



Republic of the Philippines
National Electrification Administration

June 13, 2007

MEMORANDUM No. 2007-019

TO : ALL ELECTRIC COOPERATIVES

SUBJECT : REVISED GUIDELINES FOR WRITING-OFF WORTHLESS CONSUMERS ACCOUNTS RECEIVABLES

I. Rationale

1. Electric Cooperatives continue to be encumbered with uncollectible accounts which inspite of diligent efforts to recover have remained a problem beyond the control of the coops and reflect an adverse picture on their financial operation.
2. Cognizant to the clamor and based on experiences of some ECs, the existing NEA Guidelines on Writing-Off of Worthless Accounts dated April 6, 1993 is hereby revised/amended.

II. Objective

To have an accurate, fair and a more realistic presentation of financial statements. Likewise, the proposed amendments would discourage the practice of some ECs in reclassifying the Consumers Accounts Receivables to other accounts to obtain a higher collection efficiency rating for purposes of categorization.

III. General Guidelines

A. Criteria

1. Accounts must be disconnected for more than three (3) years;
2. Coop management must present proof that all efforts were exhausted to collect from concerned consumers.

B. Disqualified Accounts for Write-off

- a. Accounts of the following **incumbent**:
 1. Board of Directors
 2. Coop Employees
 3. Retainers/Consultants
 4. Government officials

- b. National and Local Government units
- c. All types of "disconnected consumers" but with current bills
- d. Accounts under litigation

C. ADDITIONAL ACCOUNTS QUALIFIED FOR WRITE-OFF

1. Industrial and Commercial Consumers

Accounts of the above type of consumers could be written-off with the following conditions:

- a. Disconnected for more than 3 years
 - b. Submission of the following:
 - Barangay Certification where the business establishment is located as being closed/non-operational for more than 3 years.
 - City/Municipal certification of non-renewal of business permit for more than 3 years.
 - Certificate of bankruptcy from Securities and Exchange Commission (SEC) or Department of Trade and Industry (DTI).
 - Certificate of bank in case of foreclosure.
 - Other documents as proof of closure/non-operational for more than 3 years.
2. ***Dissolved/defunct National and Local Government Offices and Instrumentalities including Government Owned & Controlled Corporations and their related projects/organizations/associations whose existence are co-terminus.***
 3. ***Accounts of relatives of incumbent coop officials, employees, retainers and consultants.***
 4. ***All past officers, employees, retainers and consultants of the coop and former government officials at the time of the write-off.***

IV. COMMITTEE

All electric cooperatives must create a committee to determine worthless accounts with the following as members:

- Internal Auditor
- FSD Manager

- TSD Manager
- ISD Manager
- Concerned Area/Sub-Office Managers
- Collection Supervisor

Members must elect a Chairman and Vice Chairman from among themselves.

V. OTHER CONDITIONS FOR WRITE-OFF

1. All electric cooperatives must write-off worthless accounts only once a year;
2. Disconnection policy must be strictly implemented.
3. All accounts written-off prior to this memorandum must satisfy the set criteria and follow the given guidelines. All non-qualifying accounts must be restored immediately.
4. ***In order to discourage laxity in the implementation of disconnection policy, the ECs are hereby given a period of three (3) years upon effectivity of this memorandum to write-off Consumer Accounts Receivables which are more than three (3) years disconnected. After the given prescribed period, the amount to be written off shall be limited to the total amount of the three (3) oldest bills only per consumer.***

VI. PROCEDURE

1. Conduct an inventory of disconnected power bills;
2. Prepare an aging analysis with the following data:
 - a. Type of consumer
 - b. Aging of Disconnected Accounts

	No.	Amount
12 mos. - and below	_____	P_____
13 mos. - 24 mos.	_____	_____
25 mos. - 36 mos.	_____	_____
Above 36 months	_____	_____
TOTAL	_____	_____

3. Based on the aging analysis, send demand letters (format attached) thru registered mail, if necessary, to concerned consumers giving priority to disconnected accounts of more than 3 years. The demand letter must be signed by the coop legal counsel.

11.

4. The committee shall evaluate the response from demand letters and prepare a detailed summary report on its recommendation per account.
5. Coop management shall officially recommend the write-off decisions to the Board. Every decision must be covered by a Board resolution which shall express among others that said decision of the Board shall not be construed as an act of condonation of the concerned consumers' monetary obligations to the coop, and that the coop reserves the right to recover unpaid accounts at anytime the opportunity to recover surfaces.
6. The Board Resolution with supporting documents shall be submitted to NEA-ECAD for evaluation and approval.
7. Upon receipt of the NEA approval in writing, it shall be the responsibility of the Finance Department to effect the writing-off from the coop's books of accounts. All pertinent records must be kept intact for ready reference in the event that the opportunity to recover the written-off account arises.
8. The Member Services Department shall be given a list of consumers with written-off accounts and will undertake the screening of old and new applications for electric services based on this list.
9. Consumers with previously written-off accounts but who were able to have their electric service reconnected through misrepresentation or deceit like applying for reconnection under another name or assumed guises, must be required to pay their written-off accounts. Failure to do so shall result in immediate service disconnection.

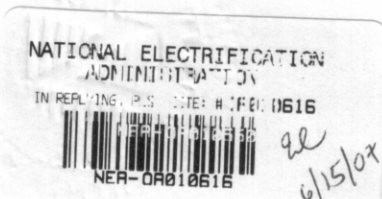
RESPONSIBILITY

The responsibility of implementing this policy rests on the General Manager, Finance Manager, Member-Services Manager and Internal Auditor.

EFFECTIVITY

This revised guidelines supersedes NEA memorandum on the same subject dated April 06, 1993 and shall take effect after the prescriptive period for publication in the Official Gazette.


EDITA S. BUENO
Administrator



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