



June 10, 2016

MEMORANDUM No. 2016-009

TO : ALL ELECTRIC COOPERATIVES

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

I. Rationale

Through the years, some Electric Cooperatives (ECs) have not or never conducted writing off of their worthless Consumers' Accounts Receivables such that uncollectible accounts of previous years are carried forward and had accumulated unrealistically.

Relative to this, the ECs have not been conforming to the "Guidelines in the Computation and Adjustment of Allowance for Bad Debts" dated January 6, 1998. **(copy attached)**

These situations, when not corrected will have a great impact in the yearly performance assessment of each EC.

II. Objectives

1. To have an accurate, and fair presentation of the financial viability of the ECs.
2. To encourage each EC to strictly implement its disconnection policy.
3. To restrain the ECs from the practice of reclassifying the Consumers Accounts Receivables to other accounts to obtain a higher collection efficiency rating for purposes of Key Performance Standards (KPS) Assessment.

III. General Guidelines

A. Criteria

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

U.P. LAW CENTER OFFICE of the NATIONAL ADMINISTRATIVE REGISTER Administrative Rules and Regulations RECEIVED JUN 21 2016 TIME: <u>1:10</u> BY: <u>pr</u>	REPUBLIC OF THE PHILIPPINES NATIONAL ELECTRIFICATION ADMINISTRATION QUEZON CITY OFFICE OF THE CORPORATE SECRETARY CERTIFIED TRUE COPY NOLLIE B. ALAMILLO
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B. Disqualified Accounts for write-off

a. Accounts of the following incumbent:

- Board of Directors
- **EC** Officers and Employees
- Retainers/Consultants
- Government officials

b. National and Local Government units

c. All accounts of "disconnected consumers" but with current bills

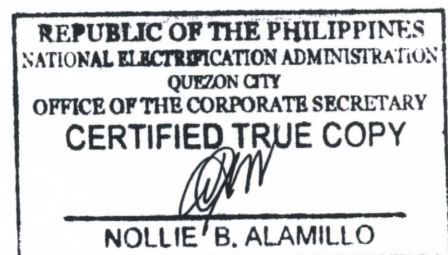
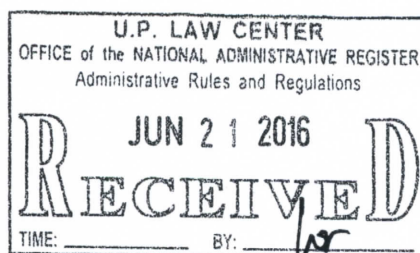
d. Accounts under litigation

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).
 - Certification from 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 is co-terminus.
 3. Accounts of relatives of incumbent **EC** officials, employees, retainers and consultants.
 4. All past officers, employees, retainers and consultants of the **EC** and former government officials at the time of the write-off.



14.

IV. Committee

All *ECs* 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.

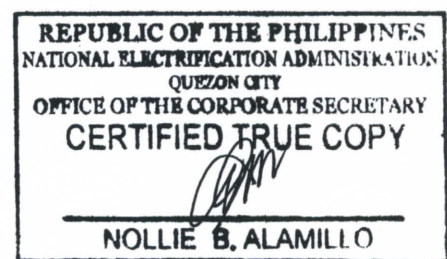
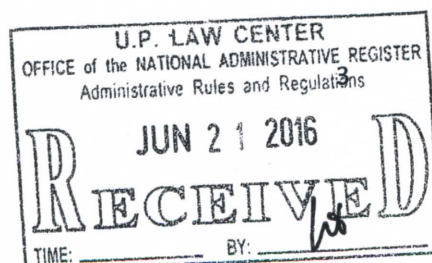
V. Other Conditions for Write-off

1. All electric cooperatives must write-off worthless accounts only once a year. **Partial write-off will be allowed on a case to case basis to ECs that were affected by fortuitous events such as typhoons, floods, earthquakes etc...**
2. Disconnection policy must be strictly implemented.
3. **All accounts including non-qualifying accounts that were written-off without NEA approval must be restored immediately in the books. After which, the set criteria and procedures for writing off shall be followed.**
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 all Consumers Accounts Receivables which are more than three (3) years disconnected.

To clear the Consumers' Accounts Receivables only up to the extent of their collectibility, and to reflect the true financial status of the ECs, the requirement which limits only the total amount of the last three (3) bills to be written off per consumer shall be granted a moratorium for bills disconnected December 2013 and older. Subsequently, after the given prescribed period, the amount to be written off shall be reverted back to the limit of the total amount of the three (3) oldest bills per consumer.

VI. Procedures

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

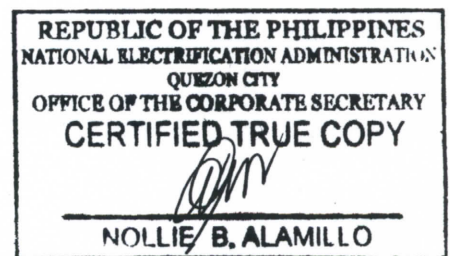
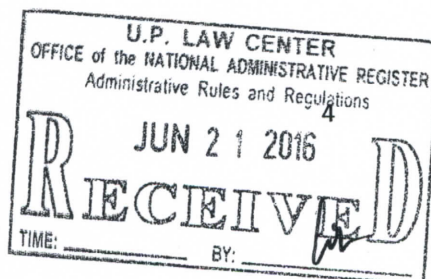


	No.	P	Amount
12 mos. – and below	_____		_____
13 mos. – 24 mos.	_____		_____
25 mos. – 36 mos.	_____		_____
Above 36 mos.	_____		_____
TOTAL	_____		_____

- Based on the aging analysis, send demand letters thru registered mail if necessary to concerned consumers giving priority to disconnected accounts for more than 3 years. The demand letter must be signed by the *EC* legal counsel.
- The committee shall evaluate the response from demand letters and prepare a detailed summary report on its recommendation per account.

The evaluated accounts for write off should be net of the applicable consumer bill deposit if any.

- The *EC* 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 *EC*, and that the coop reserves the right to recover unpaid accounts at anytime the opportunity to recover surfaces.
- The Board Resolution with supporting documents shall be submitted to NEA-ECAD for evaluation and approval **by the Administrator.**
- Upon receipt of the NEA approval in writing, it shall be the responsibility of the Finance Department to effect the writing-off from the *EC*'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.
- The Member Services Department shall be given a list of consumers with written off accounts ***which shall serve as its reference*** in the screening of old and new applications for electric service.
- Consumers with previously written-off accounts but who were able to have their electric service **connected** 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.
- The installed kwh meters (owned by the EC) should be retrieved from the premises of the disconnected consumers whose bills have been written-off (where the EC has no policy on kwh meter retrieval).**




VII. Responsibility

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

VIII. Effectivity

This shall take effect fifteen (15) days after filing with the University of the Philippines (UP) Law Center pursuant to the Presidential Memorandum Circular No. 11, dated October 9, 1992.

Edita S. Bueno
EDITA S. BUENO
Administrator

NATIONAL ELECTRIFICATION ADMINISTRATION
Office of the Administrator

NEA-OA229378 *hl*
6/17/16

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Approved by the NEA Board of Administrators through Board Resolution No. 99 in its meeting on June 10, 2016.

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REPUBLIC OF THE PHILIPPINES
National Electrification Administration

06 January 1998

MEMORANDUM TO: **ALL ELECTRIC COOPERATIVES**
 SUBJECT: **Guideline on the Computation and Adjustment of Allowance for Bad Debts**

I. BACKGROUND:

The existing NEA policy requires ECs to provide allowance for uncollectible accounts equivalent to 1% of monthly sales. Through the years, the balance of this account has accumulated to an unrealistic proportion in relation to the accounts receivable balance reaching as high as 24% on the national average as of 31 December 1997.

II. OBJECTIVE:

It is the objective of this memorandum to come up with a more realistic balance of allowance for uncollectible account in the books of ECs. The 1% monthly provision for uncollectible accounts shall be maintained but needs to be adjusted every year-end based on the procedures set forth in the following implementing guideline.

III. IMPLEMENTING GUIDELINE:


A. Procedures:

1. An inventory of power bills should be conducted as at year-end, extracting the aging schedule from the results of the inventory.
2. Based on the aging schedule, the following % of allowance should be applied:

<u>AGING</u>	<u>% OF ALLOWANCE</u>
Current - 90 days past due	1%
91 - 180 days past due	2%
181 - 240 days past due	3%
241 - 360 days past due	4%
over 1 (one) year	5%

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The difference between the book balance and aging schedule should be charged to deferred debit or credit until such time that the discrepancy has been accounted for.

3. The total amount of allowance derived from procedure #2 shall be the balance of allowance for uncollectible accounts as at year-end. Therefore, the difference between the balance per books and the computed allowance as at year-end shall be adjusted as follows:

	<u>Dr.</u>	<u>Cr.</u>
144 Allowance for Uncollectible Accounts	xxx	
219. (219.1) Accumulated Margins - Prior Years		xxx

4. Every end of the year thereafter, any difference between the balance per books and the computed allowance as at year-end shall be adjusted as follows:

	<u>Dr.</u>	<u>Cr.</u>
144 Allowance for Uncollectible Accounts	xxx	
903 Uncollectible Accounts		xxx

B. Effectivity

This guideline shall take effect immediately.

Blanchy
TEODORICO P. SANCHEZ
Administrator

s3/alda

