



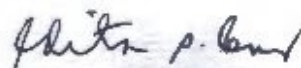
March 19, 2015

MEMORANDUM No. 2015-005

TO : ALL ELECTRIC COOPERATIVES

SUBJECT : Validity Period of ECs' Loans

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1. NEA has been granting loans to ECs without setting the loan validity period which has resulted to the accumulation of undrawn loan balances aggregating to Php7.153B for 104 ECs as of December 31, 2014.
 2. These loan balances have been outstanding for quite some time while some are commodity loans (E/M) which are no longer in the inventory of NEA.
 3. There is a necessity to establish a policy setting the validity period of ECs' loans to impose discipline and sound loan administration.
 4. On 29 January 2015, the NEA Board of Administrators under Board Resolution No. 11 approved the Policy Setting the Validity Period of ECs' Loans.
 5. Attached is a copy of the said policy for your information and guidance.


EDITA S. BUENO
Administrator

NATIONAL ELECTRIFICATION ADMINISTRATION
Office of the Administrator



NEA-OA216345

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3/23/15

Policy Setting the Validity Period of Loans

I. BACKGROUND

NEA has been granting loans to ECs without setting the loan validity period. This practice has resulted to the accumulation of undrawn loan balances aggregating to Php7.153B for 104 ECs as of 31 December 2014. Some of these loan balances are undrawn for quite sometime while some are commodity loans (E/M) which are no longer in the inventory of NEA.

Although NEA recognizes that the CAPEX Plan of ECs is of fairly large magnitude and covers 3-5 year expenditure plan, there is a necessity to set the validity period of loans to ECs to impose discipline and sound loan administration.

II. OBJECTIVE

To establish a policy setting the validity period of ECs loans.

III. POLICY STATEMENT

Loans to ECs shall have validity period, as follows:

A.1. New Loans

Loan	Validity Period
Rural Electrification (Funding Requirement for CAPEX Plan)	3-5 years (Same with CAPEX Plan as approved/filed with ERC or NEA approved Workplan)
Single Digit System Loss Loan	2 years
Concessional	
Working Capital	
Calamity	1 year

A.2. Undrawn Loan Balances

EC	Loan	Amount (Php'M)	Validity Period
77 (See Annex A)	RE/ Funding Requirement	5,346	3 years
	Working Capital	43	2 years
	Modular Gensets	310	
	Concessional	4	
	Calamity	46	1 year
	Total		5,749

Other undrawn loan balances amounting to Php1.424B (72 ECs) are hereby cancelled (Annex B).

B. Request for Extension

The Administrator is authorized to approve request for extension of up to two (2) years if condition so warrants. The EC shall submit a Board Resolution and other documents necessary to support its request for extension.

IV. EFFECTIVITY

This policy shall be effective immediately upon approval by the NEA Board of Administrators.

Approved by the Board

Date: January 29, 2015 (BR No. 11)