business

Agenda:

1. Status of Power Supply and Updates on IPPs contracted by LANEKO
2. Elevated Kilowatt Hour Metering
3. Financial Matters
4. Updates on Real Property Tax & Franchise Tax
5. Member-Consumer Empowerment Program (MCEP)
6. House Bill 3351-Anti-Power Line Disturbance Bill
7. Other Matters

VII. Open Forum

Moderator: Atty. Leo M. Zaragoza
Legal Counsel

VIII. Adjournment of the Meeting

PART FOUR – 4:00 – 5:00 P.M.

RAFFLE DRAW OF DOOR PRIZES
(To be facilitated by The Prizes Committee)

LANECO Prayer

Intro. Oh Lord we pray

Oh Lord we pray

I. Oh Lord we come to you
To ask your guidance for our lives
For us to be a good light bearer
Of hope to those around us

Cho: You have made LANECO
The channel of your love
That thru her service, blessings
Flow from above
Then the people will learn to
Love you more
By the blessings they receive
Thru LANECO, and everything
She can give

II. We are asking for your help
To obtain absolute honesty
To work in total solidarity
And thru your help we'll gain
Maximum efficiency

III. So please Lord bless LANECO
Oh we pray
That she can reflect your love
To the people whom she serves
Obviously you have blessed
her in the past
Bless her today and
Forever we pray

IV. You have made LANECO the
Channel of your love
That thru her service,
Blessings flow from above
Then the people will learn to love
You more by the blessings
They receive
Thru LANECO, and
Everything she can give

Bless LANECO
(Oh lord we pray)
Bless LANECO
(Oh lord we pray)
Amen...

LANECO Hymn

Sa matahum probinsya
sa Lanao del Norte
Sa amihanang Mindanao
May kahayag nga midan-ag
Nga nagdala ug paglaum
Paglaum alang sa kalambuan
Kalambuan alang sa tanan
Sa kinasingkasing nga serbisyo
Sa buhatan sa LANECO

(Chorus)

LANECO mosagubang sa hagit
Sa kalibutanong tigi
Pinaagi sa dekalidad nga pagpangalagad
Buligan ikaw sa kahitas-an
Tungod sa Diyosnon mong katuyoan
Ipasigarbo ko ang ngalan mo
Mahal namo nga LANECO

(Repeat Chorus)

Buligan ka sa kahitas-an
Mahal namo
Mahal namo nga LANECO

Panunumpa

Nangangako ako, bilang tagapagpalaganap
ng programang elektripikasyon na
pagsisilbihan ko ang aking inang bayan;

Gagampanan ko ang tungkuling ito upang
maitaas ang antas ng kabuhayan sa
pagbibigay ng liwanag;

Isusulong ko ang kaunlaran ng aking
bayan; at taos puso akong nangangako
na tatahakin ko ang landas na tama at
matuwid at laging isasaisip ang kapakanan
ng kapwa ko Pilipino.

Kasiyahan nawa ako ng Diyos.

Messages from the **PILLARS** of the

RURAL ELECTRIFICATION PROGRAM

Successfully Implemented in Lanao del Norte
Through the Lanao del Norte Electric
Cooperative, Inc. (LANECO)
Under the supervision of the

National Electrification Administration (NEA)



MALACAÑAN PALACE
MANILA



My warmest greetings to the Lanao del Norte Electric Cooperative, Inc. (LANECO) on the occasion of the its 42nd Annual General Membership Assembly and 46th Foundation Anniversary.

For more than four decades, LANEKO has been at the forefront of supplying much needed electricity for businesses, establishments and consumers in its coverage area. Its efforts have helped transform Lanao del Norte into a prosperous and thriving province that is home to a diverse, vibrant and peace-loving populace.

Let this anniversary and meeting be an occasion for LANEKO to further improve its operations and enhance the services it provides to its stakeholders. May it also remain as government's steadfast partner in harnessing the power of its resources and its people for the progress of the province and the country.

The task of creating real transformation for our country relies on the continued efforts of all sectors of our society to do their best in the tasks crucial for our collective growth. Together, let us give all Filipinos the chance to lead the dignified and meaningful lives that they hope for themselves and their families.

I wish you a happy anniversary and all the best in your future endeavours.

RODRIGO ROA DUTERTE
President

MANILA
27 May 2018

THE PRESIDENT OF THE PHILIPPINES



Republic of the Philippines
Office of the Vice President

Greetings to the Lanao del Norte Electric Cooperative, Inc. (LANECO) as you hold your 42nd Annual General Membership Assembly and 46th Foundation Anniversary.

Ours is a nation that puts high regard on unity and cooperation in order to achieve its goals. We continue to nurture these values by pushing ourselves and supporting our communities, in efforts that encourage opportunities for growth and empowerment. May this conference inspire innovation in your cooperative, so that you may continue to bring change to your communities and promote inclusive growth.

We are fortunate to have LANECO as an ally in nation-building. Your efforts and commitment in bringing sufficient and sustainable energy to the homes of our countrymen are truly commendable. Let us continue to work together in bringing progress and development to our communities, especially to those who are at the farthest, smallest and poorest communities.

May you have a memorable and productive event.

Mabuhay po kayong lahat!




LENI ROBREDO
Vice President



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



Greetings to Lanao del Norte Electric Cooperative, Inc. (LANECO) as you hold your 42nd Annual General Membership Assembly (AGMA)!

One challenge that we are facing now is sustainability - ensuring that the gains you have achieved be further nurtured. Your theme, entitled: "Empowering Member-Consumer-Owners: Key Towards EC Viability and Sustainability" manifests the capability of your electric cooperative to meet the challenge of the ever-growing demand for electricity. This shows your utmost commitment to continuously improve service reliability and cost reduction of electricity.

The work of your cooperative having energized 98% of the barangays in your area while having a collection efficiency of 97% is truly commendable. This enabled your cooperative to be current in your payment to National Electrification Administration (NEA) and to your power suppliers. This exemplary work was recognized by the NEA when you were given an "A" Performance Rating.

To General Manager Sherwin C. Mañada and Board President Elmira G. Olavides, I would like to recognize your efficient leadership on your cooperative, which made this success possible. I would also like to applaud the efforts of the management team and the rest of the employees of your cooperative, who work tirelessly to guarantee excellent and reliable service. Sustainability and further improvement of excellent and reliable service is our goal now. Let us work hand in hand to achieve our goal.

Let it be the motivation of everyone that providing electricity is essential in improving quality of life.

Let us continue to strive on providing sustainable excellent and efficient service.

May you have a fruitful and engaging AGMA.

Mabuhay and more power!

CARLOS ROMAN L. UYBARRETA
Representative, 1-CARE Party List



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Gov. Arsenio A. Quibranza Provincial Government Center
Pigcarangan, Tubod, Lanao del Norte



I am extending my warmest greetings to Lanao del Norte Electric Cooperative, Inc. as you hold the 42nd Annual General Membership Assembly and 46th Foundation Anniversary.

LANECO is always been a partner of the Provincial Government of Lanao del Norte, providing electricity to our homes, businesses and to government facilities. The importance of your service in our province can never be ignored or disregarded as it is essential to our modern society.

The Provincial Government of Lanao del Norte commends the men and women of LANECO for the admirable services you provide to the residents. With this year's theme, "Empowering Member-Consumer-Owners: Key Towards EC Viability and Sustainability", is a challenge that we must all partake in order to achieve the common purpose by strengthening unity and cooperation among stakeholders.

As you celebrate this important day on May 27, 2018, I would like to personally assure and affirm that the Provincial Government and two Congressional Districts are always committed to bolster our relationship by continuously working hand in hand to better serve the people of our beloved Province of Lanao del Norte, "The Land of Beauty and Bounty."

Congratulations and Mabuhay!

A handwritten signature in black ink, appearing to read "Imelda Quibranza-Dimaporo".

IMELDA QUIBRANZA-DIMAPORO
Provincial Governor



NATIONAL ELECTRIFICATION ADMINISTRATION

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



My warmest greetings to all the Member-Consumer-Owners (MCO), Board Members, Officials and Employees of Lanao del Norte Electric Cooperative, Inc. (LANECO) as you hold your 42nd Annual General Membership Assembly.

First and foremost I would like to congratulate LANECO for its strong commitment and dedication to fulfill its shared mandate in electrifying the far-flung areas and bringing the benefits of electricity to the people in order to improve their way of life. The perseverance it showed in surmounting the challenges in the furtherance of this noble objective is worth NEA's recognition.

But LANECO must be complacent. The current energy industry environment, where numerous obstacles are present, demands key industry players, the Electric Cooperatives (ECs), among others, to be equipped and resilient. I urge LANECO to put its best foot forward in performing the assigned tasks that will assure the MCOs, especially in the underserved areas, with the highest electricity service they truly deserve. The learnings from experiences during the difficult chapters in its operation shall serve as valuable inputs in its goal to continue be a catalyst of progress in the province of Lanao del Norte.

As you face another year, the need to be the best is a priority. I encourage you to be innovative in creating more opportunities for people and communities. Let us work hand in hand to achieve the goals of the Rural Electrification Program (REP). The solid cooperation of NEA, LANECO and your MCOs will be the key to a progressive and sustainable rural development.

I wish LANECO the best and Mabuhay!


EDGARDO R. MASONGSONG
Administrator



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



To the Board of Directors, Officers and all Consumer-Members of the Lanao del Norte Electric Cooperative, Inc. (LANECO) mabuhay, as you gather for your 42nd Annual General Membership Assembly (AGMA) and 46th Foundation Anniversary.

LANECO remained focused since 2010 in energizing its area of responsibility, achieving 100% and 75% electrification levels for barangays and households respectively.

This year's AGMA themed "Empowering Member-Consumer-Owners: Key Towards EC Viability and Sustainability" is a bold inspirational leap in pursuing the activation of power supply to the remaining 25% still unserved homes.

Explore the many gains of innovative clean energy solutions to bring electricity to the farthest and isolated areas of Lanao del Norte to increase livelihood opportunities.

Be the torch of progress as you persist in helping develop the province to its maximum economic potential.

The DOE unites with LANECO's endeavors in the realization of President Rodrigo Roa Duterte's aspirations for national progress.

Maraming Salamat!


ALFONSO G. CUSI
Secretary



Republic of the Philippines
Region X

PROVINCE OF LANAO DEL NORTE

Gov. Arsenio A. Quibranza Provincial Government Center
Pigcarangan, Tubod, Lanao del Norte



My warmest greetings and best wishes to Lanao del Norte Electric Cooperative, Inc. (LANECO) as you celebrate your 46th Foundation Anniversary and 42nd Annual General Membership Assembly.

I congratulate you on your continuing success and capability in delivering quality electric services to our constituency. As we consolidate our efforts to achieve our goal for a province-wide electrification, your compliance with policy standards and ongoing improvement will ensure that our vision to be a first-class electric distribution utility will become a reality. It is my ardent hope that you will continue to improve your services even further so that you may truly become a paragon of excellence among electric cooperatives in the country. May this occasion inspire you to work harder to foster viable and sustainable economic growth, transformation and protection among the member-consumer-owners of LANECO.

The Provincial Government of Lanao del Norte counts on your solidarity in this endeavour to work with integrity and accountability in order to bring social progress and countryside development our people deserve.

All the blessings from the Most High!


MARIA CRISTINAN. ATAY
Vice Governor of the Province
of Lanao del Norte




Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Linamon



My sincerest greetings to LANA DEL NORTE ELECTRIC COOPERATIVE, INC. (LANECO) on the celebration of your 42nd Annual General Membership Assembly and 46th Foundation Anniversary.

- Your theme “Empowering Member Consumer Owners: Key Towards EC Viability and Sustainability reflects your desire to provide quality services to the people of the Lanao del Norte.

- My warmest congratulations to all of you and may you continue to serve the people with outstanding services.


RANDY J. MACAPIL
Municipal Mayor
Linamon, Lanao del Norte



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Matungao



Warm greetings from Matungao! The 42nd Annual General Membership Assembly and the 46th Foundation Anniversary of LANECO on May 27, 2018 is a manifestation of the cooperative’s commitment is serving the consumers of Lanao del Norte. This year’s theme, “Empowering Member-Consumer Owners: Key Towards EC Viability and Sustainability,” is an apt testament of LANECO’s longevity in the business.

As consumers, having full awareness of our responsibilities in energy conservation, including electricity is vital to our global pursuit of achieving a climate-change adaptive environment. I hope that LANECO will continue to provide electricity to the province with the consumers and the environment among its priorities. As a staunch believer in sustainable development, the LANECO’s way of operation is exemplary in its affinity to consumer protection and social responsibility.

Congratulations LANECO and may you continue to shine and give light to Lanao del Norte.


AISHA MANGOTARA-AZIS
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Maigo

In behalf of the peace-loving people of Maigo, let me extend my warmest felicitation to Lanao del Norte Electric Cooperative, Inc. (LANECO) on its 46th Foundation Anniversary and on holding its 42nd Annual General Assembly.

I would like also to congratulate, you remain steadfast on your mission on giving its member-consumer-owners a globally competitive quality electric service and above all, keeping paramount consideration in the welfare and well-being of its member-consumers.

CONGRATULATIONS!


RAFAEL C. RIZALDA
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Kolambugan



Praises to the 42nd Annual General Membership Assembly (AGMA) and 46th Foundation Anniversary of the Lanao del Norte Electric Cooperative, Inc. (LANECO). For the past 46 years LANECO served its member-consumers in the Land of Beauty and Bounty, the Province of Lanao del Norte to the best of their ability. Even though we have experienced brown-outs from time to time, but thanks to the expertise and dedicated service of the men and women managing this institution, we hardly ever experience long power outages. The current situation and condition of our electric cooperative clearly manifest that it could withstand the test of time. In the main, empowering member-consumer-owners to strengthen the electric cooperative towards a globally competitive electric cooperative which is viable and sustainable. Gladly, I say that LANECO will continue to be efficiently more productive in serving the energy needs of the people of Lanao del Norte.

In behalf of the Local Government Unit of the Municipality of Kolambugan, KUDOS to the LANECO, Inc. management and staff as well as to the member-consumers of this institution for another tremendous achievement.

Mabuhay po kayo, and more power LANECO!


LORENZO V. MAÑIGOS
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA O DEL NORTE
Municipality of Poona Piagapo

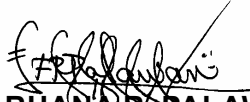


The Lanao del Norte Electric Cooperative, Inc. (LANECO) has been long sincere services and with valuable assistance extended to the GOOD People-Electric Consumers in the municipality of Poona-piagapo, Lanao del Norte with an active and friendly support which is immeasurably contributed towards the attainment and realization of the LGU's Vision and Mission.

Thus, in behalf of the Local Government Unit (LGU) of Poona-Piagapo, Lanao del Norte would like to express our Gratitude and Congratulations to Lanao del Norte Electric Cooperative, Inc. (LANECO) will hold its 42nd Annual General Membership Assembly (AGMA) and 46th Foundation Anniversary on May 27, 2018 with its theme: "EMPOWERING MEMBER-CONSUMER-OWNERS: KEY TOWARDS EC VIABILITY AND SUSTAINABILITY". If I may not be able to attend the celebration but my best wishes are with you.

May Allah always be with us all!!!

MABUHAY LANECO!


FARHANA R. PALAWAN
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA O DEL NORTE
Municipality of Magsaysay



Happy 42nd Annual General Membership Assembly and 46th Foundation Anniversary!

On your anniversary of completing more than four decades of service we appreciate all your hard work and dedication. Rejoice in your achievements and enjoy your big day! Hope you grow the same way as these many years and continue to be committed to making even bigger success.

Congratulations on this big occasion of business achievement and many wishes for future success!


AZISAH S. OMAR
Municipal Mayor
Magsaysay Lanao del Nortew



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Lala



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. Electric cooperatives such as yours maintain the upward trajectory of our development by ensuring the steady supply of electricity that powers our households and industries in this era of renewal. May LANECO spread the yields of revitalization to the broader spectrum of society and marshal our collective efforts in the pursuit of inclusive growth. As you all strive to building better services to the member consumers, may you not forget the future is within your reach.

May you continue this challenge as you further impart and fulfill your mission and vision for the betterment of the community by establishing rural electrification towards rural development. Let us all serve as beacons of light to our countrymen, as we steer our country further along the straight and righteous path towards a future of stability and prosperity.

I wish you a productive and engaging assembly as you celebrate your 42nd Annual General Membership Assembly and 46th Foundation Anniversary.


ALLAN J. LIM
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Sultan Naga Dimaporo

My warmest felicitations and earnest greetings to the dynamic celebrants of Lanao del Norte Electric Cooperative, Inc. (LANECO) on the occasion of their 42nd Annual General Membership Assembly in anticipation of the inter-mutual commemoration of the 46th Foundation Anniversary of the cooperative on May 27, this year, with the theme “Empowering Member-Consumer-Owners: Key Towards EC Viability and Sustainability.”

As we aspire to pursue global competitiveness, we encourage our valued member-consumers to actively support the projects of LANECO that will strengthen the cooperative and be guided to serve the people with deep commitment.

We firmly believe that in order to achieve viability and sustainability of the EC, the member-consumers should be involved, well informed and most especially be empowered.

Thank you very much, peace and prosperity be with.


ULWAN M. DIMAPORO
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA O DEL NORTE
Municipality of Baroy



It is with great joy to express my warmest congratulations to the Board of Directors, General Manager, Officers, Employees and Member-Consumers of Lanao del Norte Electric Cooperative, Inc. (LANECO), on the occasion of your 42nd Annual General Membership Assembly (AGMA) and 46th Foundation Anniversary.

This year's theme, "Empowering Member-Consumer-Owners: Key Towards EC Viability and Sustainability" amplifies your strong commitment for the member-consumers to be involved, well-informed and most especially be empowered as owners of this electric cooperative, as well as your partners to overcome challenges and problems and in bringing growth and socio-economic progress in the Province of Lanao del Norte.

I hope that this assembly would be a proper venue in eliciting a more active involvement and commitment from the member-consumers of LANECO in the hope of providing quality electric services to the people of Lanao del Norte.

Once more, Congratulations and more power to Lanao del Norte Electric Cooperative, Inc.!


ROSA D. OLAFSSON
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA O DEL NORTE
Municipality of Kapatagan



FORTY SIX YEARS GREAT, FORTY SIX YEARS STRONG

In purview of a grand milestone, the Municipality of Kapatagan would like to tip off its hat to Lanao del Norte Electric Cooperative, Inc. (LANECO) for having to achieve such a great feat on forty-six years, great and strong. Having to withstand the summertime tempest and the pervasive storm of the years behind and the years to come is an extraordinary undertaking only a few can attain.

In this joyous occasion, may your enterprise continue to develop smart ways of empowering the people to an act of viability and sustainability as you deliver a genuine product further enhancing the quality of life per se. Yours, is truly an amazing endeavor that shall be supported by the people of Kapatagan beyond time immemorial as we move towards the horizon full of hope.

To this end, my sincere congratulations to your anniversary and God speed us all.


BARRY Y. BAGUIO
Local Chief Executive



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Salvador



My warmest greetings to LANECO as you hold your 42nd Annual General Membership Assembly on May 27, 2018.

On the occasion of the celebration, with the theme: EMPOWERING MEMBER-CONSUMER-OWNERS: KEY TOWARDS ELECTRIC COOPERATIVE VIABILITY AND SUSTAINABILITY – it is a clear manifestation for a great challenges that every member-consumer-owner as well as BOD and employees will be facing with. In empowerment, comes with great responsibility. So that all decisions and actions of everyone should be imbued with integrity and honesty aimed at the best interest of the cooperative. With proper guidance and collective effort of everyone involved in every endeavour, I am sure LANECO will continue to grow bigger, stronger, viable and sustainable.

In closing, let me extend my heartfelt gratitude to LANECO officers for their timely respond of our call to assist my constituents who were greatly affected by the onslaught of Typhoon Vinta. Let me assure you that my administration will continue to support in whatever undertakings the electric cooperative may have for the development of my people, in particular and for the whole Province of Lanao del Norte, in general.

CONGRATULATIONS and ALLAH bless us all.


HASSANOR L. TAWANTAWAN
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Sapad

ASSALAMU' ALAIKUM!

My warmest and cordial greetings to LANECO as you celebrate your 42nd Annual General Membership Assembly and 46th Foundation Anniversary. For years, you have greatly empowered all your consumers. And as you welcome another year, I hope you continue to provide quality service to everyone.

Without your significant service, we would not be the progressive community we are today. For that reason, we, people of Sapad, Lanao del Norte, are truly blessed as your consumers.

With this theme, “Empowering Member-Consumer-Owners: Key Towards EC Viability and Sustainability”, I am hoping that you continue to empower more people and support us towards our goals.

More power and God bless!


PARUK U. ASIS, AL HADJ
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA O DEL NORTE
Municipality of Tubod



Electric Cooperative sector is essential to our nation most especially in terms of harnessing the great potential of our rural communities. Knowing that the Filipino people have emerged from a long chapter of darkness, and we are now illuminated by the daylight of hope and change.

Thus through to its nature as cooperative, let us all “cooperate” to show what can do to improve the industry and the public service. Let us go back to the etymological make-up of the “cooperative”, it comes from the latin words CO (together) + OPERARI (to work) and that is to work together towards viability and sustainability throughout the years.

Nota Bene: what Hellen Keller a famous American Journalist says, “Alone we can do so little, together we can do so much.”

May this gathering be a venue for solidarity among your members and the clients you serve – the homes, industries, and municipalities powered by LANECO.

Let this assembly affirm the significance to the continuing success of LANECO.

PLUS VIRTUTIS LANECO!!!


LEONCIO C. BAGOL
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA O DEL NORTE
Municipality of Bacolod



My heartfelt greetings to Lanao del Norte Electric Cooperative, Incorporated (LANECO) on our 42nd General Membership Assembly and 46th Foundation Anniversary!

This year’s theme: “Empowering Member-Consumer-Owners: Key Towards EC Viability and Sustainability” has recognized us a catalyst to strengthen efforts to effective and efficient approach on management excellence that leads to sustained dynamic development.

Effective approach for Management by Objective is the best available solution to excel and improve our services. It recognizes us member-consumers’ importance in establishing development as we continue to embrace challenges to move forward and improve the momentum of growth to the entire LANECO family center.

I am convinced that we will continue to rise because we have a very capable management group with visionary and goal oriented Board of Directors. As consumer-member of this cooperative, I will rise up with you, as one of the key, in promoting and implementing EC Viability and Sustainability; together with the full support of the people of Bacolod Lanao del Norte.

I congratulate the entire workforce, the pillar behind our achievement and our catalyst to rise up, over and beyond challenges. We will continue to prosper, increase and sustain our capability to address power shortage.

MaSIDLAKONG LANECO! Bacolod, Padayon Pagsidlak! God bless!


ENGR. JOSELITO E. MIQUIABAS
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Munai



It is with great pleasure and honor that I convey my warmest felicitations and congratulations to the officials and other power functionaries of the Lanao del Norte Electric Cooperative, Inc. (LANECO), as well as the member-consumer-owners (MCOs) of the cooperative on the occasion of the cooperative's 42nd Annual General Membership Assembly and 46th Foundation Anniversary on May 27, 2018.

Electric cooperatives are crucial in the development of rural communities as they power industries, thus allowing the local residents to grow and prosper and enable the people to thrive.

No less than President Rodrigo Roa Duterte has time and again stressed the need to accelerate development of the rural areas to allow the national wealth to be shared among economically disadvantaged groups in the country.

On the other hand, NEA Administrator Edgardo R. Masongsong has claimed that NEA, along with the 121 electric cooperatives (ECs) nationwide supports the vision as it is through rural electrification that we can level the playing field and achieve inclusive growth.

No doubt, LANECO has remained steadfast and true to its mission of uplifting the lives of the people of Lanao del Norte and has adopted measure in the delivery of quality and efficient service to member-consumer-owners (MCOs) while continuously improving its overall operational performance that will redound to the socio-economic upliftment of the Filipinos in the rural communities. It is hoped that LANECO will come up with innovative plans and programs that will guarantee the welfare and well being of the electricity consumers and provide sufficient supply of affordable energy.

We are confident that with improved power services, LANECO will be instrumental in pushing the government's common advocacies on poverty alleviation, education and people empowerment.

Again, congratulations and may your commitment inspire others to work for change and prosperity in the countryside. MABUHAY and keep up the good work.


CASAN M. MAQUILING
Municipal Mayor



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

AssalamuAlaikumWaRahmatullahiWaBarakatuh!

Greetings!

Today marks the forty-six years of service to the people of Lanao del Norte. LANECO is a pride of the province of Lanao del Norte, an invaluable and beloved institution that contributed greatly to the success of this Province. Thus, it is imperative for us to commemorate and celebrate another year of success for LANECO, and its achievements be lauded.

For Forty-six years, LANECO has been hand in hand in helping the province of Lanao del Norte reach greater heights. LANECO is a well-loved institution in the Province, not only by its member-contributors, but by all the stakeholders inside Lanao del Norte. This brand of service is a remarkable attribute by the leaders and founders of this Cooperative.

This year, LANECO has braved greater heights in bettering the service to the people of Lanao del Norte. To everyone who wishes the best for our Electric Cooperative, join me in congratulating LANECO for another year of service to the Province of Lanao del Norte and to its people.

As LANECO continues to power our machineries and homes and streets that make our everyday life easier and convenient, let us also give them a warm applause for doing a good job that is envisioned by its founders forty-six years ago.

LANECO is here for the people of Lanao del Norte. Thus, it is in the present management's minds to continue their work in attaining sustainable energy for the province, one that is accessible to all at lower rates than their counterparts in the neighboring provinces. Let us all continue in supporting the initiatives of LANECO in combating the hardships that our energy sector still faces today.

As a true partner of the Province of Lanao del Norte, and being true to its mission, LANECO should continue in pursuing their goals for the betterment of the people of Lanao del Norte.

I commend the management, and all the employees behind LANECO for staying true to their mandate of providing efficient service to their consumers. Forty six years is not an easy job, but you should strive for more achievements and initiatives that will inevitably be beneficial to your member-consumers.

In closing, I would like to reiterate my warmest felicitations to LANECO. LANECO is not LANECO without the hard work and dedication of the people behind it. And with this, LANECO is indeed the pride of this Province. Cheers to all of you and Happy Anniversary!

Thank you.




MOHAMAD KHALID D. DIMAPORO
Representative, 1st District, Lanao del Norte



The Philippine Rural Electric Cooperatives Association, Inc. (PHILRECA) would like to congratulate Lanao del Norte Electric Cooperative, Inc. (LANECO) on holding its 42nd Annual General Membership Assembly (AGMA).

Forty two years of celebrating General Membership Assembly is a proof of your dedication in providing the member-consumer-owners of Lanao del Norte of a responsive and excellent service.

This year's theme, "Empowering Member-Consumer-Owners: Key Towards EC Viability and Sustainability" conveys that LANECO has recognized that the member-consumers have taken a pro-active role as agents of change contributing to economic development in partner with the electric cooperatives.

With the success of the cooperative, I urge the management and staff together with the members of the Board of Directors of Lanao del Norte Electric Cooperative, Inc. to continue your best practices, be united and collectively work to further improve the operation of the cooperative especially now with the passage and enhancement of the TRAIN Law.

I am hopeful that you will continue to be a partner of PHILRECA towards the total common goal of electric cooperatives and securing the welfare of the member-consumers through provision of affordable and reliable electric service. Once again, congratulations and mabuhay!

"United we stand, divided we fall"



PRESLEY C. DE JESUS
PHILRECA President



NORTHERN MINDANAO ELECTRIC COOPERATIVE ASSOCIATION, INC.
(NORMECA-REGION X)
Laguindingan, Misamis Oriental

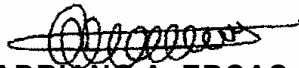


It is my pleasure to express my appreciation and congratulations to the officers, employees, and valued member-consumer-owners of Lanao del Norte Electric Cooperative, Inc. (LANECO) on your double celebration: the 42nd Annual General Membership Assembly (AGMA) and 46th Foundation Anniversary to fall on May 27, 2018 with a sensible theme “Empowering Member-Consumer-Owners: Key Towards EC Viability and Sustainability.”

Your theme is currently the blatant approach and direction of every electric cooperative in the country pivoted towards intensifying electrification development programs. Serving and valuing our Member-Consumer-Owners (MCOs) who play a vital role in any Electric Cooperative (EC) should be strengthened and be nourished or nurtured because they’re the ones who defend the cooperative in anyways when encountering challenges in its operation. Likely, through them and with them, they’re considered to be the spine of the coops. Yes, we may have all the difficulties and challenges in our day to day operations but if we were able to convey to our MCO the essence of their cooperation and participation, relationship between ECs employees, officers and MCOs foster unity and sustain peace within the organization.

Being your Northern Mindanao Electric Cooperative Association (NORMECA) President, I am wishing LANECO and every electric cooperative to succeed in its undertakings. Let us get up and stand up with one voice in crafting a brighter future of all ECs!

Mabuhay and more Power!


ADRIANO A. EBCAS
NORMECA President/
CAMELCO General Manager



President's Message

Peace and God's abundant blessings be upon us all!

In behalf of the Board of Directors, Management Staff, employees and associates, my warmest welcome to everyone as we hold our 42nd Annual General Membership Assembly and 46th Foundation Anniversary.

May these two events be a thanksgiving to our Heavenly Father for all the blessings and graces bestowed upon us which are significant milestones in our more than four decades of bringing light to every home in the province of Lanao del Norte, and such other conveniences brought about by electricity.

This year's theme is "Empowering Member-Consumer-Owners: Key Towards EC Viability and Sustainability". Through the years, we have survived the many challenges in the pursuit of our mission, vision and goals. We believe that empowered MCOs will make a difference to the operation of LANECO.

Viability springs from empowerment towards self-reliant ownership's real spirit of cooperativism represented by the Multi-Sectoral Advisory Council (MSEAC), organized MCOs through the Member Consumer Empowerment Program (MCEP), the creation of the National Center of the EC Consumers (NCECCO), to name a few, in so far as they are relevant, who are themselves EMPOWERED to help their electric cooperative in all facets of its undertakings.

As you open the pages of this Annual Report, may you enjoy the pleasant good news that refreshes our faith, renew our optimism, lifts up our spirits to hope and remain steadfast.

In all things we do, we hope God may be glorified!

Thank you.


ELMIRA G. OLAVIDES, Ed. D
Board President



Project Supervisor Acting General Manager's Message

A warm welcome to all of you as we gather to celebrate our 42nd AGMA and 46th Foundation Anniversary all rolled into one.

May is a special month for the Lanao del Norte Electric Cooperative, Inc. as it not only gather the Member-Consumer-Owners (MCOs) for its Annual General Membership Assembly (AGMA) but it is also a celebration of thanksgiving of its birth in this beautiful province of Lanao del Norte.

This is another occasion for us to refresh and reaffirm our core values that distinguishes LANECO to be equally better if not much better than others.

Since the time President Rodrigo Roa Duterte was catapulted to the Presidency, as we knew, love of country and genuine service to fellow human beings have been engraved. The provision of reliable and efficient electric service to consumers in the grassroot level is his priority thrust.

I am both honored and inspired at having sent by the National Electrification Administration and served LANECO as your Project Supervisor/Acting General Manager since 2014 which is gratifying. LANECO simply reconfigured herself to meet the demands of the times.

From the looks of it, the 2017 operations was an event-filled year. Our Annual Report is a collage of prismatic images depicting another significant miles and remarkable feats more particularly described in the pages inside this souvenir program.

In our journey for the past 46 years, we thank all of you as we continue to deliver safe, reliable and reasonable electricity rate to everyone. As had been said many times, it is our mandate that no household will be left behind without enjoying the benefits of electricity, thus, we shall continue our mandate.

I sincerely thank you for the opportunity to serve you.

Long live LANECO! Mabuhay MCOs!


SHERWIN C. MAÑADA, CPA
PS/ Acting General Manager

COOPERATIVE PROFILE

(As of December 31, 2017)

Seat of Headquarters/ Main Office	Sagadan, Poblacion, Tubod, Lanao del Norte
Coop Headquarters Site Donor	The Heirs of Don Rufo Lao dela Cruz
Founding Father of LANEKO	Provincial Governor Arsenio A. Quibranza
First Board President	Manuel V. Pangilinan
First General Manager	Demosthenes B. Dingcong
Provincial Electric Cooperative Team Chairman	Jose A. Camacho, Jr.
Year of Completion of Feasibility Studies	1971
Date of Registration & Incorporation	May 27, 1972
Sources of Power	<ul style="list-style-type: none"> • FILINVEST Development Corporation: Coal • San Miguel Consolidated Power Corporation • National Power Corporation / Power Sector Assets and Liabilities Management Corporation • King Energy Generation Incorporated • Total Power Incorporated
Date of Start of Operation	January 1, 1973
Date of First Backbone Line Construction	September 16, 1974
Date of First Energization Ceremony	December 30, 1974
Venue of First Energization Ceremony	Poblacion, Bacolod, Lanao del Norte
First Municipalities Energized	Linamon, Kauswagan and Bacolod
Date of Completion of Backbone Line Construction	March 1, 1977
Date of First District Election	April 19, 1977
Date of First Annual General Membership Assembly (AGMA)	May 27, 1977
First AGMA Guest of Honor	Honorable Emmanuel N. Pelaez Father of Philippine Rural Electrification Program
Date of First Amortization of First Loan	March 1980
Date of First Amortization of Second Loan	February 1982
Sister Electric Cooperative in Prosser, Washington, U.S.A.	Benton Rural Electric Association (Benton REA)
Date of Endorsement of the Sister Coop Relationship Between LANEKO & Benton REA by the National Rural Electric Cooperatives Association (NRECA) of U.S.A.	December 30, 1982
Date of Provisional Registration with the CDA	March 29, 1993
Coop Categorization	A
Coop Classification	Mega Large
No. of Branch Offices & Service Center Established	7
No. of Districts Served	12
No. of Employees	152
No. of Consumers Served Per Employee	632
No. of Municipalities Within the Franchise Area	18
No. of Energized Municipalities Within the Franchise Area	18
No. of Potential Connections	125,780
No. of Connections Served	95,795
Percentage of Accomplishment	76%
No. of Potential Barangays	410
No. of Energized Barangays	401
No. of Barangays Served Outside the Franchise Area	6
Percentage of Accomplishment	98%
No. of Members	88,125
Average Rate per KWH	8.54
Collection Efficiency	97%
Power Cost In Pesos	679,459,402.00
Energy Sales	790,041,908.00
Kilowatt-hours Purchased	95,102,073.00
Kilowatt-hours Sold	77,079,866.00
System Loss	18.95%
Kilometers of Lines Built	3,770.003
Megawatt Load (Averaging)	16.967
Load Factor (%)	66.83%
Power Factor (%)	99.86%
Substation Capacity	25 MVA
Total No. of National Recognitions Garnered	66



REPORT on the TECHNICAL ACCOMPLISHMENTS

H I G H L I G H T S

LENGTH OF LINES

		2016	2017			2016	2017
Primary Lines	Kilometers			Total Coop Kilowatt-hour Consumption		435,548.40	339,237.60
Three Phase		197.137	201.787	Total Kilowatt-hour Purchased		90,263,267.80	95,102,073.00
Vee Phase		185.931	185.931	Total Kilowatt-hour Sold		72,616,219.00	77,079,865.50
Single Phase		1,052.90	1,067.38	System Loss in Percentage		19.55%	18.95%
Double Circuit		3.030	3.030	System Load Factor in Percent		65.46%	66.83%
Total		1,439.00	1,458.128	System Power Factor In Percent		99.54%	99.86%
Secondary Lines	Kilometers			No. of NGCP Metering Points		3	3
Underbuilt		985.52	993.29	Substation Capacity (MVA)		25	25
Open		1,299.61	1,318.59				
Total		2,285.13	2,311.875				
Over-all Total		3,724.12	3,770.003				

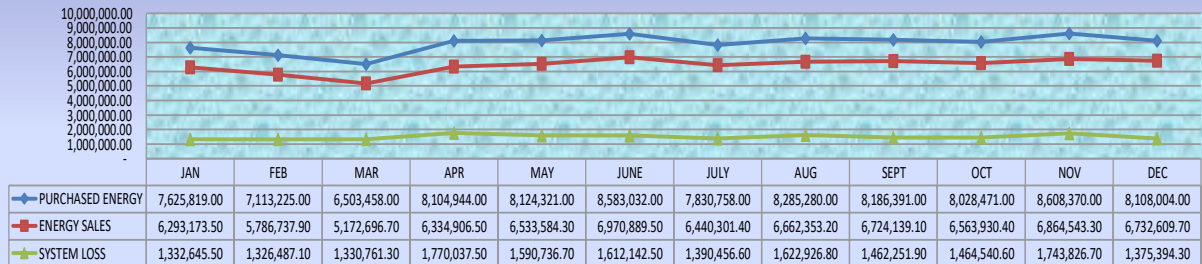
No. of Units	Capacity	Location
1	5 MVA	Curvada, Kapatagan, LN
1	10 MVA	Curvada, Kapatagan, LN
1	10 MVA	Bagumbayan, Kauswagan, LN

2017 System Loss Report

Month	Purchased Energy (KWhr)	Energy Sales (KWhr)	Coop Consumption (KWhr)	Total Energy Sales (KWhr)	System Loss (KWhr)	System Loss (%)
JANUARY	7,625,819.00	6,293,173.50	26,980.40	6,293,173.50	1,332,645.50	17.48%
FEBRUARY	7,113,225.00	5,786,737.90	26,767.30	5,786,737.90	1,326,487.10	18.65%
MARCH	6,503,458.00	5,172,696.70	25,280.50	5,172,696.70	1,330,761.30	20.46%
APRIL	8,104,944.00	6,334,906.50	31,961.10	6,334,906.50	1,770,037.50	21.84%
MAY	8,124,321.00	6,533,584.30	32,304.10	6,533,584.30	1,590,736.70	19.58%
JUNE	8,583,032.00	6,970,889.50	33,621.10	6,970,889.50	1,612,142.50	18.78%
JULY	7,830,758.00	6,440,301.40	33,860.80	6,440,301.40	1,390,456.60	17.76%
AUGUST	8,285,280.00	6,662,353.20	35,653.10	6,662,353.20	1,622,926.80	19.59%
SEPTEMBER	8,186,391.00	6,724,139.10	34,349.10	6,724,139.10	1,462,251.90	17.86%
OCTOBER	8,028,471.00	6,563,930.40	31,462.60	6,563,930.40	1,464,540.60	18.24%
NOVEMBER	8,608,370.00	6,864,543.30	26,997.50	6,864,543.30	1,743,826.70	20.26%
DECEMBER	8,108,004.00	6,732,609.70	26,997.50	6,732,609.70	1,375,394.30	16.96%
TOTAL	95,102,073.00	77,079,865.50	366,235.10	77,079,865.50	18,022,207.50	18.95%

2017 PURCHASED ENERGY, ENERGY SALES AND SYSTEM LOSS IN KILOWATT - HOUR

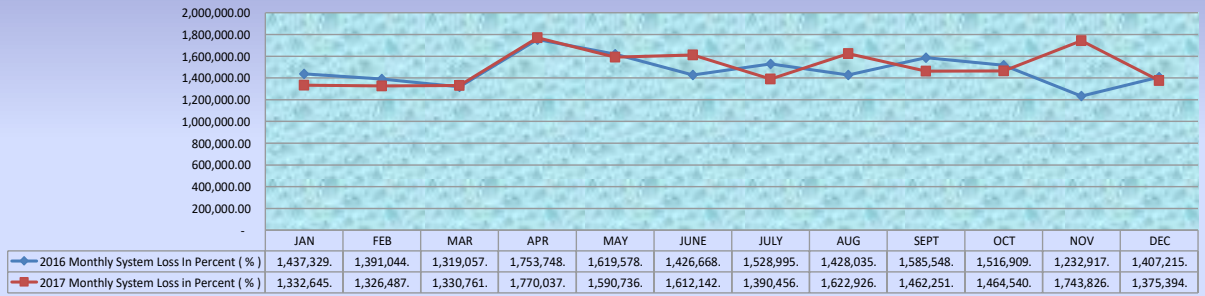
KILOWATT - HOUR



2016 & 2017 COMPARATIVE MONTHLY SYSTEM LOSS IN PERCENT (%)

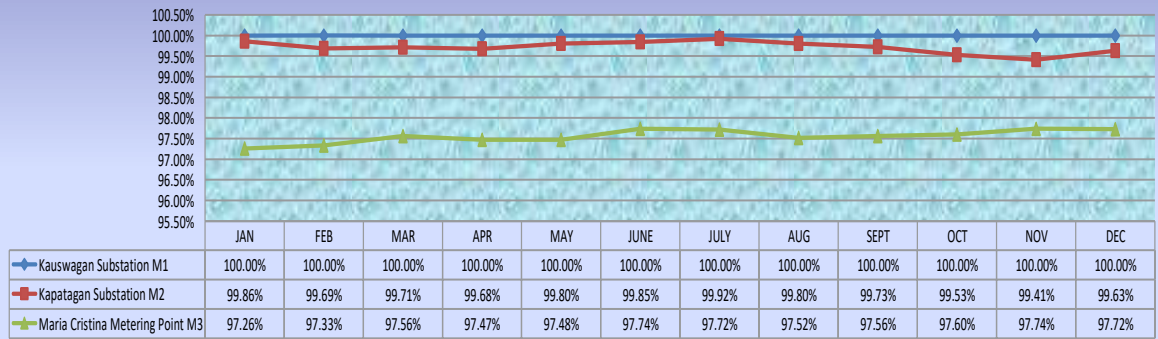
AVERAGE : 2016- 19.55% * 2017-18.95%

System Loss in Percent (%)



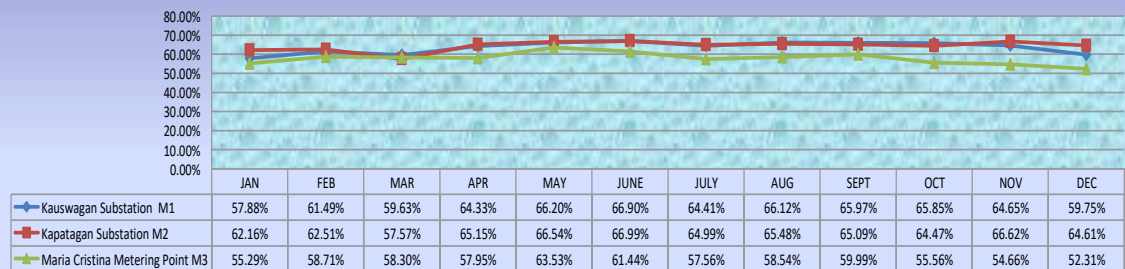
2017 POWER FACTOR PER METERING POINT IN PERCENT (%)

PERCENT (%)



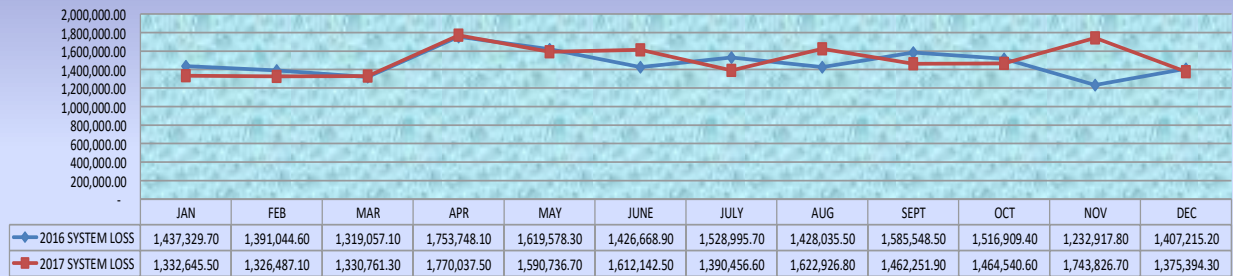
2017 LOAD FACTOR PER METERING POINT IN PERCENT (%)

PERCENT (%)



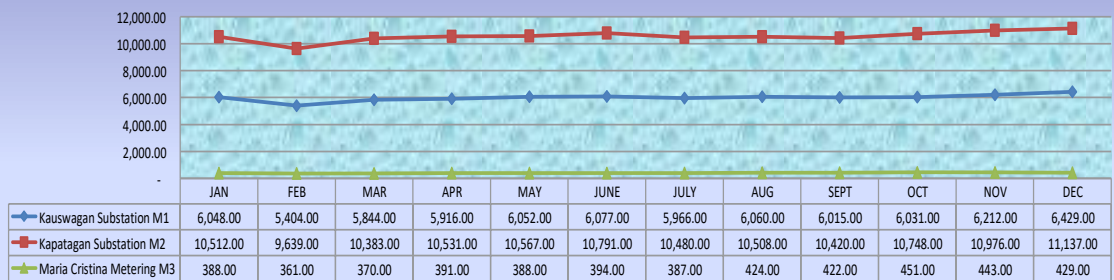
2016 & 2017 COMPARTIVE MONTHLY SYSTEM LOSS IN KILOWATT - HOUR

System Loss in Kilowatt - Hour



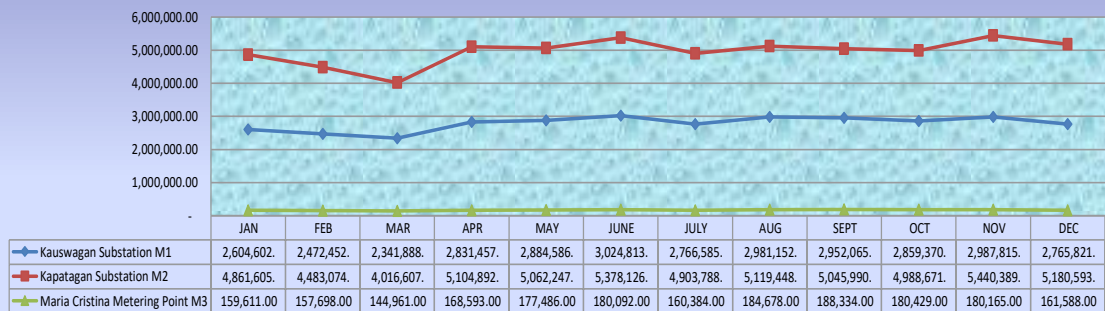
2017 MAXIMUM DEMAND PER METERING POINT IN KILOWATTS

KILOWATTHOUR



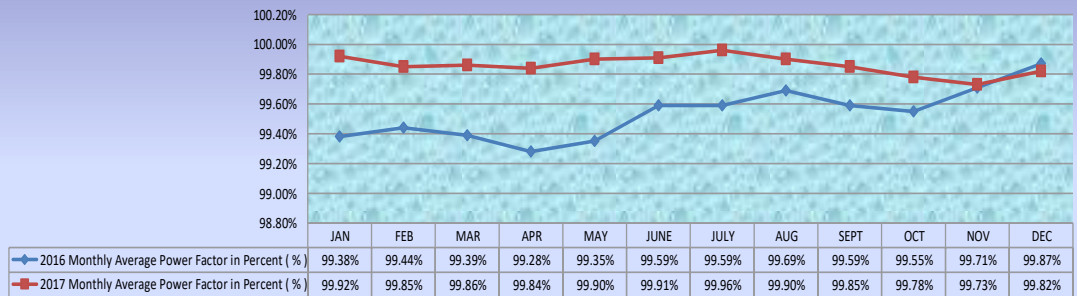
2017 PURCHASED ENERGY PER METERING POINT IN KILOWATT - HOUR

KILOWATTS



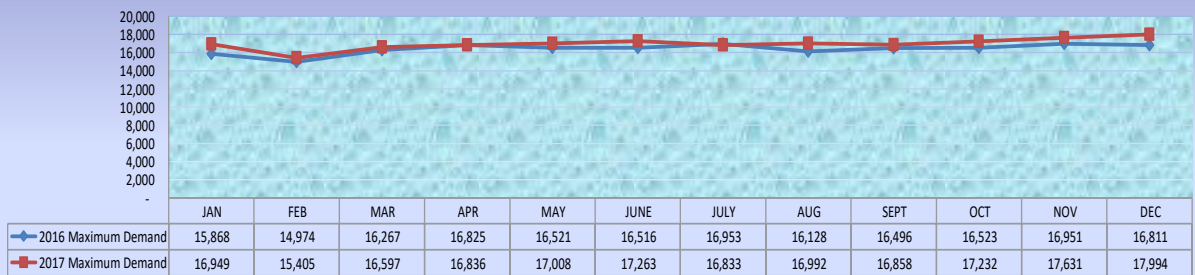
2016 & 2017 AVERAGE POWER FACTOR IN PERCENT (%)

PERCENT (%)



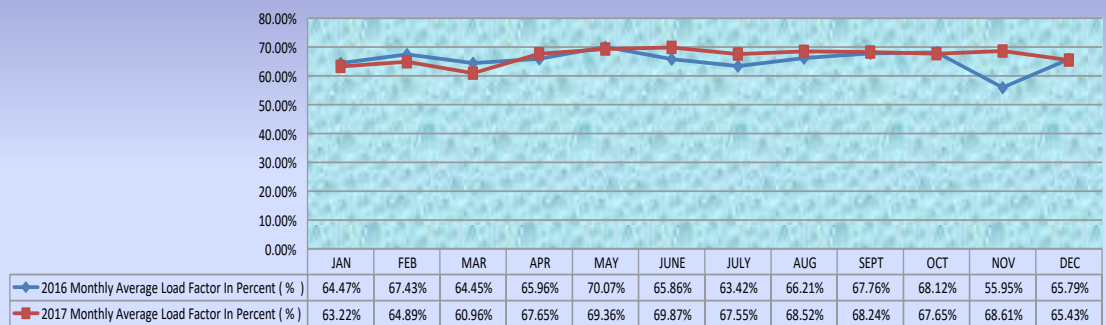
2016 & 2017 COMPARATIVE MAXIMUM DEMAND IN KILOWATTS

KILOWATTS



2016 & 2017 AVERAGE LOAD FACTOR IN PERCENT (%)

PERCENT (%)



KILOMETERS OF LINES COMPLETED (ENERGIZED)										
REHABILITATION										
	LINE	WORK PLAN	DATE COMPLETED	REHABILITATION						
				DC	3-PHASE	V-PHASE	1-PHASE	O.S	U.B	TOTAL
1	Line rehabilitation at Purok 6, Balagatasa, Maigo, LDN. (Service Pole)		1/4/2017					0.040		0.040
2	Line rehabilitation at Purok 5, Butadon, Kapatagan, LDN.		1/5/2017					0.240		0.240
3	Secondary line rehabilitation at Purok 3, Bagong Dawis, Baroy, LDN.(Service Pole)		4/5/2017					0.050		0.050
4	Secondary line rehabilitation at Purok 2, Liangan West, Maigo, LDN.		6/28/2017					0.300		0.300
5	Secondary line rehabilitation at Purok 3 Upper Kulasihan, Maigo, LDN.		9/29/2017					0.280		0.280
	TOTAL				0.000		0.000	0.910	0.000	0.910

KILOMETERS OF LINES COMPLETED (ENERGIZED)										
EXPANSION										
	LINE	WORK PLAN	DATE COMPLETED	EXPANSION						
				DC	3-PHASE	V-PHASE	1-PHASE	O.S	U.B	TOTAL
1	Primary and secondary line extension (single phase) at Sitio Bay-ang Palao, Tubod, LDN.		1/28/2017				2.225	1.580	0.850	4.655
2	Primary and secondary line extension (single phase) at Purok 4, Raw-an, Lala, LDN.		1/10/2017				0.480	0.400		0.880
3	Primary and secondary line extension (single phase) at Purok 5, Upper Butadon, Kapatagan, LDN		1/7/2017				0.210	0.480	0.050	0.740
4	Secondary line extension at Purok 3, Tinago, Linamon, LDN.		1/7/2017					0.080		0.080
5	Secondary line extension at Purok 6, Demolugan, Bacolod, LDN.		1/14/2017					0.090		0.090
6	Primary and secondary line extension (single phase) at Purok 3B, Purakan, Linamon, LDN.		2/2/2017				0.270	0.660	0.270	1.200
7	Primary and secondary line extension (single phase) at Purok 1 & 2, Mahayahay, SND, LDN.		2/13/2017				0.540	2.320		2.860
8	Primary and Secondary line extension (single phase) at Brgy. Pendulonan, Munai, LDN.		2/21/2017				3.675	1.210	3.010	7.895
9	Primary and secondary line extension (single phase) at Brgy. Bacayawan, Munai, LDN.		2/21/2017				0.970	2.550	0.890	4.410
10	Secondary line extension at Purok 1, Purakan, Linamon, LDN.		2/2/2017					0.665		0.665
11	Secondary line extension at Purok 2, Pigkarangan, Tubod, LDN.		2/20/2017					0.110		0.110
12	Secondary line extension at Purok 5, Pigkarangan, Tubod, LDN.		2/22/2017					0.035		0.035
13	Secondary line extension at Purok 3, Mahayahay, SND, LDN.		2/15/2017					0.160		0.160
14	Primary and secondary line extension (single phase) at Purok 2, (Gawad Kalinga) Napo, Linamon, LDN.		3/6/2017				0.190	0.190		0.380
15	Primary and secondary line extension (single phase) at Purok 3, Mate, Bacolod, LDN.		3/23/2017				0.790	1.000	0.180	1.970
16	Primary and secondary line extension (single phase) at Purok 2, Mate, Bacolod, LDN.		3/23/2017				0.705	0.870	0.345	1.920
17	Primary and secondary line extension (single phase) at Purok 3, Butadon, Kapatagan, LDN.		3/11/2017				0.560	0.330	0.490	1.380
18	Secondary line extension at Sitio Mambadian, Bualan, Tubod, LDN.		3/27/2017					0.220		0.220
19	Secondary line extension at Palomaria, SND, LDN.		3/16/2017					0.210		0.210
20	Secondary line extension at Sitio Hawak, Purok 3, Kahayag, Bacolod, LDN.		4/5/2017					0.500		0.500
21	Primary line conversion from vee phase to three phase from Bauyan, SND, LDN.		4/19/2017		3.130					3.130
22	Primary line extension (three phase) for Bauyan Stone Crusher at Bauyan, SND, LDN.		4/19/2017		0.265					0.265
23	Primary line extension (three phase) for Stone Crusher at Ilian, SND, LDN.		4/24/2017		0.490					0.490
24	Primary and secondary line extension (single phase) at Purok 1A, Mate, Bacolod, LDN.		5/4/2017				0.450	0.320	0.320	1.090

KILOMETERS OF LINES COMPLETED (ENERGIZED)

EXPANSION

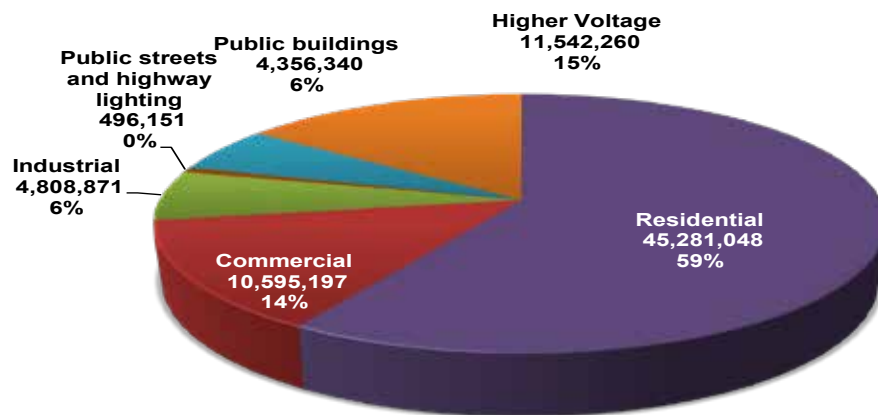
	LINE	WORK PLAN	DATE COMPLETED	EXPANSION						TOTAL
				DC	3-PHASE	V-PHASE	1-PHASE	O.S	U.B	
25	Secondary line extension at Purok 2, Kahayag, Bacolod , LDN.		5/4/2017					0.280		0.280
26	Secondary line extension at Inudaran, Kauswagan, LDN. (under built)		5/19/2017						0.465	0.465
27	Secondary line extension at Purok 2, Kalilangan, Tubod, LDN. (underbuilt)		6/28/2017						0.100	0.100
28	Secondary line extension at Purok 3, Pacita, Lala, LDN.		6/30/2017					0.220		0.220
29	Secondary line extension at Purok 1, San Antonio, Tubod, LDN. (under built)		7/5/2017						0.160	0.160
30	Primary and secondary line extension (single phase) at Purok 1, Tipolo, Kapatagan, LDN.		7/29/2017				0.270	1.300	0.270	1.840
31	Primary and secondary line extension (single phase) at Purok 4, Tipolo, Kapatagan, LDN.		7/29/2017				0.580	0.810	0.430	1.820
32	Primary and secondary line extension (single phase) at Babalaya, Bacolod, LDN. (water system)		8/2/2017				0.140	0.160		0.300
33	Secondary line extension at Pangí, Matungao, LDN.		8/5/2017					0.190		0.190
34	Primary line extension (single phase) at Punod, Bacolod, LDN. (water system)		8/7/2017				0.600			0.600
35	Primary line extension (single phase) at Sitio Panguil, Lanipao, Lala, LDN. (Mayor Allan Lim Building)		8/13/2017				0.040			0.040
36	Conversion of line from open secondary to single phase primary line at Andil, Baroy, LDN. (water system)		8/31/2017				1.020			1.020
37	Secondary line extension at Purok 3, San Vicente, Kapatagan, LDN. (LGU Kapatagan Housing Project)		9/28/2017					0.200		0.200
38	Primary line extension (single phase) at Anunang, Aurora, Zamboanga Del Sur. (Eco Tourism Park)		9/29/2017				0.370			0.370
39	Secondary line extension at Purok 2, San antonio, Tubod, LDN.		10/27/2017					0.300		0.300
40	Primary line extension (single phase) at Poblacion, Salvador, LDN.		11/2/2017				0.120			0.120
41	Primary line extension (three phase) at Simbuco, Kolambugan, LDN.		11/7/2017		0.080					0.080
42	Primary and secondary line extension (single phase) at Purok 5, Mamagum, SND, LDN.		11/14/2017				0.250		0.250	0.500
43	Secondary line extension at Sitio Kalabera Purok 1, Kalabera, SND, LDN.		11/16/2017					0.400		0.400
44	Primary line extension (single phase) at Crossing, Poblacion, Tubod, LDN. (A&A Park Lane)		11/20/2017				0.025			0.025
45	Primary line extension (three phase) at Purok 1 Bagong Dawis, Baroy, LDN.		11/27/2017		0.200					0.200
46	Conversion of line from single phase to three phase primary line at Purok 1, Bagong Dawis, Baroy, LDN.		11/27/2017		0.550					0.550
47	Primary line extension (three phase) at Poblacion, Kapatagan, LDN. (Delbert Jon's Polyclinic)		12/3/2017		0.060					0.060
48	Conversion of line from single phase to three phase primary line at Pigcarangan, Tubod, LDN.		12/13/2017		0.140					0.140
49	Primary and secondary line extension (single phase) at Pangí, Matungao, LDN. (Bakwit Village)		12/26/2017				0.085	0.850	0.035	0.970
TOTAL					4.915	0.000	14.565	18.690	8.115	46.285



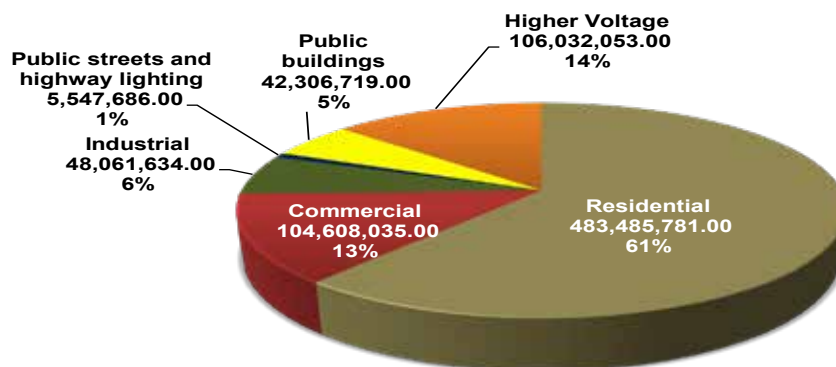
REPORT on the FINANCIAL PERFORMANCE

2017 FINANCIAL HIGHLIGHTS	
ENERGY SALES (In Pesos)	790,041,908.00
POWER COST (In Pesos)	679,459,402.00
KwH SOLD	77,079,866.00
KwH PURCHASED	95,102,073.00
AVERAGE RATE PER KWH	8.54
OPERATING EXPENSES & OTHERS	154,194,199.00
COLLECTION EFFICIENCY	97%
PROMPT PAYMENT DISCOUNT TO PSALM	842,914.68
PAYMENT TO SUPPLIER / NEA	CURRENT

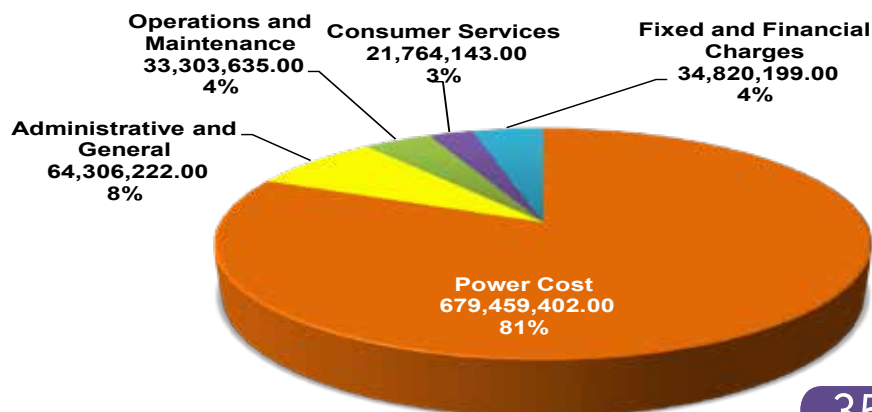
2017 KwH Sales Per Consumer Type



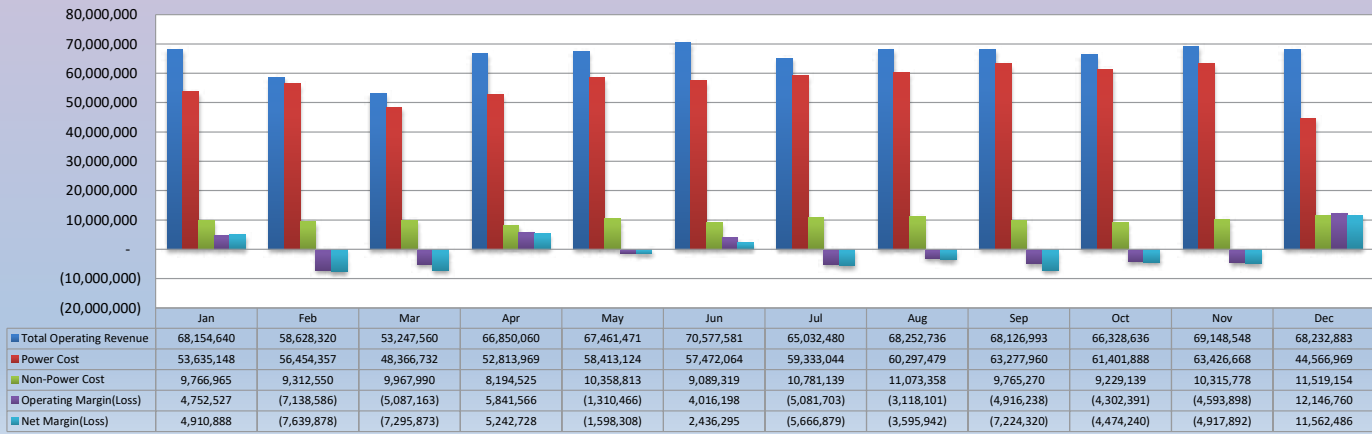
2017 Sales (In Pesos) Per Consumer Type



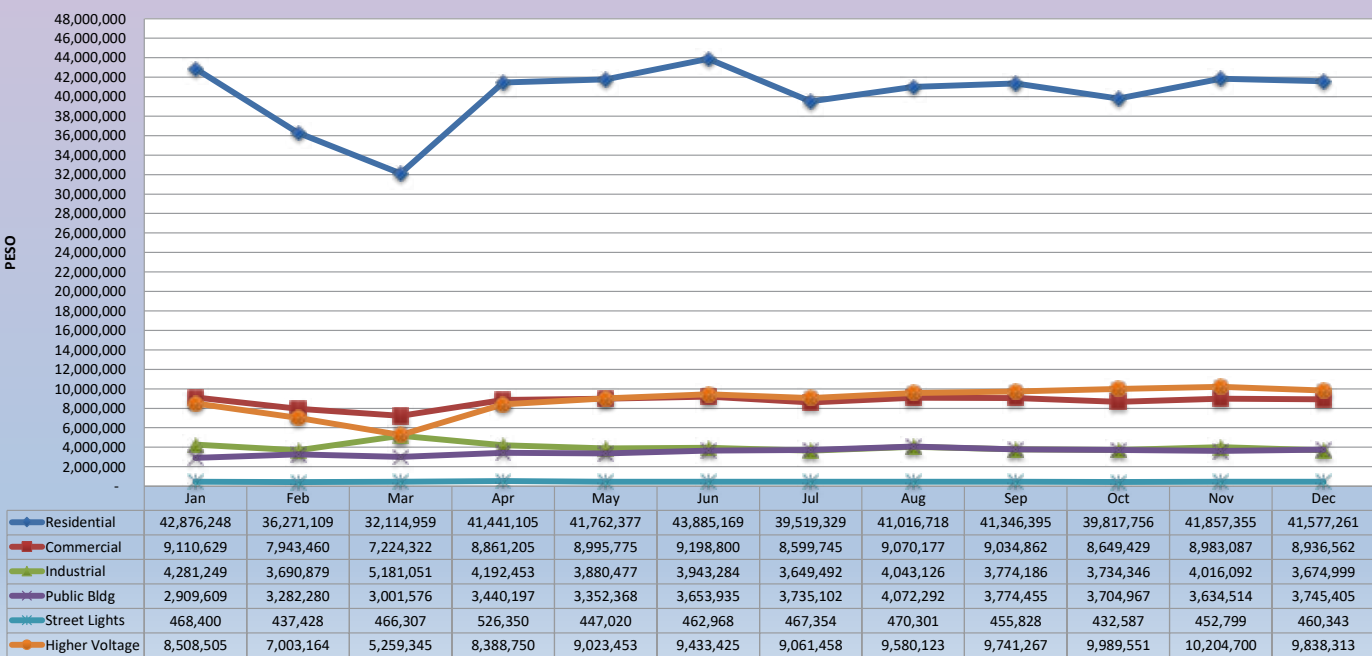
2017 Revenue Uses



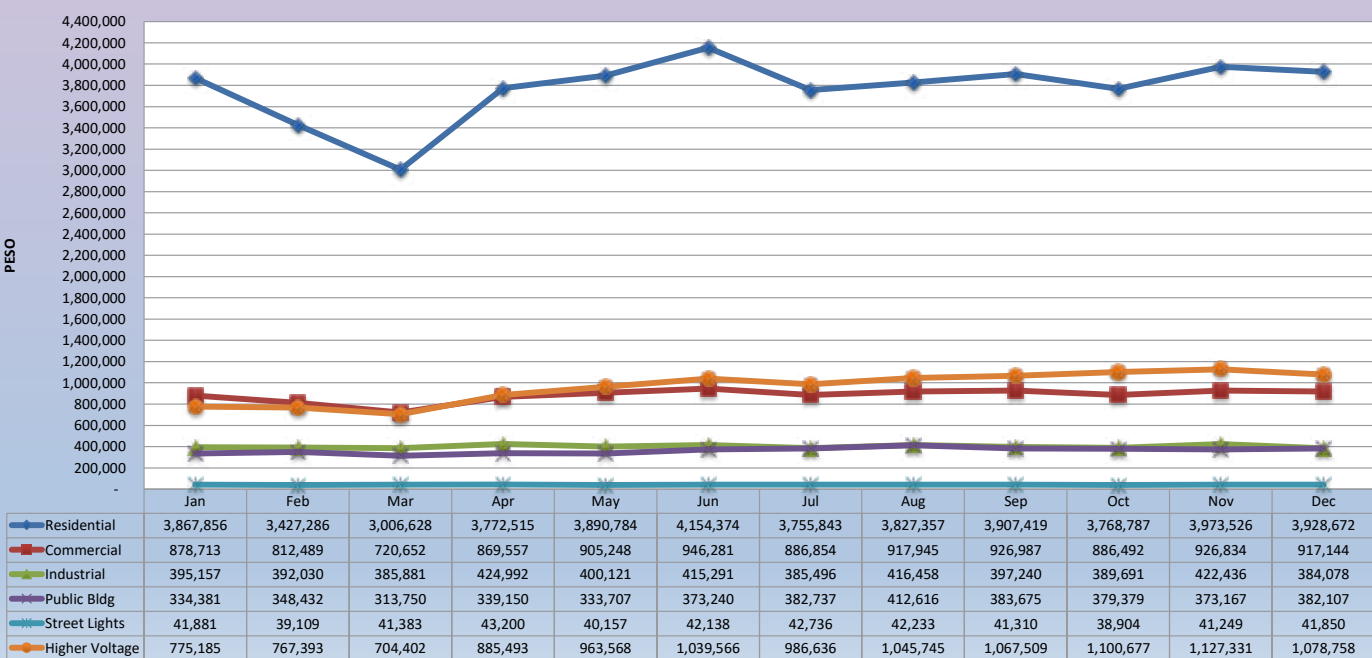
2017 OPERATING REVENUE, POWER COST, NON-POWER COST, OPERATING MARGIN / (LOSS) & NET MARGIN (LOSS)



2017 MONTHLY OPERATING REVENUE FROM KWH SALES PER CONSUMER TYPE



2017 MONTHLY KWH SALES PER CONSUMER TYPE



YEAR 2017 KWH PURCHASED AND SOLD

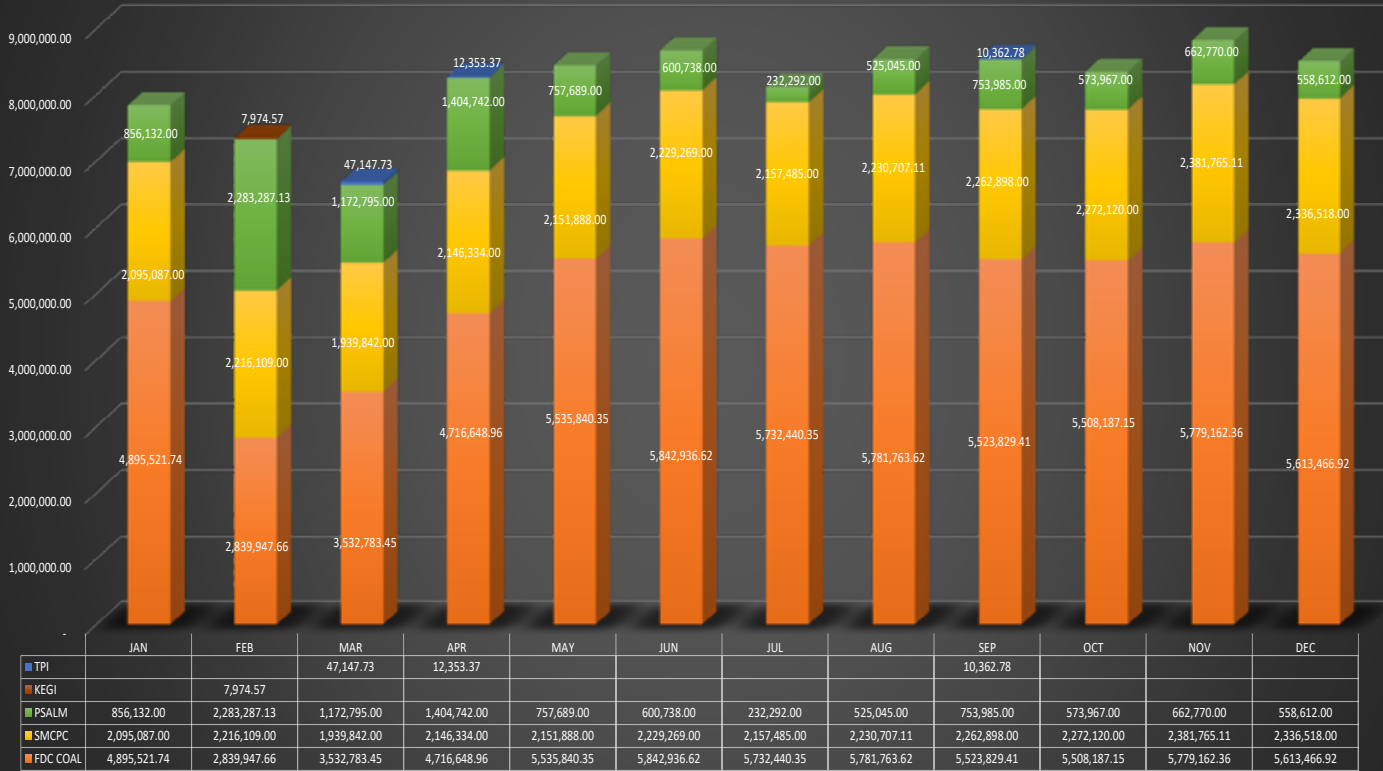
PURCHASES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
SUPPLY MONTH	Dec. 26 - Jan. 25	Jan. 26 - Feb. 25	Feb. 26 - Mar. 25	Mar. 26 - Apr. 25	Apr. 26 - May 25	May. 26 - Jun. 25	Jun. 26 - Jul. 25	Jul. 26 - Aug. 25	Aug. 26 - Sept. 25	Sept. 26 - Oct. 25	Oct. 26 - Nov. 25	Nov. 26 - Dec. 25
FDC COAL	4,895,521.74	2,839,947.66	3,532,783.45	4,716,648.96	5,535,840.35	5,842,936.62	5,732,440.35	5,781,763.62	5,523,829.41	5,508,187.15	5,779,162.36	5,613,466.92
SMCPCC	2,095,087.00	2,216,109.00	1,939,842.00	2,146,334.00	2,151,888.00	2,229,269.00	2,157,485.00	2,230,707.11	2,262,898.00	2,272,120.00	2,381,765.11	2,336,518.00
PSALM	856,132.00	2,283,287.13	1,172,795.00	1,404,742.00	757,689.00	600,738.00	232,292.00	525,045.00	753,985.00	573,967.00	662,770.00	558,612.00
KEGI		7,974.57										
TPI			47,147.73	12,333.37					10,362.78			
TOTAL PURCHASED	7,846,740.74	7,347,318.36	6,692,568.18	8,280,078.33	8,445,417.35	8,672,943.62	8,122,217.35	8,537,515.73	8,551,075.19	8,354,274.15	8,823,697.47	8,508,596.92
NGCP/TRANSMISSION	7,625,819.00	7,113,225.00	6,503,458.00	8,104,944.00	8,124,321.00	8,583,032.00	7,830,758.00	8,285,280.00	8,186,391.00	8,028,471.00	8,608,370.00	8,108,004.00

SOLD KWH PER CONSUMER TYPE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
RESIDENTIAL	3,867,856.4	3,427,285.6	3,006,628.0	3,772,514.7	3,890,784.2	4,154,374.4	3,755,842.6	3,827,357.2	3,907,419.2	3,768,787.3	3,973,525.9	3,928,672.1
LOW VOLTAGE	1,650,132.2	1,592,059.7	1,461,666.7	1,676,899.2	1,679,232.1	1,776,949.5	1,697,823.0	1,789,251.4	1,749,211.3	1,694,466.3	1,763,686.4	1,725,179.8
COMMERCIAL	878,713.2	812,489.1	720,652.1	869,557.3	905,247.6	946,281.3	886,854.2	917,944.7	926,986.7	886,492.2	926,833.8	917,144.3
P. BUILDING	334,381.0	348,431.6	313,749.9	339,149.8	333,706.9	373,239.7	382,737.3	412,616.0	383,674.7	379,378.6	373,167.3	382,106.7
ST. LIGHT	41,881.3	39,109.0	41,383.4	43,200.0	40,156.9	42,138.0	42,735.5	42,232.6	41,310.4	38,904.2	41,249.3	41,850.4
INDUSTRIAL	395,156.7	392,030.0	385,881.3	424,992.1	400,120.7	415,290.5	385,496.0	416,458.1	397,239.5	389,691.3	422,436.0	384,078.4
HIGHER VOLTAGE	775,184.9	767,397.6	704,402.0	885,492.6	963,568.0	1,039,565.6	986,635.8	1,045,744.6	1,067,508.6	1,100,676.8	1,127,331.0	1,078,757.8
TOTAL SALES	6,293,173.5	5,786,737.9	5,172,696.7	6,334,906.5	6,533,584.3	6,970,889.5	6,440,301.4	6,662,353.2	6,724,139.1	6,563,930.4	6,864,543.3	6,732,609.7

2017 MONTHLY SALES PER CONSUMER TYPE



2017 KWH PURCHASED FROM POWER SUPPLIERS



UNBUNDLED ELECTRIC RATES

November 2017 Power Suppliers' Billings (October 26, 2017-November 25, 2017)

For December 2017 Pass-on to LANECO Consumers

COMPONENT OF CHARGES	RESIDENTIAL			LOW VOLTAGE (C, PB, I, SL)			HIGHER VOLTAGE INDUSTRIAL		
	BASIC RATE	VAT AMOUNT	WITH VAT	BASIC RATE	VAT AMOUNT	WITH VAT	BASIC RATE	VAT AMOUNT	WITH VAT
	GENERATION (PSALM, FDC COAL, KEGI & TPI)								
Generation System Charge - PhP/kWh	6.2114	0.7764	6.9878	6.2114	0.7764	6.9878	6.2114	0.7764	6.9878
Power Act Reduction (PAR) Adj. - PhP/kWh	(0.0235)	(0.0028)	(0.0263)						
Total Generation	6.1879	0.7736	6.9615	6.2114	0.7764	6.9878	6.2114	0.7764	6.9878
TRANSMISSION (NGCP)									
Transmission Demand Charge - PhP/kWh							78.9843	0.0010	78.9852
Transmission System Charge - PhP/kWh	1.1524	0.0036	1.1559	1.1363	0.0035	1.1398			
Total Transmission	1.1524	0.0036	1.1559	1.1363	0.0035	1.1398			
SYSTEM LOSS									
System Loss - Generation - PhP/kWh	0.9888	0.1236	1.1124	0.9888	0.1236	1.1124	0.9888	0.1236	1.1124
System Loss - Transmission- PhP/kWh	0.1583	0.0005	0.1588	0.1583	0.0005	0.1588	0.1583	0.0005	0.1588
TOTAL SYSTEM LOSS	1.1471	0.1241	1.2712	1.1471	0.1241	1.2712	1.1471	0.1241	1.2712
DSM REVENUES (LANECO)									
Distribution Demand Charge - PhP/kWh							267.90	32.15	300.05
Distribution System Charge - PhP/kWh	0.8449	0.1014	0.9463	0.9259	0.1111	1.0370			
Supply System Charge - PhP/kWh	0.7732	0.0928	0.8660						
Supply Retail/Cust./Month - PhP				40.1500	4.8180	44.9680	40.1500	4.8180	44.9680
Metering System Charge - PhP/kWh	0.4569	0.0548	0.5117						
Metering Retail/Cust./Month - PhP	5.0000	0.6000	5.6000	28.7200	3.4464	32.1664	28.7200	3.4464	32.1664
Total DSM Revenues	2.0750	0.2490	2.3240	0.9259	0.1111	1.0370	-	-	-
OTHERS									
Lifeline Rate (Discount) Subsidy - PhP/kWh	0.0872	0.0105	0.0976	0.0872	0.0105	0.0976	0.0872	0.0105	0.0976
Senior Citizen Subsidy Charge - PhP/kWh	0.0010	0.0001	0.0011	0.0010	0.0001	0.0011	0.0010	0.0001	0.0011
Reinvestment for Sustainable CapEx (RFSC)-PhP/kWh	0.5189	0.0623	0.5812	0.5189	0.0623	0.5812	0.5189	0.0623	0.5812
Total Others / kWh	0.6071	0.0728	0.6799	0.6071	0.0728	0.6799	0.6071	0.0728	0.6799
UNIVERSAL CHARGES (PSALM)									
UC - Environmental (UC-ENV) Charge - PhP/kWh	0.0025		0.0025	0.0025		0.0025	0.0025		0.0025
UC - Stranded Contract Cost Charge (UC-SCC) - PhP/kWh	0.1938		0.1938	0.1938		0.1938	0.1938		0.1938
UC - Missionary Electrification Charge for NPC - SPUG - PhP/kWh	0.0265		0.0265	0.0265		0.0265	0.0265		0.0265
UC - Missionary Electrification Charge for Renewable Energy Developers (RED)	0.1544		0.1544	0.1544		0.1544	0.1544		0.1544
UC - Missionary Electrification Charge for Renewable Energy Developers (RED)	0.0017		0.0017	0.0017		0.0017	0.0017		0.0017
Total Universal Charges (UC)	0.3789		0.3789	0.3789		0.3789	0.3789		0.3789
Feed-In Tariff Allowance (FIT-ALL)PhP/kWh (TRANSCO)	0.1830		0.1830	0.1830		0.1830	0.1830		0.1830
TOTAL RATE - PhP/kWh	11.7314	1.2231	12.9545	10.5896	1.0880	11.6776	8.5275	0.9734	9.5009
DEMAND									
Transmission Demand Charge - PhP/kWh							78.9843	0.0010	78.9852
Distribution Demand Charge - PhP/kWh							267.9000	32.1480	300.0480
Total Demand Charges							346.8843	32.1490	379.0332
RETAIL CHARGES									
Supply Retail/Cust./Month - PhP				40.1500	4.8180	44.9680	40.1500	4.8180	44.9680
Metering Retail/Cust./Month - PhP	5.0000	0.6000	5.6000	28.7200	3.4464	32.1664	28.7200	3.4464	32.1664
Total Retail Charges	5.0000	0.6000	5.6000	68.8700	8.2644	77.1344	68.8700	8.2644	77.1344

Financial Statements of
**Lanao del Norte
Electric Cooperative, Inc.**

December 31, 2017 and 2016

And

Report of Independent Auditors

QUILAB & GARSUTA
CERTIFIED PUBLIC ACCOUNTANTS

quilabgarsuta.com



**LANAO DEL NORTE ELECTRIC COOPERATIVE, INC.
(LANECO)**

9209 TUBOD, LANAO DEL NORTE
MINDANAO, PHILIPPINES

Tel. Nos. (063) 341-5231 • 341-5459 • 495-0016 • Fax No. 341-5210
EMAIL ADDRESS - LANECO_NEPTUNE@YAHOO.COM

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Lanao del Norte Electric Cooperative, Inc., is responsible for the preparation and fair presentation of its financial statements for the years ended December 31, 2017 and 2016, in accordance with Philippine Financial Reporting Standards (PFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Cooperative's ability to continue as a going concern, disclosing (as applicable) matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Cooperative or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Cooperative's financial reporting process.

The Board of Directors reviews and approves the financial statements and submits the same to the members of the Cooperative.

Quilab & Garsuta, CPAs, the independent auditors appointed by the Board of Directors for the period December 31, 2017, and Quilab, Cabilin, Bato & Co., CPAs, for the period December 31, 2016, have audited the financial statements of the Cooperative in accordance with Philippine Standards on Auditing, and in their reports to the Board of Directors and Members, have expressed their opinions on the fairness of presentation upon completion of such audits.

April 13, 2018, Barangay Sagadan, Tubod, Lanao del Norte.

ELMIRA G. OLAVIDES
President

SHERWIN C. MAÑADA
NEA PS/Acting General Manager

ANGELINA G. ESTROLOGO
Finance Services Manager

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Members-Consumers-Owners
Lanao del Norte Electric Cooperative, Inc.

Opinion

We have audited the financial statements of Lanao del Norte Electric Cooperative, Inc., which comprise the statement of financial position as at December 31, 2017, and the statement of profit and loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements comprising of a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lanao del Norte Electric Cooperative, Inc., as of December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Cooperative in accordance with the *Code of Ethics for Professional Accountants in the Philippines* (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Cooperative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Cooperative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Cooperative's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Cooperative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Cooperative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Cooperative to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

The financial statements of Lanao del Norte Electric Cooperative, Inc. as of and for the year ended December 31, 2016, were audited by the undersigned as a Partner of Quilab, Cabilin, Bato & Co., CPAs, with our unqualified report thereon, dated March 23, 2017.

Quilab & Garsuta, CPAs

PTR No. 2668893 A
January 3, 2018
Cagayan de Oro City

April 13, 2018
Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION

Lanao del Norte Electric Cooperative, Inc.

December 31	2017	2016
ASSETS		
Non-Current Assets		
Utility plant, property and equipment (Note 4)	₱524,676,059	₱474,493,418
Other assets (Note 5)	6,925,111	7,925,903
Total Non-Current Assets	531,601,170	482,419,321
Current Assets		
Cash (Note 6)	74,726,504	99,897,817
Trade and other receivables (Note 7)	79,377,880	46,524,136
Materials and supplies (Note 8)	20,638,819	19,846,768
Prepaid expenses and other current assets (Note 9)	158,286	314,545
Total Current Assets	174,901,489	166,583,266
	₱706,502,659	₱649,002,587
MEMBERS' EQUITY AND LIABILITIES		
Members' Equity		
Membership fees (Note 10)	₱469,396	₱452,957
Reinvestment funds for sustainable capital expenditures (Note 11)	267,970,656	227,986,203
Government grant (Note 12)	233,511,957	201,473,895
Accumulated losses	(138,572,147)	(120,311,212)
Total Members' Equity	363,379,862	309,601,843
Non-Current Liabilities		
Loans and borrowings (Note 13)	169,800,992	116,876,908
Retirement benefit obligation (Note 14)	40,967,839	45,498,573
Consumers' deposits (Note 15)	51,790,024	48,444,254
Total Non-Current Liabilities	262,558,855	210,819,735
Current Liabilities		
Trade and other payables (Note 16)	54,221,874	116,211,848
Loans and borrowings (Note 13)	18,544,756	12,369,161
Refund payable (Note 17)	7,797,312	—
Total Current Liabilities	80,563,942	128,581,009
Total Liabilities	343,122,797	339,400,744
	₱706,502,659	₱649,002,587

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS

Lanao del Norte Electric Cooperative, Inc.

<i>Years Ended December 31</i>	2017	2016
ENERGY SALES		
Residential	₱483,485,781	₱424,796,625
Industrial	154,093,687	113,738,889
Commercial	104,608,035	93,827,349
Public buildings	42,306,719	36,110,908
Public streets and highway lighting	5,547,686	4,740,450
	790,041,908	673,214,221
LESS COST OF PURCHASED POWER (Note 18)	679,459,402	539,468,961
GROSS MARGIN FROM ENERGY SALES	110,582,506	133,745,260
ADD OTHER INCOME	13,288,614	13,766,538
GROSS MARGIN	123,871,120	147,511,798
OPERATING EXPENSES (Note 20)		
Administrative and general	64,306,222	63,145,736
Operations and maintenance	33,303,635	28,790,841
Consumer services	21,764,143	21,183,059
Total Operating Expenses	119,374,000	113,119,636
PROFIT BEFORE FIXED AND FINANCIAL INCOME (CHARGES)	4,497,120	34,392,162
FIXED AND FINANCIAL INCOME (CHARGES)		
Earned Government grants (Note 12)	6,212,675	4,793,588
Depreciation (Note 4)	(26,956,045)	(21,832,680)
Interest (Note 13)	(7,864,154)	(9,969,904)
Recovery of impairment losses on consumer receivables (Note 7)	5,849,469	–
Provision for impairment of other receivables (Note 7)	–	(5,355,190)
Net Fixed and Financial Charges	(22,758,055)	(32,364,186)
PROFIT (LOSS) FOR THE YEAR	(₱18,260,935)	₱2,027,976

See Notes to Financial Statements

STATEMENTS OF CHANGES IN EQUITY

Lanao del Norte Electric Cooperative, Inc.

December 31	2017	2016
MEMBERSHIP FEES		
Opening balances	₱452,957	₱436,675
Additional membership received during the year (Note 10)	16,439	16,282
Closing balances	469,396	452,957
REINVESTMENT FUND FOR SUSTAINABLE CAPITAL EXPENDITURES (Note 11)		
Opening balances	227,986,203	190,513,362
Additional contributions during the year	39,984,453	37,472,841
Closing balances	267,970,656	227,986,203
GOVERNMENT GRANTS (Note 12)		
Opening balances	201,473,895	125,125,022
New grants capitalized during the year	38,250,737	81,142,461
Earned government grants during the year	(6,212,675)	(4,793,588)
Closing balances	233,511,957	201,473,895
ACCUMULATED LOSSES		
Opening balance	(120,311,212)	(122,339,188)
Loss for the year	(18,260,935)	2,027,976
Closing balances	(138,572,147)	(120,311,212)
	₱363,379,862	₱309,601,843

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Lanao del Norte Electric Cooperative, Inc.

Years Ended December 31

2017

2016

CASH FLOWS FROM OPERATING ACTIVITIES

Profit (loss) for the year	(P18,260,935)	₱2,027,976
Add (deduct) adjustments for:		
Depreciation (Note 4)	26,956,045	21,832,680
Provision for retirement benefits (Note 14)	–	4,900,000
Recovery of impairment losses on consumer receivables (Note 7)	(5,849,469)	–
Provision for impairment losses on other receivables (Note 7)	–	5,355,190
Interest expense (Note 13)	(7,864,154)	(9,969,904)
Interest income (Note 6)	(458,210)	(204,258)
Operating income before changes in working capital	(5,476,723)	23,941,684
Add (deduct) changes in working capital excluding cash:		
Decrease (increase) in:		
Trade and other receivables (Note 7)	(27,004,275)	(8,537,370)
Materials and supplies (Note 8)	(792,051)	(9,718,614)
Prepaid expenses and other current assets (Note 9)	156,259	20,534,990
Increase in trade and other payables (Note 16)	(61,989,974)	(100,963,175)
Refund payable (Note 17)	7,797,312	–
Net cash generated from operations	(87,309,452)	(74,742,485)

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in capital contribution for reinvestment (Note 11)	39,984,453	37,472,841
Decrease in Government grants (Note 12)	32,038,062	76,348,873
Additional membership fees (Note 10)	16,439	16,282
Loan availed from creditors (Note 13)	103,208,772	65,064,467
Loan payments to creditors (Note 13)	(44,109,093)	(29,302,185)
Increase in consumers' deposits (Note 15)	3,345,770	16,389,563
Net changes in retirement benefit obligation (Note 14)	(4,530,734)	(3,567,127)
Interest expense (Note 13)	7,864,154	9,969,904
Net Cash Provided from Financing Activities	137,817,823	172,392,618

CASH FLOWS FROM INVESTING ACTIVITIES

Additions to utility plant, property and equipment (Note 4)	(77,138,686)	(109,941,530)
Increase in other assets	1,000,792	(3,140,312)
Interest income (Note 6)	458,210	204,258
Net Cash Used for Investing Activities	(75,679,684)	(112,877,584)

NET INCREASE IN CASH (25,171,313) (15,227,451)

OPENING CASH 99,897,817 115,125,268

CLOSING CASH (Note 6) ₱74,726,504 ₱99,897,817

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Lanao del Norte Electric Cooperative, Inc.

As of and for the Years Ended December 31, 2017 and 2016

Note 1

Organization and Tax Exemptions

The Lanao del Norte Electric Cooperative, Inc. is a rural electric cooperative organized on May 27, 1972, under the provisions of the National Electrification Administration Act (R.A. No. 6038), as amended by Presidential Decree (P.D.) No. 269, to provide electric service at the retail level to primarily residential and commercial accounts within its franchise area covering eighteen (18) municipalities of Lanao del Norte.

The power delivered at retail is purchased wholesale from power providers, namely: the National Grid Corporation of the Philippines (NGCP), Inc., Power Sector Assets & Liabilities Management Corporation (PSALM), King Energy Generation, Inc. (KEGI) and the FILINVEST Development Corporation (FDC), Total Power Incorporated (TPI).

The Cooperative holds office at its own compound in Barangay Sagadan, Poblacion Tubod, Lanao del Norte. It maintains branch offices in the following municipalities of Lanao del Norte: Linamon, Bacolod, Kolambugan, Lala (in Maranding), Kapatagan, in Sultan sa Naga Dimaporo and Baroy satellite office.

The Cooperative is subject to regulations by the Energy Regulatory Commission (ERC) and the National Electrification Administration (NEA) for certain rates and other matters.

- As a distribution utility, the Cooperative is subject to the rate-making regulations and regulatory policies of the Energy Regulatory Commission (ERC). The billings of the Cooperative to its member-consumers-owners are itemized or “unbundled” into a number of bill components reflecting various activities and costs incurred in providing the electric service. Any adjustment to the bill component is governed by mechanisms promulgated and enforced by ERC, such as: (1) the “Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities”, which govern the recovery of pass-through costs, including over- or under-recoveries of the bill components, namely, (a) generation charge, (b) transmission charge, (c) system loss charge, (d) lifeline subsidy, and (e) local franchise tax; and (2) the “Rules for the Setting of Distribution Wheeling Rates”, as modified by ERC Resolution No. 20, Series of 2008, which govern the determination of the Cooperative’s distribution, supply, and metering charges.
- As a cooperative registered with National Electrification Administration (NEA), the Cooperative is subject to supervisory and oversight functions of the NEA. Under R.A. No. 10531, otherwise known as the ‘National Electrification Administration Act of 2013’, NEA is mandated by law to supervise the management and operations of the Cooperative and to provide institutional, financial and technical assistance to the Cooperative. Under these functions, NEA develops, sets and enforces institutional and governance standards for the efficient operation of the Cooperative; formulates and imposes administrative sanctions to the Cooperative’s officers and employees and exercises primary and exclusive jurisdiction in the adjudication of complaints against its officers or in election disputes; grants loans for construction or acquisition, operation and maintenance, restoration, improvement or enlargement of sub-transmission facilities and all related assets; guarantees the Cooperative’s transactions with various parties such as in co-signing of power supply contracts, etc.; exercises step-in rights in case of operational and financial difficulties, and imposes strict reportorial compliance from the Cooperative, among other functions enumerated in the Act.

Tax Exemptions

The Cooperative was registered with the National Electrification Administration (NEA) in 1980. Under the provisions of PD No. 269, some of the tax exemptions of the Cooperative expired at the end of 2010, its 30th year of operation. However, after this period, the Cooperative still enjoys certain tax exemptions as provided under Sections 109, 116 and 119 of the Tax Code of 1997, as amended, as explained by Revenue Memorandum Circular No. 72-2003, issued by the Bureau of Internal Revenue (BIR) on October 20, 2003, on the following taxes:

- (a) Franchise tax under Section 119 of the Tax Code;
- (b) VAT on sales relative to the generation and distribution of electricity, as well as its importation of machineries and equipment, including spare parts, which shall be directly used in the generation and distribution of electricity (Section 109 [s], Tax Code);
- (c) Income taxes for which it is directly liable (Section 39, PD No. 269);
- (d) All national government taxes and fees, including franchise, filing, recordation, license or permit fees or taxes; but the said exemption shall end on Dec. 31 of the 30th full calendar year after the date of a Cooperative's organization or conversion, or until it shall become completely free of indebtedness incurred by borrowing, whichever event first occurs; and
- (e) 3-percentage tax under Section 116 of the Tax Code.

In accordance with Revenue Regulations No. 16-2005, Consolidated Value-Added Tax Regulations of 2005 as amended by Revenue Memorandum Circular No. 7-2006, the Cooperative is subject to 12% value added taxes on their gross receipts from distribution of electricity purchased.

The Cooperative is being taxed by the Local Government Units (LGUs) for business, franchise and real property taxes. These taxes are subject to recovery procedures from the Cooperative consumers.

On December 19, 2017, the President of the Republic of the Philippines signed into law the Tax Reform for Acceleration and Inclusion Act (TRAIN), which essentially maintained the tax exemption of cooperatives as promulgated under Sections 109, 116 and 119 of the Tax Code of 1997, as amended.

Note 2

Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.

Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Preparation

The accompanying financial statements have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets, which have been measured at fair value. The financial statements are presented in Philippine peso, which is the Cooperative's functional and presentation currency and all values are recorded to the nearest peso except when otherwise indicated. The accounting policies used in preparing these financial statements have been consistently applied since the previous period.

The preparation of the financial statements made use of estimates, assumptions and judgments by management based on management's best knowledge of current and historical facts as at statement of financial condition date. These estimates and judgments affect the reported amounts of assets and liabilities and contingent liabilities as at statement of financial condition date, as well as affecting the reported income and expenses for the year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

New and Amended Standards and Interpretations

In the current year, the Cooperative has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB), which are adopted by the Philippines Financial Reporting Standards Council (PFRSC) and approved by the Securities and Exchange Commission (SEC) as Philippine Financial Reporting Standards (PFRSs), that are mandatorily effective for accounting period that begins on or after January 1, 2017.

Amendments to IAS 7 Disclosure Initiative

The Cooperative has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Cooperative does not have loans and borrowings.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference. The application of these amendments has had no impact on the Cooperative's financial statements as the Cooperative's transactions are tax exempt.

New and Revised IFRSs in Issue but not yet Effective

The Cooperative has not yet applied the following new and revised IFRSs that have been issued but not yet effective:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers (and the related Clarifications)'
- IFRS 16 'Leases'
- Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'
- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- Amendments to IAS 40 Transfer of Investment Property
- Amendments to IFRSs
- IFRIC 22

IFRS 9 'Financial Instruments'

IFRS 9 issued on November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category by certain simple debt instruments. IFRS 9 will become effective for annual periods beginning on or after January 1, 2018.

The Cooperative management is presently conducting analysis on the impact of IFRS 9 to the Cooperative's financial statements.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 'Revenue', IAS 11 'Construction Contracts' and the related interpretations when it becomes effective for annual periods beginning on or after January 1, 2018.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligation in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The management of the Cooperative is still in the process of assessing the full impact of the application of IFRS 15 on the Cooperative's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the completion of the detailed review.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The management of the Cooperative is still in the process of assessing the full impact of the application of IFRS 16 on the Cooperative's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the completion of the detailed review.

Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'

The amendments clarify the following:

- 1) In estimating fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
- 2) Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- 3) A modification of a share-based payment that changes the transactions from cash-settled to equity-settled should be accounted for as follows: (i) the original liability is derecognized; (ii) the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and (iii) any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognized in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. Specific transition provisions apply.

The management of the Cooperative does not anticipate that the application for the amendments in the future will have a significant impact on the Cooperative's financial statements as the amendments do not apply to the case of the Cooperative which is a non-stock entity.

Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture'

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The management of the Cooperative does not anticipate any impact on the Cooperative's financial statements of the amendments since there are no such transactions presently.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in PAS/IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

The Cooperative management anticipates no impact of such changes on the Cooperative's financial statements since it has no investment property.

Annual Improvements to IFRSs 2014-2016 Cycle

The Annual Improvements include amendments to PFRS 1 and PAS/IAS 28 which are not yet mandatorily effective for the Cooperative. The package also includes amendments to PFRS 12 which is mandatorily effective for the current year but is not applicable to the Cooperative as it has no associates or joint ventures. The amendments to IAS 28 clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to PFRS 1 and PAS/IAS 28 are effective for annual periods beginning on or after January 1, 2018. The management of the Cooperative does not anticipate that the application of the amendments in the future will have any impact on the Cooperative's financial statements as the Cooperative is neither a first-time adopter of PFRSs nor a venture capital organization. Furthermore, the Cooperative does not have any associate or joint venture that is an investment entity.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary liability (e.g. a non-refundable deposit or deferred revenue.)

The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If

there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transaction provisions apply to prospective application.

The management of the Cooperative does not anticipate that the application of the amendments in the future will have an impact on the Cooperative's financial statements. This is because the Cooperative has no foreign currency transactions.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Cooperative. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Cooperative uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Cooperative determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Utility Plant, Property and Equipment

The utility plant, properties and equipment consist of: (a) Transmission plant, which includes structures and improvements, station equipment, towers and fixtures, overhead conductors and devices and concrete poles; (b) Distribution plant, which includes structures and improvements, station equipment, towers and fixtures, overhead conductors and devices, line transformers, meters, street lighting and signal systems, and concrete poles; and (c) General plant, which includes land and land rights, building and structures, office furniture, fixtures and equipment, shop tools, laboratory, communication and miscellaneous equipment, and transportation equipment.

Utility plant, property and equipment are stated at cost less accumulated depreciation and any impairment value, excluding the costs of day-to-day servicing. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred, if the recognition criteria are met. Interests incurred on borrowed funds used to finance the construction of properties during the construction period are capitalized. Other borrowing costs are expensed. An item of utility plant, property and equipment is derecognized upon

disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognized.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows: (a) transmission plant – 5 to 33 years, (b) distribution plant – 5 to 33 years, and (3) general plant – 2 to 33 years. Land and land rights are not depreciated. Transmissions plant held under finance lease agreements are depreciated over their expected useful lives (determined by reference to comparably-owned assets) or over the term of lease, if shorter.

The useful lives, depreciation method and residual values are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of utility plant, property and equipment. Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in income for the year. The carrying values of utility plant, property and equipment are reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of utility plant, property and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Any impairment loss is recognized in the statement of profit or loss.

Construction in Progress

Construction in progress is stated at cost, which includes cost of construction, plant and equipment, capitalized borrowing costs and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are substantially completed and available for their intended use.

Financial Instruments

Recognition, Initial Measurement and Derecognition

Financial assets and financial liabilities are recognized when the Cooperative becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and Subsequent Measurement of Financial Assets

For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition: (a) loans and receivables, (b) financial assets at fair value through profit or loss (FVTPL); (c) held-to-maturity (HTM) investments, and (d) available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The Cooperative has no financial assets at FVTPL and HTM investments. The available financial assets of the Cooperative are loans and receivables and AFS financial assets.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Cooperative provides money, goods or services directly to a debtor with no intention of trading the receivables. Such assets are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Any change in their value is recognized in the income statement. Impairment loss is provided when there is objective evidence that the Cooperative would not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows. Loans and receivables are measured upon initial recognition at fair value plus transactions costs that are directly attributable to the acquisition of the loans and receivables. After initial recognition, the loans and receivables are measured at amortized cost using the effective interest method.

The Cooperative's cash and cash equivalents and trade and other receivables fall into the category of loans and receivables.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of changes in value and are free of any encumbrances. The Cooperative has no cash equivalents at the end of the year. Cash, as presented in the statement of financial position, also includes accounts with restricted uses, which are accordingly disclosed in Note 6.

Trade and Other Receivables

The Cooperative's trade and other receivables include receivables from consumers arising from monthly billings of the Cooperative which are carried at their original bill amount less provisions made for impairment of the receivables. Also included are advances to contractors of special projects, advances to officers and employees and other debtors which are stated at cost.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Available-for-sale financial assets are measured upon initial recognition at their fair value plus transaction costs that are directly attributable to the acquisition of securities. After initial recognition, AFS securities are measured at their fair values, without any deduction for transaction costs it may incur on sale or other disposal. A gain or loss arising from a change in the fair value of an AFS security shall be recognized directly in equity under the account "Net Unrealized Gains/ (Losses) on AFS Financial Assets" and reflected in the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of profit or loss as part of other income. Dividends on available-for-sale equity instruments are

recognized in the statement of profit or loss as part of other income when the Cooperative's right to receive payments is established.

Investments in non-marketable equity securities (INMES), which are equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are classified under AFS securities. INMES are measured upon initial recognition at its fair value plus transaction costs that are directly attributable to the acquisition of the security. After initial recognition, INMES are measured at cost. A gain or loss arising from the change in fair value of the INMES is recognized in profit or loss when the security is derecognized or impaired. If there is an objective evidence that an impairment loss on INMES has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the security and the estimated future cash flows discounted at the current market rate of return for a similar financial instrument. Such impairment loss shall not be reversed.

Impairment of Financial Assets

The Cooperative assesses at each time it prepares its financial statements whether there is any objective evidence that its financial assets are impaired. For assets carried at amortized cost, the Cooperative assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Cooperative may measure impairment on the basis of an instrument's fair value using an observable market price. 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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of profit or loss.

When a decline in the fair value of an AFS security is recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized directly in equity shall be removed from equity and recognized in profit or loss even though the security has not been derecognized. The amount of the cumulative loss that is removed from equity and recognized in profit or 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 security previously recognized in profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as AFS shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss. The amount of impairment loss for the period shall be recognized in profit or loss under the account "Provision for Credit Losses".

Classification and Subsequent Measurement of Financial Liabilities

Financial liabilities are recognized when the Cooperative becomes a party to the contractual agreement of the instrument. Financial liabilities include interest-bearing loans and borrowing, trade and other payables, customers' deposits, retirement benefit obligations and other non-current liabilities, which are measured at amortized cost using the effective interest rate method. Interest-bearing loans and borrowings are raised for support of long-term

funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance lease liabilities are measured at initial value less the capital element of lease repayments. Trade payables are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments. Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

Inventory of Materials and Supplies

Inventories consisting of spare parts, electrical materials and supplies inventories are stated at the lower of cost or net realizable value. Cost is determined by the moving average method. The inventories are regularly reviewed for impairment. The allowance for inventory obsolescence consists of provision based on the aging of inventories and other factors that may affect recoverability of these assets. The allowance is established by charges to income in the form of excess of cost over net realizable value of inventories.

Impairment of Non-Financial Assets

The Cooperative's utility plant, property and equipment and other assets are subject to impairment testing. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

Revenue and Cost Recognition

Revenues are stated at amounts invoiced to member-consumers, net of discounts, rebates, VAT and duty, where applicable. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Cooperative and the revenue can be reliably measured. In addition, collectability is reasonably assured and the rendering of the service has occurred.

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

- (a) Energy sales are recognized upon supply of power to the member-consumers. The Uniform Filing Requirements or *UFR*, on the rate unbundling released by the *ERC* on October 30, 2001 specified the following bill components: (a) generation charge, (b) transmission charge, (c) system loss charge, (d) distribution charge, (e) supply charge, (f) metering charge, (g) Currency Exchange Rate Adjustment or *CERA* I and II and (h) inter-class and lifeline subsidies. Value added and local franchise taxes, the Power Act Reduction (for residential customers) and the universal charges are also separately presented in the customer's billing statement. Value added and local franchise taxes and universal charges, which are billed and merely collected on behalf of the national and local governments, do not form part of the Cooperative's revenues;
- (b) Surcharges and penalties imposed on delinquent consumers are recognized when the surcharges and penalties have accrued.
- (c) Interest Income is recognized as interest accrues, using effective interest rate, which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument.
- (d) Donations and subsidies from all sources are valued at cost or fair market value whichever is higher at the time the donations and subsidies are received.

- (e) Other sources of revenue are recognized on the accrual method.

Cost and expenses are recognized in the income statement upon utilization of the service or at the date they are incurred.

Government Grants

Government grants are assistance received from the Philippine Government in the form of cash or materials intended for the installation of distribution lines to implement the electrification program of the Government under the Department of Energy (DOE) and the National Electrification Administration (NEA), its implementing agencies. There are no special conditions attached to the grants other than to ensure that electricity reaches the intended beneficiaries. Also, government grants are in the form of Government loans obtained from the NEA that has been condoned and absorbed by the Power Sector Assets & Liabilities Management Corporation (PSALM) in June 2001.

In accordance with PFRS, Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received, and all conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual installments. The logic of crediting deferred income account is dictated by the need to exclude unearned grants and donation from the stockholders' equity so that it does not form part of the book value per share. In the case of the Cooperative, which is a nonstock and nonprofit entity, the unearned grant and donation is classified under the equity portion, as required by the conditions of the grants.

As a matter of accounting policy, the Cooperative recognizes liquidated grants as donated capital. This policy has been refined by NEA Memorandum No. 2015-027 which aligns it with Section 13 of RA 10531 and the requirements of PAS/IAS 20. NEA Memorandum No. 2015-027 provides, among others, the recording the grants received as payable until accomplished and the supporting receipts are submitted to NEA, after which the total amount granted is capitalized and credited to "Government Grants" account in accordance with NEA guidelines. In compliance with the provisions of PFRSs, the same memorandum allows the systematic allocation of the costs of donated assets to income equal to the annual depreciation of the said donated assets.

Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Leases

The Cooperative determines whether an arrangement is, or contains a lease based on the substance of the arrangements. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to use the asset.

The Cooperative accounts for its leases as follows:

- Cooperative as Lessee

Leases which transfer to the Cooperative substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statements of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are directly charged

against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Cooperative 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 income statement on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

◦ Cooperative as Lessor

Leases wherein the Cooperative substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Cooperative's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Cooperative's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the income statement on a straight-line basis over the lease term.

Compensation and Benefits Expense

Employee benefits are all forms of consideration given by the Cooperative in exchange for services rendered by employees or for the termination of their employments in the Cooperative. The Cooperative recognizes: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the Cooperative consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits. The following represent the accounting followed by the Cooperative for all types of employee benefits, except share-based payment, to which there is none.

• Short-Term Employee Benefits

Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. These benefits include wages, salaries, profit-sharing and bonuses (if there are any) and non-monetary benefits paid to current employees. These are recognized when the employee has rendered the service and are measured at the undiscounted amount of benefits expected to be paid in exchange for that service.

The benefits also include compensated absences which are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. The expected cost of short-term compensated absences is recognized as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts the Cooperative expects to pay as a result of unused entitlements at the end of the period. The amounts recognized are included in 'Trade and other liabilities' account in the statement of financial position at the undiscounted amount that the Cooperative expects to pay as a result of the unused entitlement.

• Bonus (Incentives) Payments (If Any)

The Cooperative recognizes the expected cost of bonus (incentives) payments (if any) when, and only when, it has a legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the expected obligation can be made. Declarations of bonuses to officers and employees are the sole responsibility of the Board of Directors. As a matter of policy, the Cooperative does not declare and accrue bonuses unless approved and authorized for release by the Board of Directors and confirmed by the NEA.

- Post-Employment Benefit Plans

Post-employment benefit plans that are provided to employees only cover their retirement benefits, which are paid in lump sum payments at the time of their retirements. The retirement benefits are provided to employees through a defined benefit plan. A defined benefit plan is a retirement plan that defines an amount of retirement benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for the benefits of the retirement plan remains with the Cooperative, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Cooperative's defined benefit retirement plan covers all regular full-time employees.

The Cooperative employees' defined benefit plan is approved by the National Electrification Administration (NEA). The retirement benefits are not actuarially computed but are largely based on the provisions of R.A. 7641, *An Act Amending Article 287 of Presidential Decree No. 442, as Amended, Otherwise Known as the Labor Code of the Philippines, by Providing for Retirement Pay to Qualified Private Sector Employees in the Absence of any Retirement Plan in the Establishment*. The computation of the retirement benefits due to each employee is based on the employees' compensation and number of years in service plus service incentives that are approved by the NEA. This simple calculation is a measure of the Cooperative's obligation called the accumulated benefit obligation method (as opposed to the projected credit unit method). Under this simplified method, the Cooperative ignores estimated future salary increases, ignores future service of current employees and ignores possible in-service mortality of current employees between reporting date and date the employees are expected to retire. The bases of computation for retirement benefits are considered an industry-practice and represent the approximation of the Cooperative's liability to all its regular employees. While this is not actuarially computed, periodic review of the sufficiency of the plan asset is performed and additional funding is normally provided to increase plan asset.

- Termination Benefits

Termination benefits are payable when employment is terminated by the Cooperative before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Cooperative recognizes termination benefits when it is demonstrably committed to either: (a) terminating the 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 12 months after the statement of financial position date are discounted to present value.

Provisions and Contingent Liabilities

Provisions, if any, are recognized when the Cooperative has legal or constructive obligations as a result of a past event: it is probable that an outflow of resources will be required to settle the obligation and estimate can be made of the amount obligation. Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial condition date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of related provision.

Provisions are reviewed at each statement of financial condition date and adjusted to reflect the current best estimate. In those cases where the possible outflow of the economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of the asset are considered contingent assets, hence, are not recognized in the financial statements. No contingent liabilities have been incurred during the year.

Subsequent Events

Post year-end events that provide additional information about the Cooperative's position at the 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 financial statements when material.

Note 3

Significant Accounting Judgments and Estimates

The Cooperative's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates. The following critical accounting estimates and judgments may be applicable, among many other possible areas not presented in the Cooperative's financial statements:

Estimated Useful Lives of Utility Plant, Property and Equipment

The useful lives of utility plant, property and equipment are estimated based on the period over which the utility plant, property and equipment are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of utility plant, property and equipment are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of utility plant, property 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 above. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances.

Impairment of AFS Financial Assets

The Cooperative determines that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Cooperative evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, and its operational and financing cash flows.

Allowance for Impairment of Trade and Other Receivables

Allowance is made for specific accounts, where objective evidence of impairment exists. The Cooperative evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Cooperative's relationship with the customers, the customers' current credit status based on known market forces, average age of accounts, collection experience, and historical loss experience. The recorded losses for any period would therefore differ based on the judgments and estimates made.

Allowance for Inventory Obsolescence

Allowance for inventory obsolescence is maintained at a level considered adequate to provide for potentially non-valuable items or worthless. The level of allowance is based on the turnover/movement of specific inventories and other physical factors affecting usefulness of specific inventories. Moreover, future realization of the carrying amounts of inventories is affected by price changes from the source. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Cooperative's inventories within the next financial year.

Impairment of Non-Financial Assets

The Cooperative assesses the impairment of its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of

estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific asset, the recoverable amount represents the net selling price. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Cooperative is required to make estimates and assumptions that can materially affect the Cooperative's financial statements.

Retirement Benefits

The determination of the Cooperative's obligation and cost for pension and other employee benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected return on plan assets and salary increases. While the Cooperative believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect retirement obligations.

Operating and Finance Leases

The Cooperative has entered into various lease agreements as either a lessor or a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating lease or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.

Note 4

Utility Plant, Property and Equipment – At Cost

Utility plant, property and equipment consist of the following:

<i>Years Ended December 31</i>	2017	2016
Transmission/distribution plant	₱474,120,381	₱461,171,684
General plant	136,574,628	124,452,914
Construction in progress	182,635,217	138,895,664
	793,330,226	724,520,262
Less accumulated depreciation	268,654,167	250,026,844
	₱524,676,059	₱474,493,418

The General Plant account consists of the following:

<i>December 31</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	Net Book Value	
			2017	2016
Land and land rights	₱2,884,506	₱–	₱2,884,506	₱2,884,506
Buildings and improvements	31,662,140	(22,364,747)	9,297,393	11,786,609
Office furniture and equipment	39,415,264	(29,623,173)	9,792,091	6,254,598
Transportation equipment	35,521,937	(27,757,764)	7,764,173	8,079,823
Shop tools and other equipment	27,090,781	(23,682,674)	3,408,107	3,957,662
	₱136,574,628	(₱103,428,358)	₱33,146,270	₱32,963,198

The Cooperative receives grants from the Government through National Electrification Administration (NEA) to implement the Sitio Electrification Program of the Government. See details in Note 11. Construction work-in-progress represents the cumulative costs of projects that are generally in the process of completing the required support and documentation for closure to utility plant, property and equipment.

The reconciliation of the movements of the accounts follows:

<i>December 31, 2017</i>	<i>Opening Balance</i>	<i>Additions/Adjstmnt</i>	<i>Retirements</i>	<i>Closing Balance</i>
Cost				
Transmission/ distribution plant	₱461,171,684	₱21,229,799	(₱8,281,102)	₱474,120,381
General plant	124,452,914	12,169,334	(47,620)	136,574,628
Construction in progress	138,895,664	43,739,553	–	182,635,217
	724,520,262	77,138,686	(8,328,722)	793,330,226
Accumulated Depreciation				
Transmission/ distribution plant	158,537,128	14,969,783	(8,281,102)	165,225,809
General plant	91,489,716	11,986,262	(47,620)	103,428,358
	250,026,844	26,956,045	(8,328,722)	268,654,167
Net Book Value	₱474,493,418	₱50,182,641	₱–	₱524,676,059

December 31, 2016

Cost				
Transmission/distribution plant	₱444,250,000	₱19,421,684	(₱2,500,000)	₱461,171,684
General plant	109,461,102	14,991,812	–	124,452,914
Construction in progress	66,467,351	75,528,034	(3,099,721)	138,895,664
	620,178,453	109,941,530	(5,599,721)	724,520,262
Accumulated Depreciation				
Transmission/distribution plant	150,558,691	10,478,437	(2,500,000)	158,537,128
General plant	83,235,194	11,354,243	(3,099,721)	91,489,716
	233,793,885	21,832,680	(5,599,721)	250,026,844
Net Book Value	₱386,384,568	₱88,108,850	₱–	₱474,493,418

Note 5

Other Non-Current Assets

This account consists of:

<i>December 31</i>	2017	2016
Input taxes from power suppliers	₱4,250,876	₱5,506,161
Security deposit – Transco	1,194,965	940,472
Investment – REFC	1,000,000	1,000,000
Investment in associated organization	479,270	479,270
	₱6,925,111	₱7,925,903

Management considers the accounts unimpaired at the end of the year.

Note 6

Cash

Cash and cash equivalents consist of the following:

<i>December 31</i>	2017	2016
Cash on hand and revolving funds	₱5,179,909	₱7,842,837
Cash in banks – unrestricted	1,730,628	20,443,869
Cash in banks – restricted	67,815,967	71,611,111
	₱74,726,504	₱99,897,817

Cash in banks earns interest at prevailing bank deposit rates. Interest income earned from bank deposits amounted ₱458,210 in 2017 and ₱204,258 in 2016.

The restricted cash in banks consist of funds that are set-aside for special purposes broken down in the following table. Except for the retirement benefits fund, all funds were placed in time and savings deposits with the Cooperative's depository banks.

<i>December 31</i>	2017	2016
Loan Fund	₱46,306,735	₱56,745,021
Cash bond	10,579,215	158,806
Subsidy – NEA/DOE (Notes 6 and 16)	5,808,479	10,908,717
Reinvestment (Note 11)	4,186,885	2,888,305
Members' contributions	854,633	838,589
Loan security	80,020	71,673
	₱67,815,967	₱71,611,111

Note 7
Trade and Other Receivables

This consists of the following:

<i>December 31</i>	2017	2016
Receivable from energy sales	₱97,707,236	₱71,431,908
Less allowance for impairment losses	41,726,718	47,576,187
Net	55,980,518	23,855,721
Other receivables		
Receivables from consumers through the SCAP program	11,248,938	11,072,374
Other consumer receivables	8,132,409	7,418,829
Receivables from consumers through the HELP program	6,992,525	6,996,182
Advances to officers and employees	78,506	113,010
Other receivables	5,232,153	5,355,189
	31,684,531	30,955,584
Less allowance for impairment losses	8,287,169	8,287,169
	23,397,362	22,668,415
Total	₱79,377,880	₱46,524,136

The receivable from consumers through the Service Connection Assistance Program (SCAP) represents the costs of service connections to certain consumers to be collected through charges included in their monthly bills. The receivable from consumers through the HELP program represents the cost of house wiring materials receivables to indigent member-consumers whose incomes do not exceed ₱36,000 per annum. These member-consumers were recommended favorably by the Board of Directors of the district where they reside. The amount of house wiring materials receivables added to the monthly billing consumption of member-consumers-owners.

The other receivable represents the amount of undetermined cash in banks garnished through the order of the Courts. This amount was provided with impairment losses during 2016.

Allowance for Impairment Losses:

Management has determined that the recorded amount of impairment allowance is adequate to fairly state the energy accounts receivable at the end of the year.

The movements of the allowance for impairment losses for energy accounts receivables follow:

<i>December 31</i>	2017	2016
Opening balances	₱47,576,187	₱47,576,187
Provisions during the year	–	–
Recovery during the year	5,849,469	–
Closing balances	₱41,726,718	₱47,576,187

The accounts were examined for impairment and management has determined that during the year it has improved on its receivables and recognized recovery of its from the established allowance for impairment losses of ₱5,849,469.

The movements of the allowance for impairment losses for other receivables follow:

<i>December 31</i>	2017	2016
Opening balances	₱8,287,169	₱2,931,980
Provisions during the year	–	5,355,189
Closing balances	₱8,287,169	₱8,287,169

Management believes the amount of impairment allowance for other receivables is adequate to fairly state the account at the end of the year.

Note 8 **Materials and Supplies**

This account consists of the following which management believes are not impaired at the end of the year:

<i>December 31</i>	2017	2016
Electrical materials and supplies	₱9,712,116	₱11,642,563
Special equipment	8,189,397	5,466,899
Subsidy materials	2,142,967	2,142,967
Others	594,339	594,339
	₱20,638,819	₱19,846,768

Note 9 **Prepaid Expenses and Other Current Assets**

This account represents the unexpired portion of insurances for property amounted to ₱158,286 in 2017 and ₱315,545 in 2016.

Note 10 **Membership Fees**

This account represents the cumulative contributions of members from their membership fee of ₱5.00, increased by interest income earned on the membership's bank account. Membership contributions amount to ₱469,396 and ₱452,957 as of December 31, 2017 and 2016, respectively.

Note 11**Reinvestment Fund for Sustainable Capital Expenditures (RFSC)**

The Energy Regulatory Commission (ERC) released its Order on the provisional rate for Member's Capital Contribution (MCC) last January 11, 2010 on MCCE Rate of ₱0.1495 for March 2010 to January 2011, ₱0.2989 for February 2011 to April 2011, ₱0.3155 for May 2011 to January 2012 and ₱0.4484 from February 2012 to November 2014 and ₱0.5812 for December 2014 onward. The Cooperative segregated the funds, in accordance with ERC guidelines, to finance the expansion and rehabilitation/upgrading of the existing power system and its related debt service of the Cooperative.

In accordance with ERC Resolution No. 14, Series of 2011, the Reinvestment Fund for Sustainable Capital Expenditures (RFSC) is envisioned to fund the amortization or the debt service of the Cooperative's indebtedness associated with expansion, rehabilitation or upgrading of its existing electric power system in accordance with its ERC-approved CAPEX Plan.

The utilization of the RFSC Fund shall be subject to the following conditions: (1) it shall be used solely for CAPEX or any other projects approved by the ERC and not for any other purpose, even on a temporary basis; (2) the amounts collected for RFSC shall be recognized as contributions from member-consumers; (3) the amounts collected for RFSC, including interest income, shall be put in a separate account, and (4) if the member-consumer terminates his contract with the Cooperative, the said contribution shall not be withdrawn; instead the same shall be treated as Contribution in Aid of Construction.

In the event that the RFSC rate caps are insufficient for its purpose, the Cooperative may collect such additional RFSC by securing the consent of its member-consumers for such collection through existing legal procedures; provided that the expenditure was approved by the ERC as part of the Cooperative's CAPEX Plan; provided further that the additional RFSC is obtained prior to the incurrence of the indebtedness; provided finally that the collection of said additional RFSC shall be subject to the principles of fairness and equity in accordance with the objective of the Republic Act No. 9136, otherwise known as the 'Electric Power Industry Reform Act of 2001 (EPIRA) for the elimination of cross-subsidy.

The following is the accounting of the changes of the accounts:

<i>December 31</i>	2017	2016
Opening balances	₱227,986,203	₱190,513,362
Additional contributions during the year	39,984,453	37,472,841
Closing balances	₱267,970,656	₱227,986,203

Restricted funds amounting ₱4,186,885 during 2017 and ₱2,888,305 during 2016, represent the unspent portion of the fund.

Note 12**Government Grants**

Government grants are donations received from different branches of the Government of the Philippines in aid of construction. The following are the details:

<i>December 31</i>	2017	2016
Grants from the Philippine Government and its branches	₱209,282,033	₱177,243,970
Subsidy from LGUs, NGOs and others	24,229,924	24,229,925
	₱233,511,957	₱201,473,895

Grants from the Philippine Government and its Branches

The Government of the Philippines embarked on programs that would allow it to reach out to far flung areas which have endured lack of electricity in their communities. The Department of Energy (DOE)'s Nationwide Intensification Household Electrification (NIHE) Program of 2015 and the National Electrification Administration (NEA)'s Sitio Electrification Program (SEP) are concrete means by which the Government achieve this objective. The SEP aims to energize sitios through on-grid electrification, and the HEP aims to energize off-grid households using mature renewable energy technologies such as photovoltaic solar home systems, photovoltaic (PV) streetlights and micro-hydro systems. The DOE and the NEA have partnered with electric cooperatives to achieve the Government's objective of lighting all communities through the extension of grants in aid of construction of the electrification infrastructure.

The subsidy from Local Government Units (LGUs), Non-Government Organizations (NGOs) and others represents contributions in aid for construction received from LGUs through the Countryside Development Fund (CDF); contributions from Cooperative members (Barangay's Counterpart for lines construction), and donated equipment from the USAID, which are intended for the construction and expansion of new lateral lines. These donations are generally received in aid of construction.

The Cooperative received from Philippine Government through NEA a total of ₱175,390,645 for funding of the SEP as of December 31, 2017, of which about ₱8,943,560 in 2017 and ₱45,712,665 in 2016 of the grants remain in accounts payable representing the portion that are still under construction in progress at the end of each year. (See Note 15)

Donated Capital – PSALM

From the start of its operation, the Cooperative obtained loans from NEA to finance the construction of its utility plant, property and equipment. On June 26, 2001, the remaining unpaid loans of the Cooperative, amounting ₱32,497,582, have been condoned by the Government of the Philippines and absorbed by the Power Sector Assets & Liabilities Management Corporation (PSALM). In accordance with NEA Memo. No. 02-2004, the amount is classified under Members' Equity under the caption "Donated Capital – PSALM". The loans condoned by the Philippine Government were used solely for the construction of the utility plant, property and equipment of the Cooperative during the early part of its operation. When the Cooperative implemented the provisions of NEA Memorandum No. 2015-027 in 2015, it considers the whole amount condoned as fully earned grants and accordingly credited the whole amount to accumulated savings. The adjustment was effected retrospectively to prior years.

Note 13

Loans and Borrowings

This consists of loans from the following sources:

<i>December 31</i>	2017	2016
National Electrification Administration (NEA)	₱177,849,633	₱122,257,803
Land Bank of the Philippines	7,620,693	4,560,789
BDO Leasing and Finance, Inc.	2,875,422	2,427,477
	₱188,345,748	₱129,246,069

The following is the accounting of the movements of the loans and borrowings during the year:

<i>December 31</i>	2017	2016
Opening balances	₱129,246,069	₱93,483,787
Additional availment of loans during the year	103,208,772	65,064,467
Payments of principal amortizations during the year	(44,109,093)	(29,302,185)
Closing balances	₱188,345,748	₱129,246,069

The maturity profile of the loans is as follows:

<i>December 31</i>	2017	2016
Current Portion		
National Electrification Administration (NEA)	₱9,071,093	₱6,720,505
Land Bank of the Philippines	7,620,693	4,560,789
BDO Leasing and Finance, Inc.	1,852,970	1,087,867
	18,544,756	12,369,161
Long-Term Portion		
National Electrification Administration (NEA)	168,778,540	115,537,298
BDO Leasing and Finance, Inc.	1,022,452	1,339,610
	169,800,992	116,876,908
Total Loans and Borrowings	₱188,345,748	₱129,246,069

The loans from NEA were obtained at various dates in 2014 to 2017, at 6% to 8% per annum payable in equal quarterly installments (including interest), intended for working capital and payments to power suppliers.

The loans from Land Bank of the Philippines represent a combination of long-term and short-term loans obtained by the Cooperative at various dates in 2013 and 2014. The long-term loan represents two (2) 3-year loans amounting ₱38.288 million, at 5.75% per annum, the proceeds of which were used by the Cooperative to retire its restructured obligations with PSALM and ₱13.682 million, at 5.75% per annum for CAPEX. All loans from Land Bank are subject to quarterly re-pricing and are secured by the assignment of trade receivables amounting ₱37.73 million.

In February 24, 2016 and June 10, 2016 entered into a lease agreement with BDO Leasing and Finance, Inc., two (2) lease agreements, at prevailing market rate for 3 years amounting ₱3.264 million for the acquisitions of transportation vehicles. In February 21, 2017 another lease agreement was entered with BDO Leasing and Finance, Inc. at prevailing market rate for 3 years for one transportation vehicle amounting ₱2.047 million.

Total interest and other charges incurred amounted ₱7,864,154 in 2017 and ₱9,969,904 in 2016.

Note 14 **Retirement Benefit Obligations**

The Cooperative's employees are provided with retirement benefits through a defined benefit plan approved by the National Electrification Administration (NEA). The plan defines the amount of retirement benefit an employee will receive at retirement age. The legal obligation to pay the retirement benefits remains with the Cooperative. The Cooperative's defined benefit retirement plan covers all regular full-time employees.

The Cooperative's retirement benefit obligation as at December 31, 2017 and 2016 was derived as follows:

<i>December 31</i>	2017	2016
Retirement benefit obligations, as originally recorded	₱67,906,623	₱65,617,688
Retirement contributions during the year	-	4,900,000
Retirement payments during the year	(3,197,653)	(2,611,065)
Net estimated retirement benefit obligations	64,708,970	67,906,623
Fair value of retirement trust fund	(14,531,531)	(15,208,130)
Fair value of retirement plan assets	(9,106,072)	(7,104,779)
Fair value of retirement restricted fund	(103,528)	(95,141)
Unfunded Retirement Benefit Obligations	₱40,967,839	₱45,498,573

In September 2017, the Cooperative obtained the actuarial services of a Certified Actuary to determine the funding valuation of its retirement benefit obligations as of July 1, 2017. The actuarial computations applied the

Accrued Benefit Actuarial Cost Method (Projected Unit Credit Method) taking into account the factors of investment, mortality, disability and salary projection rates.

In accordance with actuarial computations, the following were determined as at July 1, 2017 and used as basis in projecting the amounts in the succeeding years:

<i>July 1,</i>	2017
Past service liability	₱75,254,277
Vested benefit (benefit payable)	₱62,575,731
Investment rate	4% p.a.
Salary projection rate	3% p.a.

The Consulting Actuary recommended the following:

- (1) The annual normal cost or current contribution for the valuation period July 1, 2017 to June 30, 2018 was ₱4,752,349, which should be the basis of estimating the annual funding of the retirement plan assets.
- (2) The past service liability computed as of July 1, 2017 was ₱75,254,277, but the vested benefit was computed only ₱62,575,731.

The Cooperative management opted to make the necessary adjustments in the recorded retirement benefit obligations in 2018, which is within the valuation period covered by the actuarial report.

Retirement Plan Assets

The Cooperative sets aside funds to cover its retirement liabilities. These are either placed in savings and time deposits with the Cooperative's depository banks or loaned out to the employees through LANECO Retirement Fund Generation Program (REFUGE), an association run by the employees themselves.

The Cooperative makes monthly contributions towards the trust fund deposited in various local banks. These contributions earn interest and the accumulated balance of contributions and interest is used to pay the retirement benefits of qualified employees.

As at December 31, 2017 and 2016, the net assets of REFUGE consist of the following:

<i>December 31</i>	2017	2016
Cash	₱103,259	₱147,572
Loans receivable from employees	14,428,272	15,060,558
	₱14,531,531	₱15,208,130

As at December 31, 2017 and 2016, the fair values of the trust fund approximated the recorded fund balances at the end of the year.

As part of its strategy to fund its retirement benefit obligations, the Cooperative invested in August 2007 in Philippine Life Financial Assurance Corporation's VISA Endowment Plans which require five years payment period followed by another five years waiting period. On the 11th year, PhilLife will start paying part of the maturity benefit through anticipated endowment until it fully pays the full amount on the 15th year. In all those 15 years, the Cooperative will remain covered by VISA 5 Plus insurance protection. Market value of the investment for the years 2017 and 2016 remain ₱7,104,779 in both years. The Cooperative purchased 50 plans with average monthly payment amounting ₱102,500. The plans have maturity values of ₱250,000 and have been fully paid in 2012.

During the year, the Cooperative also placed trust fund at BDO Trust and Investments Group as part of the retirement plan asset in the amount of ₱2 million and with market value ending 2017 at ₱2,001,293.

Note 15**Consumers' Deposits**

These consist of interest bearing deposits received from consumers to secure payments of energy consumption and non-interest-bearing deposits to guarantee meters and transformers loaned out to them. These deposits will be refunded to consumers upon termination of service connections and return of loaned meters and transformers to the Cooperative.

<i>December 31</i>	2017	2016
Energy	₱41,814,321	₱38,468,551
Meters and transformers	9,837,653	9,837,653
Solar Project	138,050	138,050
	₱51,790,024	₱48,444,254

Note 16**Trade and Other Payables**

This account consists of the following:

<i>December 31</i>	2017	2016
Accounts payable – suppliers	₱20,796,326	₱36,113,220
Payable to PSALM for collection of universal and environmental charges	14,360,869	11,381,448
Accrued and accounts payable – others	10,121,119	23,004,514
Payable to NEA for unliquidated subsidy funds (<i>Note 16</i>)	8,943,560	45,712,666
	₱54,221,874	₱116,211,848

The accounts with power suppliers represent the unpaid power bills at the close of each year which the Cooperative is required to pay before January 10 of the succeeding year. Other power suppliers are currently settled before the year ends. The Cooperative enjoys prompt payment discounts when the accounts are paid on or before 10th of every succeeding month for San Miguel Consolidated Power Corp, and 15th of PSALM.

NEA Unliquidated Subsidy Funds

In accordance with the memorandum of agreement signed by NEA and the Cooperative, the subsidy funds received for various projects are to be recorded as a liability at the time of receipt of the funds and are only closed upon release by NEA of a Certificate of Final Inspection and Acceptance of the projects. Closed-out/completed projects are credited to Contributed Capital in the books of the Cooperative. (See Note 11)

Note 17**Refund Payable**

In 2017, the Cooperative received credit refunds from King Energy Generation Inc. (KEGI), one of the major power suppliers of the Cooperative, for over-billing the Cooperative from December 26, 2015 to July 25, 2016, amounting ₱20,070,558, as determined by the Energy Regulatory Commission (ERC). The Cooperative started refunding its consumers in 2017 through its monthly billings from October to December 2017.

At the end of the 2017, the refundable amount has a balance of ₱7,797,312, which the Cooperative fully refunded during the first few months of 2018.

Note 18**Details of Cost of Power**

<i>Years Ended December 31</i>	2017	2016
Filinvest Dev. Corp.(FDC)	₱420,027,629	₱238,781,694
National Grid Corporation of the Philippines (NGCP), Inc.	101,130,311	91,237,467
San Miguel Consolidate Power (SMPC)	80,451,462	–
King Energy Generation, Inc. (KEGI)	36,974,282	131,945,910
Power Sector Assets & Liabilities Management Corporation (PSALM)	25,320,322	66,973,438
Total Power Incorporated (TPI)	15,555,396	–
Interim Mindanao Electricity Market (IMEM)	–	10,530,452
	₱679,459,402	₱539,468,961

Note 19**Details of Other Income**

<i>Years Ended December 31</i>	2017	2016
Surcharges	₱6,177,528	₱4,091,439
Disconnection/reconnection and related services	3,603,885	4,627,639
Rentals of poles, transformers, etc.	2,751,684	4,734,850
Interest and dividend income	458,210	204,258
Other income	297,307	108,352
	₱13,288,614	₱13,766,538

Note 20**Schedules of Expenses by Nature**

<i>Years Ended December 31</i>	2017	2016
<u>Administrative and General Expenses</u>		
Compensation and employees' benefits <i>(Note 21)</i>	₱30,962,201	₱28,445,404
Outside services employed	10,931,949	10,400,533
Materials and supplies	8,121,236	7,751,781
Travel and transportation	5,181,539	3,791,175
Maintenance and repairs	2,325,888	2,502,475
Representation and information	1,683,065	1,417,606
Insurance	836,895	777,404
Association and membership fees	544,330	682,706
Taxes and licenses <i>(Note 27)</i>	410,395	3,938,631
Communication	308,827	364,354
Injuries and damages	270,700	311,048
Rents	129,850	149,116
Miscellaneous	2,599,347	2,613,503
	₱64,306,222	₱63,145,736
<u>Consumer Services Expenses</u>		
Consumers' records and collections	₱13,087,522	₱12,980,003
Meter reading	6,355,037	6,101,798
Compensation and employees' benefits <i>(Note 21)</i>	1,706,305	1,554,687
Miscellaneous	615,279	545,571
	₱21,764,143	₱21,183,059

(Carried Forward)

(Brought Forward.)

Years Ended December 31

2017

2016

Operations and Maintenance Expenses

Operations

Overhead lines	₱5,096,233	₱4,574,323
Compensation and employees' benefits (Note 21)	3,760,723	3,436,789
Meters	3,472,438	3,105,636
Street lighting	1,122,554	1,007,328
Miscellaneous	246,998	180,757
	13,698,946	12,304,833

Maintenance

Overhead lines	11,371,674	9,573,236
Line transformer	2,601,853	2,130,682
Compensation and employees' benefits (Note 21)	2,571,381	1,850,383
Meters	2,067,867	2,011,485
Structures, poles replacement	664,380	596,748
Miscellaneous	327,534	323,474
	19,604,689	16,486,008
	₱33,303,635	₱28,790,841

Note 21

Details of Compensation and Employees' Benefits

Years Ended December 31

2017

2016

Short-term employee benefits	₱39,954,744	₱33,575,732
Post-employment benefits (Note 14)	–	4,900,000
	₱39,954,744	₱38,475,732

Distribution of Short-Term Benefits

Years Ended December 31

2017

2016

Administrative and general	₱20,984,386	₱21,233,339
Operations and maintenance	6,332,104	5,287,173
Consumer services	1,706,305	1,554,687
Capitalized labor costs	10,931,949	10,400,533
	₱39,954,744	₱38,475,732

Note 22

Related Party Transactions

In the ordinary course of trade or business, the Cooperative provides electricity to its related parties which include its directors, officers, related interests and employees. These transactions were made substantially on the same terms and conditions as with other parties. None of the transactions incorporate special terms and conditions and no guarantee is given or received. Outstanding balances are usually settled in cash. Moreover, the revenue from these related parties are insignificant. The Cooperative has no associates, affiliates and joint venture projects.

The following summarizes transactions with related parties:

- Beginning 2010, the Cooperative extended interest-free advances to its members through the Service Connection Assistance Program (SCAP), and the HELP program (for house-wiring materials). Total

receivables under the SCAP program amounted ₱11,248,938 in 2017 and ₱11,072,374 in 2016. Total receivables under the HELP Program amounted ₱6,992,525 in 2017 and ₱6,996,182 in 2016.

- The Cooperative also extends cash advances to other electric cooperatives, employees and directors. As at December 31, 2017, the non-moving accounts receivable from other electric cooperatives amounted ₱1,874,926 and its non-moving accounts payable to other electric cooperatives amounted ₱2,435,754. The advances to officers and employees amounted ₱78,506 in 2017 and ₱113,010 in 2016.
- The key management compensation during 2017 and 2016 follow:

<i>December 31</i>	2017	2016
Salaries and wages	₱1,909,330	₱1,714,212
Employee benefits	512,882	907,542
	₱2,422,212	₱2,621,754

Note 23

Fair Value Measurement

Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table in the following page summarizes the fair value hierarchy of the Cooperative's financial assets and financial liabilities which are not measured at fair value in the 2017 statement of financial condition but for which fair value is disclosed.

<i>December 31, 2017</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Financial assets				
Cash (Note 6)	₱74,726,504	₱-		₱74,726,504
Trade and other receivables (Note 7)			₱79,377,880	79,377,880
	₱74,726,504	₱-	₱79,377,880	₱154,104,384
Financial liabilities				
Loans and borrowings (Note 13)	₱-	₱-	₱188,345,748	₱188,345,748
Consumers' deposits (Note 15)			51,790,024	51,790,024
Trade and other payables (Note 16)			54,221,874	54,221,874
	₱-	₱-	₱294,357,646	₱294,357,646
<i>December 31, 2016</i>				
Financial assets				
Cash (Note 6)	₱99,897,817	₱-		₱99,897,817
Trade and other receivables (Note 7)			₱46,524,136	46,524,136
	₱99,897,817	₱-	₱46,524,136	₱146,421,953
Financial liabilities				
Loans and borrowings (Note 13)	₱-	₱-	₱129,246,069	₱129,246,069
Consumers' deposits (Note 15)			48,444,254	48,444,254
Trade and other payables (Note 16)			116,211,848	116,211,848
	₱-	₱-	₱293,902,171	₱293,902,171

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments equal their fair values. The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument. When the Cooperative uses valuation technique, it maximizes the use of observable market data where it is

available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

Fair Value Measurement for Non-Financial Assets

The table in the following page shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31, 2017 and 2016.

<i>December 31, 2017</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Non-financial assets				
Materials & supplies inventory (Note 8)			P20,638,819	P20,638,819
Utility, plant and equipment (Note 4)			524,676,059	524,676,059
			P545,314,878	P545,314,878
<hr/>				
<i>December 31, 2016</i>				
Non-financial assets				
Materials & supplies inventory (Note 8)			P19,846,768	P19,846,768
Utility, plant and equipment (Note 4)			474,493,418	474,493,418
			P494,340,186	P494,340,186

The Level 3 fair value of the land and buildings and improvements included under the Property and Equipment account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

Note 23

Risk Management Objectives and Policies

The Cooperative is exposed to various risks in relation to its financial instruments. The main types of risks it is facing are market risk, credit risk and liquidity risk. The Cooperative's risk management is coordinated by its Board of Directors and focuses principally on actively securing the Cooperative's short to medium-term cash flows by minimizing the exposure to volatile financial markets. The Cooperative does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Cooperative is exposed are described as follows:

Market Risk Analysis

The Cooperative is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. Most of the Cooperative's transactions are carried out in Philippine currency, its functional currency. It has limited or no exposures to currency exchange rates since it has no transactions involving foreign currencies. The Cooperative does not actively engage in the trading of financial assets nor does it write options. It likewise has little exposure to interest rate risk as its financial assets and loans and borrowings have fixed interest rates. Its exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting period date.

Credit Risk Analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Cooperative. The Cooperative is exposed to this risk for various financial instruments, for example by the trade and other receivables extended to member/consumers, placing deposits, etc. The Cooperative's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of the reporting period, as summarized in the following:

<i>December 31, 2017</i>	<i>Neither Past Due Nor Impaired</i>	<i>Past Due But Not Impaired</i>	<i>Total</i>
Cash (Note 6)	₱74,726,504		₱74,726,504
Trade and other receivables (Note 7)	43,993,000	₱35,384,880	79,377,880
Other non-current assets (Note 5)	6,925,111		6,925,111
	₱125,644,615	₱35,384,880	₱161,029,495
	78.03%	21.97%	100.00%

The Cooperative manages the level of credit risk by actively monitoring all its receivables to avoid significant delinquency.

Liquidity Risk Analysis

The Cooperative is likewise exposed to liquidity risk, the risk that it will encounter difficulty in meeting its obligations as they become due without incurring unacceptable losses or costs. The Cooperative's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs, and (c) to be able to access funding when needed at the least possible cost. The Cooperative manages its liquidity by carefully monitoring its scheduled debt servicing payments for long-term financial liabilities as well as its cash flows due on its day-to-day business.

The maturity profile of the Cooperative's financial liabilities is as follows:

<i>December 31, 2017</i>	<i>Due in One Year</i>	<i>Due Over One Year</i>	<i>Total</i>
Loans and borrowings (Note 13)	₱54,221,874	₱–	₱54,221,874
Trade and other payables (Note 16)	18,544,756	169,800,992	188,345,748
Refund payable (Note 17)	7,797,312		7,797,312
Consumer deposits (Note 15)	–	51,790,024	51,790,024
	₱80,563,942	₱221,591,016	₱302,154,958
	26.66%	73.34%	100.00%

Note 24

Capital Management Objectives, Policies and Procedures

The Cooperative manages its capital to ensure that it has the ability to continue as a going concern in serving the needs of its members. The Cooperative's Board of Directors reviews regularly its capital structure on the basis of the carrying amount of equity, less cash and cash equivalents, as presented on the face of the statement of financial position. As a part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital.

Capital-to-Overall Financing Rate

The Cooperative's reported capital as at December 31, 2017, with comparative data as of December 31, 2016, is summarized as follows:

<i>December 31,</i>	2017	2016
Total members' equity	₱363,379,862	₱309,601,843
Less cash (Note 6)	74,726,504	99,897,817
Capital	₱288,653,358	₱209,704,026
Total members' equity	₱363,379,862	₱309,601,843
Borrowings (total liabilities)	343,122,797	339,400,744
Overall financing	₱706,502,659	₱649,002,587
Capital-to-Overall Financing Rate	40.86%	32.31%

Gearing Ratio

The Cooperative's Gearing Ratios computed at the end of each year are as follows:

<i>December 31,</i>	2017	2016
Total liabilities	₱343,122,797	₱339,400,744
Less cash (Note 6)	74,726,504	99,897,817
Net debt	268,396,293	239,502,927
Total members' equity	363,379,862	309,601,843
Equity and Net Debt	₱631,776,155	₱549,104,770
Gearing Ratio (Net Debt/Equity and Net Debt)	42.48%	43.62%

Gearing ratio focuses on the capital structure of the Cooperative— that means the proportion of finance that is provided by debt (borrowings) relative to the finance provided by equity. It is also concerned with liquidity. However, it focuses on the long-term financial stability of the Cooperative. Gearing (otherwise known as "leverage") measures the proportion of assets invested in business that are financed by borrowings. In theory, the higher the level of borrowings (gearing) the higher are the risks to the business since the payment of interest is not "optional". However, gearing can be a financially sound part of a business's capital structure particularly if the business has strong, predictable cash flows. The Cooperative will strive to reduce its gearing ratio by reducing working capital through increasing the speed of collections of its trade receivables thereby producing cash that can be used to pay down maturing debts.

<i>December 31,</i>	2017	2016
Total Liabilities	₱343,122,797	₱339,400,744
Total Members' Equity	363,379,862	309,601,843
	₱706,502,659	₱649,002,587
Debt to Equity Ratio	0.94 : 1	1.10 : 1

Note 25 **Commitments and Contingencies**

In the normal course of its operations, the Cooperative makes various commitments and incurs certain contingent liabilities which are not reflected in the accompanying financial statements. Management anticipates no material losses, if any, that may arise from these commitments and contingencies.

Note 26 **Events After Reporting Date**

There were no events after reporting date that would require disclosures or adjustments on the financial statements of the Cooperative.

Note 27 **Approval of Financial Statements**

The Cooperative's financial statements as of and for the year ended December 31, 2017 were authorized for issue by the Executive Committee of its Board of Directors on April 13, 2018.

Note 28**Taxes and Licenses***Years Ended December 31*

	2017	2016
Income taxes	₱169,042	₱-
Real property taxes	93,591	167,517
Radio licenses	79,280	-
Vehicle licenses	56,909	31,208
BIR annual registration	10,000	3,000
Pole rental	1,573	-
Franchise tax	-	3,736,906
	₱410,395	₱3,938,631



REPORT on the INSTITUTIONAL ACHIEVEMENTS

Statistical & Other Data

As of December 31, 2017

No. of Municipalities Within Franchise Area	18
No. of Energized Municipalities Within the Franchise Area	18
No. of Membership	88,125
No. of House Connections (Residential)	95,795
No. of Service Connections (Residential, Public Building, Commercial, High Voltage, Streetlight, Industrial)	98,607
No. of Potential Connections (Adjusted data based on 2015 Census of Population and Housing)	125,780
No. of Potential Barangays	410
No. of Barangays Served	401
Percentage of Barangays Served	98%
No. of Barangays Served Outside the Franchise Area	6
Sitio Electrification and Barangay Line Enhancement Program (SEBLEP) under the Government Subsidy Program	
No. of Sitios Energized	20
No. of House Connections Served	5,170
Total Number of Active Barangay Electricians	120
No. of Brigada Eskwela Electric Check Conducted to Schools	34
No. of High School Symposium Conducted	11
No. of Electricians' Monthly Meetings Conducted	12
No. of Consumers Apprehended on Electric Pilferages	98
No. of Pre-Membership and Re-Orientation for Disconnected Consumers Seminar Conducted	
No. of Participants (PMES)	4,214
No. of Participants (Re-Orientation)	11
No. of Weekly Broadcast Programs	40
No. of Multi-Sectoral Electrification Advisory Council (MSEAC) Quarterly Meetings Conducted	4
No. of Information Drives Conducted/ SP/SB/ABC Sessions/ Barangay Assemblies Attended	33
No. of Bandillos Conducted	28
No. of SEBLEP Energization Ceremonies Facilitated	2
No. of Approved Senior Citizens Discount Applications	882
No. of Membership I.D. cards prepared/ released	2,855
No. of Membership Certificates prepared/ released	2,855

STATUS OF HOUSE CONNECTION

AS OF DECEMBER 2017

(ADJUSTED DATA BASED ON 2015 CENSUS OF POPULATION & HOUSEHOLDS IN LANA DEL NORTE)

No.	Municipality	Barangay			Consumer Connection		
		Potential	Actual To date	%	Potential	Actual To date	%
1	Linamon	8	8	100%	4,473	4,395	98%
2	Matungao	12	12	100%	2,206	1,124	51%
3	Kauswagan	13	13	100%	5,916	5,519	93%
4	Bacolod	16	16	100%	5,199	5,499	105%
5	Maigo	13	13	100%	5,008	4,806	96%
6	Kolambugan	26	26	100%	6,446	7,157	111%
7	Tangkal	18	18	100%	2,405	426	18%
8	Tubod	24	24	100%	11,092	12,925	116%
9	Magsaysay	24	24	100%	3,839	1,833	48%
10	Baroy	23	23	100%	5,601	6,364	113%
11	Lala	27	27	100%	15,443	16,739	108%
12	Salvador	25	25	100%	7,028	3,236	46%
13	Kapatagan	33	33	100%	14,998	10,963	75%
14	Sapad	17	17	100%	4,716	3,073	65%
15	Sultan Naga Dimaporo (SND)	37	37	100%	11,616	7,539	65%
16	Balo-i *	4	4	100%	3,084	1,980	64%
17	Poona-Piagapo **	26	23	88%	4,414	590	13%
18	Munai ***	26	25	96%	6,020	819	14%
Barangays served Outside the Franchise Area							
19	Aurora, Zamboanga del Sur (Brgys. Anonang, Cebuneg, Acad, Napo, Bagong Oslob, Tagulo) ****	6	6	100%	-	781	
20	Nunungan (SOLAR)	25	25	100%	3,508	25	1%
21	Tagoloan (SOLAR) *****	7	2	29%	2,768	2	0%
TOTAL		410	401	98%	125,780	95,795	76%

* Three (3) barangays in Balo-i are under the franchise area of LANECO

** Three (3) barangays in Poona Piagapo are still unenergized

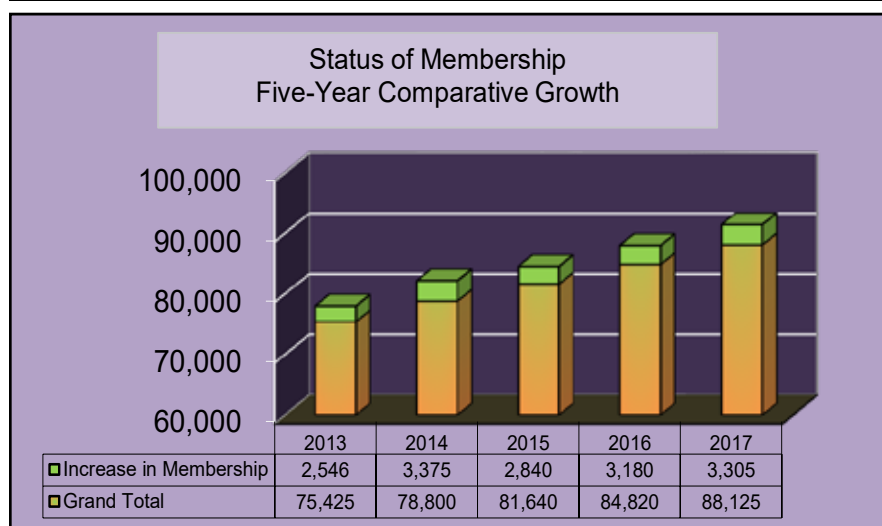
*** Nine (9) barangays in Munai were energized through SOLAR Power (DOE)

**** These are barangays of Aurora, Zamboanga del Sur served by LANECO outside the franchise area

***** Two (2) barangays in Tagoloan were energized through SOLAR Power (DOE); the rest five (5) barangays are still unenergized

Status Membership As of December 31, 2017

MUNICIPALITY	TOTAL (As of December 31, 2016)	TOTAL (As of December 31, 2017)
1. LINAMON	3,666	3,818
2. KAUSWAGAN	4,844	4,997
3. BACOLOD	4,814	5,021
4. MAIGO	4,129	4,235
5. KOLAMBUGAN	6,558	6,709
6. TUBOD	11,079	11,406
7. BAROY	5,835	5,939
8. LALA	13,827	14,386
9. SALVADOR	3,048	3,127
10. KAPATAGAN	10,481	10,904
11. SAPAD	2,726	2,841
12. SULTAN NAGA DIMAPORO	7,219	7,631
13. MAGSAYSAY	1,631	1,705
14. TANGKAL	412	417
15. MATUNGAO	966	1,017
16. POONA PIAGAPO	557	563
17. MUNAI	508	806
18. BALOI, LANA DEL NORTE	1,833	1,905
Barangays:		
Ma. Cristina	1,141	1,174
Nangka	412	433
Abaga	226	235
Matampay/ Pendulonan	54	63
SUB-TOTAL	84,133	87,427
MUNICIPALITIES OUTSIDE THE COVERAGE AREA BUT ARE PARTIALLY SERVED BY LANECO		
19. AURORA, ZAMBOANGA DEL SUR	687	698
Barangays:		
Cebuneg	85	85
Acad	197	198
Anonang	229	238
Napo	22	23
Bag-ong Oslob	154	154
GRAND TOTAL	84,820	88,125



Total No. of Members as of
May 4, 2018 (Cut-Off Date for
Qualified Registrants to the 42nd
Annual General Membership
Assembly)

89,387

Activities Successfully

41st Annual General Membership Assembly

Date Conducted	May 28, 2017
Venue	Mindanao Civic Center Gymnasium National Highway, Sagadan, Poblacion, Tubod, Lanao del Norte
Guest of Honor	Edgardo R. Masongsong - NEA Administrator
Total No. of Members as of AGMA Date	86,008
No. of Attending Members	11,297
Percentage of Attending Members	13.13%

45th Foundation Anniversary Celebration & 8th National Electrification Awareness Month Activities

Inter-color Opening Program	July 31, 2017
Simultaneous Hanging of Tarpaulin/ Streamer re National Electrification Awareness Month in the Central Office & Branch Offices	August 1, 2017
Radio Pluggings about Rural Electrification Program	August 1-31, 2017
Elementary School Symposium - 11 Schools; 1,020 Students	August 9-31, 2017
Federated MSEAC Quarterly Meeting	August 11, 2017
Joint Information Drive with NGCP	
Area 1: Robocon, Linamon & Dalicanan, Kauswagan	August 15, 2017
Area 2: San Vicente & Curvada, Kapatagan	August 16, 2017
SEBLEP Energization Ceremony - Tipolo, Kapatagan	August 23, 2017
Tree Planting: La Libertad, Kapatagan, LDN - 300 Mahogany Trees	August 18, 2017
Blood Letting in coordination with Red Cross of the Philippines - 9 Donors	August 23, 2017
Larong Pinoy/ Parlor Games	August 24, 2017
A Family Night of Fun and Laughter	August 24, 2017
Power Run	August 24, 2017
Culmination Program (Guest Speaker: Lorenzo A. Penliar – NEA IDD-OMDD Supervising ECDO)	August 25, 2017

National Electrification Awareness Month Symposia

	School	Municipality	Date Conducted
1	Malingao Central Elementary School	Tubod	August 9, 2017
2	Baroy Central Elementary School	Baroy	August 9, 2017
3	Kolambugan Central Elementary School	Kolambugan	August 14, 2017
4	Maranding Central Elementary School	Lala	August 14, 2017
5	Maigo Central School	Maigo	August 17, 2017
6	Bacolod Central Elementary School	Bacolod	August 17, 2017
7	Kapatagan Central Elementary School	Kapatagan	August 29, 2017
8	SND Central Elementary School	SND	August 29, 2017
9	Kauswagan Central Elementary School	Kauswagan	August 30, 2017
10	Linamon Central Elementary School	Linamon	August 30, 2017
11	Sapad Central Elementary School	Sapad	August 31, 2017
Total No. of Pupil Participants			1,020

District Election

Districts due for Election in 2017	4
X-Salvador (not conducted; nobody filed COC)	April 1, 2017
VII-Baroy	April 2, 2017
III-Bacolod	April 8, 2017
I-Linamon-Matungao	April 9, 2017

Brigada Eskwela Electric Check

May 15-19, 2017

	School	Municipality
1	Tubod Central Elementary School	Tubod
2	Malingao Central Elementary School	Tubod
3	Pedro Buca Memorial School	Tubod
4	Sergio Mata Elementary School	Tubod
5	Teofila Quibranza National High School	Tubod
6	San Antonio Elementary School	Tubod
7	Dalama Integrated School	Tubod
8	Patudan Elementary School	Tubod
9	Bualan Elementary School	Tubod
10	Teofilo Morales Sr. Memorial Elementary School	Tubod
11	Felisa Viloria Bond Memorial Elementary School	Tubod
12	Datu Bibit Dalug Elementary School	Magsaysay
13	Abaga Central Elementary School	Lala
14	Lower Sta. Cruz Central Elementary School	Lala
15	Maigo Central School	Maigo
16	Placida Mequiabas National High School	Kapatagan
17	Cathedral Falls Elementary School	Kapatagan
18	Curvada Elementary School	Kapatagan
19	Felisa Santos Elementary School	Bacolod
20	Kahayag Elementary School	Bacolod
21	Esperansa Elementary School	Bacolod
22	Kauswagan Central Elementary School	Kauswagan
23	Kawit Occidental Elementary School	Kauswagan
24	Kawit Oriental Elementary School	Kauswagan
25	Robocon Elementary School	Kauswagan
26	Balagatasa Elementary School	Bacolod
27	Purakan Elementary School	Linamon
28	Pagayawan Elementary School	Linamon
29	Linamon Central Elementary School	Linamon
30	G.P. Canoy Memorial Elementary School	Linamon
31	Anatacia Logronio Elementary School	Linamon
32	Maria Cristina Central Elementary School	Linamon
33	Geronima Cabrera National High School	Kolambugan
34	Guillermo Gimeno Elementary School (Titunod Elementary School)	Kolambugan

LANECO Power Voices Singing Engagements

Orientation for Study & Work Program in Japan	March 14, 2017
9th Ginanggang Festival Culmination Program – Poblacion, Tubod	May 14, 2017
58th Araw ng Lanao del Norte Culmination Program	July 4, 2017

Conducted & Facilitated

Member-Consumer Empowerment Program (MCEP)

MUNICIPALITY	BARANGAY	DATE ORGANIZED	MUNICIPALITY	BARANGAY	DATE ORGANIZED
KAPATAGAN :			TUBOD :		
1	Sta. Cruz	October 17, 2017	1	Barakanas	November 07, 2017
2	Bagong Badian	October 17, 2017	2	Licapao	November 07, 2017
3	Durano	October 18, 2017	3	Patudan	November 08, 2017
4	Kahayagan	October 18, 2017	4	Pualas	November 08, 2017
5	De Asis	October 19, 2017	5	Sto. Niño	November 09, 2017
6	Malinas	November 10, 2017	6	Pinpin	November 09, 2017
7	Bel-is	November 10, 2017	7	Kalilangan	November 14, 2017
8	Buenavista	November 20, 2017	8	Caniogan	November 14, 2017
9	Suso	November 20, 2017	9	Palao	November 16, 2017
10	Kidalos	November 21, 2017	10	Taguranao	November 16, 2017
11	Mahayahay	November 21, 2017	11	Taden	November 17, 2017
12	Tipolo	November 22, 2017	12	Bualan	November 17, 2017
13	La Libertad	November 22, 2017	13	Camp 5	December 12, 2017
14	San Isidro	November 24, 2017	14	Dalama	December 12, 2017
15	Lapinig	December 11, 2017	15	Candis	December 13, 2017
16	Margos	December 11, 2017	16	Tubaran	December 13, 2017
			BAROY :		
			1	Libertad	November 13, 2017
			2	Riverside	November 13, 2017
			3	Pangi	November 23, 2017
			4	Baroy Dacu	November 23, 2017
			5	Pendulonan	December 14, 2017
			6	Cabasagan	December 14, 2017
TOTAL ORGANIZED BARANGAYS			38		

Other Activities Successfully Conducted & Facilitated

Installation of Standard Signage for Electric Cooperatives	January 31, 2017
Round Table Discussion with Kilusang Pagbabago	February 14, 2017
Jurisdictional Requirements, Expository Presentation, Pre-Trial Conference and Presentation of Evidence on ERC Case No. 2016-108 RC, the Lanao del Norte Electric Cooperative, Inc.'s (LANECO) Joint Application for Approval of the Power Supply Contract (PSC) entered into by and between LANECO and San Miguel Consolidated Power Corporation (SMCPC), with Prayer for Confidential Treatment of Information	March 16, 2017
<p>Energization Ceremonies: Purok 7 Sitio Payongan Palao, Tubod Tipolo, Kapatagan</p>	February 15, 2017 August 23, 2017
<p>Corporate Social Responsibility in partnership with <i>FDC Misamis Power Corporation, King Energy Generation Inc., Total Power Incorporated, Meter King and the National Grid Corporation of the Philippines:</i></p> <p>LANECO Cares for Marawi Evacuees - 511 Families Maigo, LDN Tubod, LDN Sultan Naga Dimaporo, LDN LASURECO Satellite Office-Iligan City)</p>	May 31, 2017 May 31, 2017 June 2, 2017 June 8, 2017
<p>LANECO Cares: Oplan Tabang for Typhoon Vinta Victims - 621 Families Dalama, Tubod, LDN Salvador, LDN Munai, LDN Maranding, Lala, LDN</p>	December 29, 2017 December 29, 2017 December 30, 2017
Directors & Employees' Day	March 31, 2017
LANECO Family Christmas Party	December 21, 2017
LANECO Quarterly Prompt Payer Raffle Draws	4 quarters
Federated Multi-Sectoral Electrification Advisory Council Quarterly Meetings	4 quarters

Personnel Profile - 2017

Total No. of Employees	152
Technical	55
Non-Technical	97
Female	50
Male	102
Project Supervisor/ Acting General Manager	1
Department Managers	4
Office of the General Manager	37
Institutional Services Department	13
Internal Audit Department	4
Finance Department	17
Engineering Department	28
Branch Offices Employees	
Linamon	8
Bacolod	8
Kolambugan	8
Lala	11
Kapatagan	10
Sultan Naga Dimaporo	4
Baroy Service Center	4
Regular Employees	136
Daily Wage Employees	
Contractual	none
Probationary	16
No. of Compulsory Retirees	1
No. of Optional Retirees	none
No. of Personnel Sent to Various Seminars/Trainings	152
No. of In-House Trainings/Seminars Conducted	3
No. of On-the-Job Trainees	129
No. of Consumers/Service Connections Served/Employee	1:632
No. of Employees Served by LEHAP (LANECO Employees Hospitalization Assistance Program)	
Principal	56
Dependent	78

Recipients of Plaques of Recognition

- Edgardo R. Masongsong**
NEA Administrator
- Hon. Casan M. Maquiling**
Municipal Mayor
Munai, Lanao del Norte
- Hon. Leoncio C. Bagol**
Municipal Mayor
Tubod, Lanao del Norte
- Hon. Hassanor L. Tawantawan**
Municipal Mayor
Salvador, Lanao del Norte
- Hon. Asizah S. Omar**
Municipal Mayor
Magsaysay, Lanao del Norte
- Sultan Johnny A. Tawantawan**
Municipal Administrator
Salvador, Lanao del Norte
- Hon. Mateo M. Cortes**
Sangguniang Bayan Member
Salvador, Lanao del Norte
- PSUPT. Bobby S. Abao**
Chief, Regional Finance Service Office
Region 10 - Cagayan De Oro City
- 1st Virgil Thomas A. Visabella (AGS) PA**
53rd MECH COY, 5 MECH BN, MID PA
Maigo, Lanao del Norte
- Hon. Allan B. Ali**
Barangay Captain
Lininding, Munai, Lanao del Norte
- Hon. Camlon Hadji C. Adato**
Barangay Captain
Pendulonan, Munai, Lanao del Norte
- Hon. Monaoray S. Comondra**
Barangay Captain
Bacayawan, Munai, Lanao del Norte
- Hon. Marcelo T. Diabordo**
Barangay Captain
Dalama, Tubod, Lanao del Norte

Posthumous Award

Engr. Romeo T. Nasara
Former Board Director
Tubod-Magsaysay District

OUR SUPERVISING AGENCY

National Electrification Administration (NEA) BOARD OF ADMINISTRATORS

Secretary Alfonso G. Cusi
Chairman

Felix William B. Fuentebella
Representative of the Chairman

Agustin L. Maddatu
Member

Rene M. Gonzales
Member

Alipio Cirilo V. Badelles
Member

Edgardo R. Masongsong
Administrator
Ex-Officio Member

National Electrification Administration (NEA) EXECUTIVE OFFICIALS

EDGARDO R. MASONGSONG
Administrator

SONIA B. SAN DIEGO
Deputy Administrator
EC Management Services

GOLDELIO G. RIVERA
Deputy Administrator
Legal Services

ROSSAN SJ. ROSERO-LEE
Deputy Administrator
Special Concerns Office (SCO)

ATTY. VICAR LOUREEN G. LOFRANCO
Acting Deputy Administrator
Corporate Resources and Financial Services

ARTIS NIKKI L. TORTOLA
Deputy Administrator
Technical Services

COMMITTEES OF THE BOARD OF DIRECTORS

LEGAL

Chairman: Dir. Jhonny N. Landiza
Members: Dir. Jamiri Isagani A. Sanguila
Dir. Jimmy O. Pormento

TECHNICAL

Chairman: Dir. Baldomero N. Zamora
Members: Dir. Jimmy O. Pormento
Dir. Arnel M. Bucol

FINANCE

Chairman: Dir. Karim U. Macarompan
Members: Dir. Jonathan L. Duhaylungsod
Dir. Geromias G. Velasco

INSTITUTIONAL

Chairman: Dir. Khalid M. Dimaporo
Members: Dir. Arnel M. Bucol
Dir. Marie Rholyn Charina L. Amesola

AUDIT

Chairman: Dir. Geromias G. Velasco
Members: Dir. Jonathan L. Duhaylungsod
Dir. Karim U. Macarompan

ETHICS

Chairman: Dir. Jamiri Isagani A. Sanguila
Members: Dir. Jhonny N. Landiza
Dir. Marie Rholyn Charina L. Amesola

EX-OFFICIO MEMBERS TO ALL COMMITTEES:

Elmira G. Olavides, Board President
Sherwin C. Mañada, PS/AGM

LEGAL COUNSEL

ATTY LEO M. ZARAGOZA

Zaragoza-Macabangkit Law Office
Suite 315, Abalos Bldg., Gen. Aguinaldo St., Iligan City

DEHAVEZ & EVANGELISTA LAW OFFICES

Units 1609-1610 Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City, Metro Manila

EXTERNAL AUDITOR

QUILAB & GARSUTA

2F Executive Centrum Building
J.R. Borja St., Cagayan de Oro City

CONTACT NOS.

ENERGYCENTER

Office of the General Manager (063) 341-5231
TELEFAX (063) 341-5210
Consumer Welfare Desk/ Institutional Services Department (063) 341-5459
Finance Department (063) 341-5113
Engineering Department (063) 341-5149

LANECO Hotline 0927-344-8388
Bantay Kawat Kuryente 0916-435-3520
0918-263-1246

BRANCH OFFICES

Linamon (063) 227-0129
Bacolod (063) 227-2023
Kolambugan (063) 355-4433
Lala (063) 388-7011
Kapatagan (063) 382-8038

THE POLICYM



ELMIRA G. OLAVIDES, Ed.D.
President
Tubod-Magsaysay District



KHALID M. DIMAPORO
Vice-President
Sultan Naga Dimaporo District



JHONNY N. LANDIZA
Secretary
Kapatagan District



KARIM U. MACAROMPAN
Treasurer
Maigo District



MARIE RHOLYN CHARINA L. AMESOLA
Member
Linamon-Matungao District



JAMIRI ISAGANI A. SANGUILA
Member
Kauswagan-Munai District



BALDOMERO N. ZAMORA
Member
Bacolod District

AKING BODY



JONATHAN L. DUHAYLUNGSOD
Member
Kolambugan-Tangkal District



GEROMIAS G. VELASCO
Member
Baroy District



JIMMY D. PORMENTO
Member
Lala District



ARNEL M. BUCOL
Member
Sapad District



SHERWIN C. MAÑADA, CPA
Ex-Officio Member



DR. TEDDY A. BERNALES
NEA Representative

The Coop's Stewards

PRESIDENT



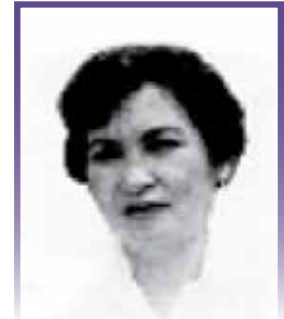
MANUEL V. PANGILINAN
May 27, 1972-July 13, 1983



CAYETANO B. OLAVIDES, SR.
July 14, 1983- May 19, 1984



DOMINGO A. CARRILLO
May 20, 1984-June 11, 1987



NELIETA Q. NOVAL
June 12, 1987-March 21, 1992



RUBIN C. GENEROSO
March 22, 1992-November 16, 2001



ISAIAS N. TENEBRO
Nov. 17, 2001 - Sept. 12, 2003



GREGORIO M. TAN
Sept. 13, 2002-Nov. 8, 2006



LYNDON L. ABUCAY
Nov. 9 2006-June 10, 2009



REINARIO B. BIHAAG
June 2009-May 31, 2015



EMMANUEL A. MEJORADA
June 2015-Nov. 2016



ELMIRA G. OLAVIDES, Ed.D.
December 2016-Present

Yesterday and Today

GENERAL MANAGER



DEMOSTHENES B. DINGCONG
January 01, 1973-July 31, 1975



ISAGANI R. RABINO
August 1, 1975 - August 30, 1982



RUPERTO O. LASPIÑAS
August 31, 1982 - August 27, 1987



JOEL R. VALENCIA
Project Supervisor
April 26-July 23, 1987



REYNALDO L. RADA
September 1-13, 1987



ROGACIANO B. ANUNCIADO
Project Supervisor / Acting General Manager
September 14, 1987-October 15, 1990



RESNOL C. TORRES
October 16, 1990-August 26, 2011



EVANGELITO S. ESTACA
Project Supervisor
May 2, 2011-January 18, 2012



DANILO G. EBARLE
Officer -In-Charge
November 9, 2011-May 7, 2014



SHERWIN C. MAÑADA, CPA
Project Supervisor /
Acting General Manager
May 8, 2014-Present

THE MANAGEMENT STAFF



Zenaida M. Fabunan, MBA
Institutional Services Department Manager



Sherwin C. Mañada, CPA
Project Supervisor / Acting General Manager



Angelina G. Estrologo, MBA
Finance Services Department Manager



Jackie Lou R. Bartolo, MBA
Internal Audit Department Manager



Marlon L. Gapol, REE
OIC-Technical Services Department



5-Point Agenda of President Rodrigo R. Duterte



- 1. ACCESS TO ELECTRICITY FOR ALL**
- 2. POWER AVAILABILITY AT ALL TIMES**
- 3. POWER RELIABILITY**
- 4. SYSTEM EFFICIENCY**
- 5. CHEAP ELECTRICITY RATE**

8-Point Agenda of Alfonso G. Cusi-Department of Energy (DOE) Secretary



1. Exert best effort to achieve 100% electrification of targeted identified heretofore unelectrified households in all the three major islands
2. Build a “common carrier” liquefied natural gas receiving and distribution infrastructure anchored at a future “Clean Energy City”
3. Connect the Mindanao grid with the connected Visayas and Luzon grids
4. Plan and build an appropriate portfolio of installed and dependable power capacities (consistent with the projected economic growth up to 2030). The planned power capacities from a mix renewable energy, coal, natural gas and oil shall appropriately matched the aforementioned demand characteristics
5. Accelerate the total privatization of PSALM assets
6. Ensure transparency and predictability in the power generation transmission and distribution permitting process
7. Undertake capacity building of human resources within the “Energy Family”
8. Conduct a nationwide information, education and communication (IEC) campaign on ways to reduce electricity and fuel consumption.

7-Point Agenda of NEA ADMINISTRATOR EDGARDO R. MASONGSONG



1. Complete the National Rural Electrification Program
2. Intensify Capacity Building Program for the Electric Cooperatives
3. Prioritize the Empowerment Program for the Electric Consumers
4. Carry out Rural Development Program thru Rural Electrification Program
5. Carry on the current Corporate Governance Program of the NEA
6. Strengthen networking and linkaging with the policy-makers to ensure that the Legislative agenda beneficial to the NEA, electric cooperatives, and electric consumers are given attention
7. Introduce the paradigm shift from central NEA to Federal State Electrification Administration or carry out a transition period towards the creation of the National Center of ECs (electric cooperative consumers) to self-govern the rural electrification movement.

Important Events

45th Foundation Anniversary & 41st



NEA Administrator Edgardo R. Masongsong as the 41st AGMA Guest Speaker



Oath Taking of the newly elected Board Directors: (L-R) Baldomero Zamora – Bacolod, Ma. Rholyn Charina Amesola – Linamon, and Geromias Velasco - Baryo as conducted by the NEA Administrator



Sherwin C. Mañada, CPA
PS/Acting General Manager



11, 297 attending members flocked the MCC Gymnasium for the 41st AGMA on May 28, 2017



& Activities 2017

Annual General Membership Assembly



Presentation of Departmental Reports: Technical, Financial and Institutional



NEA Administrator Edgardo R. Masongsong conducted the mass oath taking of NCECCO Members Lanao del Norte Chapter



Atty. Leo M. Zaragoza
LANECO Legal Counsel



Elmira G. Olavides
Board President

Mr. Lee B. Manginsay
MSEAC Federated President
during the open forum

45th Foundation Anniversary & 8th National



Energization Ceremony in Tipolo, Kapatagan, LDN on August 23, 2017



Elementary Symposia in 11 Elementary Schools within the franchise area from August 9-31, 2017



Tree Planting activity in La Libertad, Kapatagan, LDN on August 18, 2017



Joint information drive of LANECO and NGCP of selected barangays in the municipalities of Linamon, Kauswagan, Kolambugan and Kapatagan



Blood Letting Day in partnership with Red Cross of the Philippines on August 23, 2017



Multi-Sectoral Electrification Advisory Council (MSEAC) 3rd Quarterly Meeting on August 11, 2017

Electrification Awareness Month Celebration



Power Run 2017



A Family Night of Fun and Laughter with Digos Good Vibes on August 24, 2017



Whole day outdoor games for the entire workforce on August 24, 2017



LANECO Task Force



LANECO's participation to Marawi Power Restoration Rapid Development (PRRD) Task Force in November and December 2017



LANECO Task Force Vinta in December 2017



District Elections



Baroy District



Linamon-Matungao District



Bacolod District

Seminars



Meter Readers' Orientation, Evaluation and Assessment Training Seminar on August 14, 2017



In-House Training for Technical Personnel on Overcurrent Protection Relay conducted by the National Grid Corporation of the Philippines (NGCP) on June 15-16, 2017

Installation of Standard EC Signage



Standard ONE IDENTITY, ONE LOGO & ONE COLOR signage for NEA-EC partnership and alliance of MCOs and stakeholders displayed in front of the LANECO headquarter, branch offices, and power substations



Singing Engagements

LANECO Power Voices



58th Araw ng Lanao del Norte Culmination Program * July 14, 2017



9th Ginanggang Festival Culmination Program (Poblacion, Tubod) * May 14, 2017



Orientation for Study and Work Program in Japan * March 14, 2017

Ambassador of Goodwill

Round Table Dialogue



Kilusang Pababago Lanao del Norte Chapter - February 14, 2017



ERC Hearing



Jurisdictional Requirements, Expository Presentation, Pre-Trial Conference and Presentation of Evidence on ERC Case No. 2016-108RC on Joint Application for the Approval of the Power Supply Contract (PSC) entered between LANECO and San Miguel Consolidated Power Corporation (SMCPC) on March 16, 2017



LANECO Cares Program



LANECO cares for the LASURECO Employees and Associates on June 8, 2017



Distribution of relief goods to the evacuees from Marawi in the municipalities of Tubod, Maigo and Sultan Naga Dimaporo on May 31 & June 2, 2017



Joint Oplan Tabang of LANECO and Power Suppliers for TS Vinta victims in the municipalities of Tubod, Salvador and Munai on December 29-30, 2017

Member-Consumer Empowerment Program (MCEP)

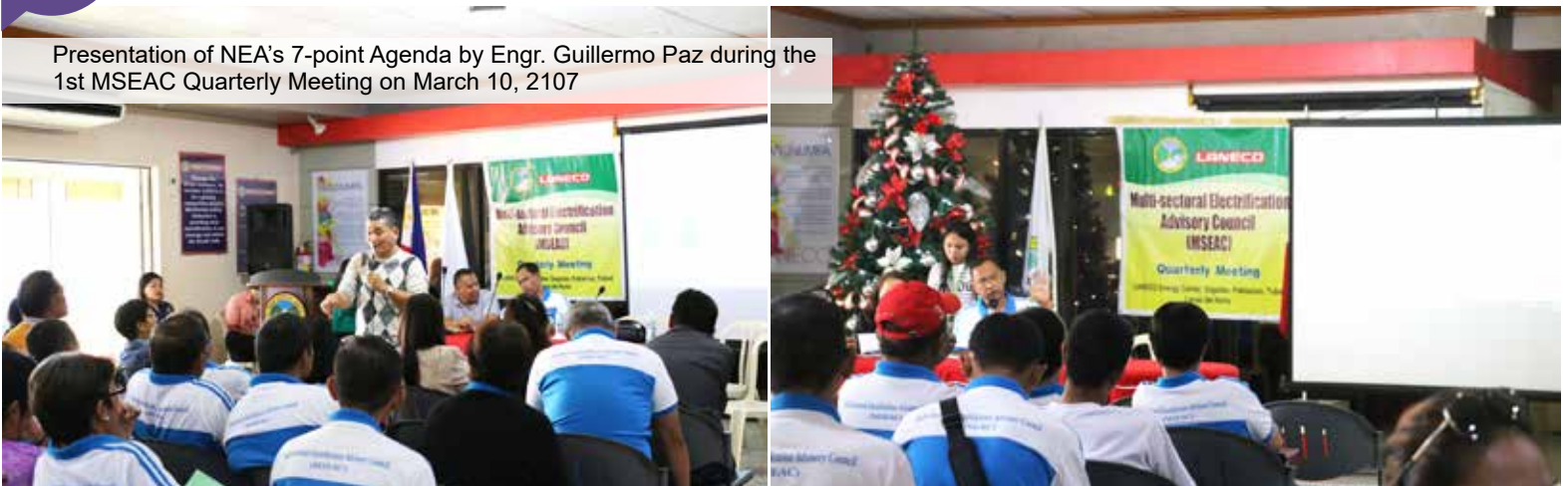


Organizing of MCOs through Member Consumer Empowerment Program (MCEP) in 38 barangays with special assistance of Mr. Urbano "Tatay Bong" Talibong from NEA



MSEAC Quarterly Meetings

Presentation of NEA's 7-point Agenda by Engr. Guillermo Paz during the 1st MSEAC Quarterly Meeting on March 10, 2107



Federated Multi-Sectoral Electrification Advisory Council (MSEAC) Officers



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President

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The LANECO Family



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from the Heart!* 



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