



**NATIONAL ELECTRIFICATION ADMINISTRATION**  
"The 1<sup>st</sup> Performance Governance System-Institutionalized National Government Agency"  
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7 December 2020

**THE DIRECTOR**

Office of the national Administrative Register  
University of the Philippines Law Center  
U.P. Law Center, Diliman  
Quezon City

Sir:

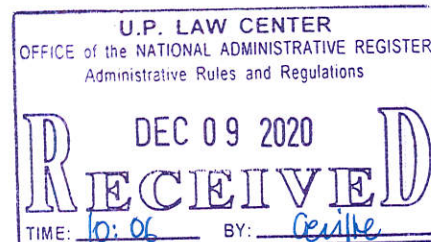
Greetings of peace and good health!

Pursuant to Book VII, Chapter 2, Section 3 of the 1987 Administrative Code of the Philippines, we are respectfully submitting to the U.P. Law Center, for filing, publication and recording the attached certified true copies of the **REVISED GUIDELINES FOR WRITING-OFF WORTHLESS CONSUMER ACCOUNTS RECEIVABLES AS AMENDED** promulgated by the National Electrification Administration (NEA) in accordance with its authority under Section 5 of P.D. No. 269 as amended.

Thank you very much for the usual and kind assistance of the U.P. Law Center.

Very truly yours,

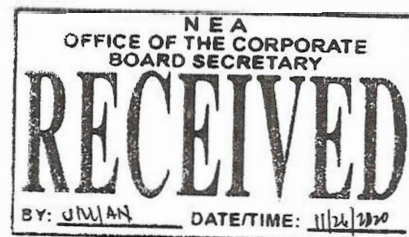
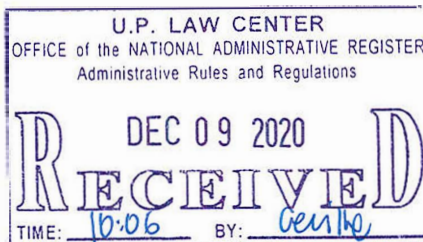
  
**ATTY. MAY FLOR C. ABUEDO**  
Corporate Board Secretary V





October 27, 2020

Memorandum No. 2020 - 055



TO : All Electric Cooperatives

SUBJECT : Revised Guidelines for Writing-Off Worthless Consumer Accounts Receivables as Amended

### I. Rationale

On June 10, 2016, NEA Memorandum No.-2016-009 or the Revised Guidelines for Writing-Off Worthless Consumer Accounts Receivable was issued giving all Electric Cooperatives (ECs) the opportunity to write-off all *qualified* uncollectible Consumers' Accounts Receivable that have accumulated unrealistically for years.

The said guideline was revisited and evaluated to determine its applicability in the present environment. After review of the guidelines, it was considered that some provisions necessitate amendments and improvement to make the rules and procedures more stringent.

### 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 set clear-cut guidelines on the requirements and procedures for the writing-off of ECs' worthless Consumer Accounts Receivable.
4. To specifically identify worthless accounts that have a negative impact on the collection efficiency and to provide an adequate allowance for uncollectible accounts. This will provide ECs with the proper information to employ better collection strategy.

### III. General Guidelines

#### A. Criteria

1. Accounts must be disconnected for more than five (5) years.
2. EC management must present proof that all efforts were exhausted to collect from concerned consumers.

## **B. Additional Accounts Qualified for Write-Off**

### **1. Industrial and Commercial Consumers**

Submission of *any* of the following:

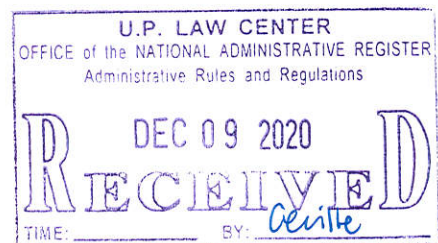
- Barangay Certification where the business establishment is located as being closed/non-operational for more than five (5) years.
  - City/municipal certification of non-renewal of business permit for more than five (5) years
  - Order of Dissolution from Securities and Exchange Commission (SEC) or Certificate of Cessation of Business from the Department of Trade and Industry (DTI). Should the Order or Certificates be not available as the company is still in process of winding up, a received copy of the notarized Secretary's Certificate of business closure in the case of companies registered with SEC or Letter Intent to Close the Business for businesses registered with DTI may be submitted.
  - Other documents as proof of closure/non-operational for more than five (5) 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 coterminous.**
- ### **3. BAPA Accounts**

Submission of a certification from the Barangay or LGU indicating that the BAPA has been non-operational for more than five (5) years.

## **C. Disqualified Accounts for Write-Off**

Accounts of the following incumbent:

- Board of Directors
- EC Officers and Employees
- Retainers/Consultants
- Government Officials
- National and Local Government units
- All accounts of "disconnected consumers" but with current bills
- Accounts under litigation



## **IV. Committee**

All ECs must create a Committee duly approved by the Board to determine worthless accounts with the following as members:

- Internal auditor



- FSD Manager
- TSD Manager
- ISD Manager
- Concerned Area/Sub-office Managers
- Collection Supervisor
- Billing Supervisor

The FSD Manager or Billing Supervisor shall be appointed as the Chairman of the Committee since these key personnel are more knowledgeable on the details and status of each consumer account.

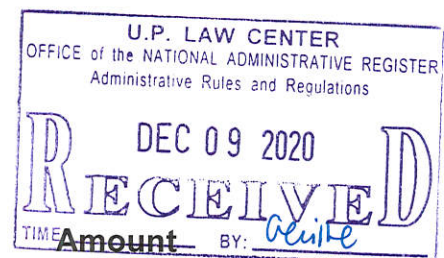
#### V. Other Conditions for Write Off:

1. All electric cooperatives may request for the writing-off of its worthless accounts only once a year.
2. All accounts including non-qualifying accounts that were written-off without NEA approval must be restored immediately in the books.
3. To discourage laxity in the implementation of disconnection policy, the provision which limits the amount to be written off to the total amount of the three (3) oldest bills is hereby reduced to two (2) oldest bills.

#### 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. of Bill	
12 mos. and below	_____	P _____
13 mos.- 24 mos.	_____	P _____
25 mos.- 36 mos.	_____	P _____
37 mos.- 48 mos.	_____	P _____
49 mos.- 60 mos.	_____	P _____
Above 60 mos.	_____	P _____
<b>Total</b>		



3. Based on the aging analysis, send demand letters, thru registered mail if necessary, to concerned consumers giving priority to disconnected accounts for more than five (5) years.

The demand letter must indicate that an option to enter into a compromise agreement with the EC for installment payment based on the payment capability of the disconnected consumers is available should a consumer wish to settle his/her outstanding obligations and request for reconnection.

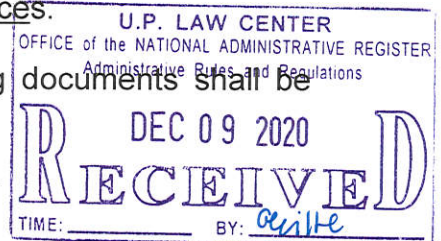
Furthermore, demand letters for amounts below P50,000 may be signed by the General Manager. However, for amounts P50,000 and above, demand letters must be endorsed to and signed by the EC Legal Counsel.

4. 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 exclude interests, penalties and surcharges and net of the applicable consumer bill deposit, if there is any.**

5. 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 obligation to the EC, and that the coop reserves the right to recover unpaid accounts at any time the opportunity to recover surfaces.

6. The Board Resolution and the following supporting documents shall be submitted to NEA-ECAD for evaluation:



- a. Individual Demand letter signed by the Consumer

In cases where demand letters could not be received by the consumers due to death, demolition of residence/establishment, permanent relocation or any other reasons that render it impossible for them to receive such demand letters, a summary of these accounts, with corresponding remarks, certified and sealed by the Barangay Chairman or his authorized representative shall be required.

- b. Hard and soft copy of summary/breakdown of Consumer Accounts Receivable for write-off
  - c. Historical consumer ledger from Billing Section with relevant information such as consumer class, connection status and disconnection date (if possible).
  - d. Documents specified under C. Additional Accounts Qualified for Write-Off
  - e. Statement of Committee's Responsibility and Affirmation that requirements and procedures are conducted in accordance with the Guidelines.
7. Write-off of Consumer Accounts Receivable shall be approved by the NEA Administrator, however, if the amount exceeds P5M, it shall be endorsed to the NEA Board of Administrators (BOA) for their confirmation.
  8. Upon receipt of the NEA's approval, the Finance Department shall be responsible to effect the writing-off of the approved amount from the EC's book of accounts. All pertinent records must be kept intact for ready reference when the opportunity to recover the written-off accounts arise.



9. The Member Services Department shall be given a list of consumers with written off accounts to serve as a reference in the screening of old and new applications for electric service.
10. Consumers with previously written-off accounts who were able to have their electric service re-connected through misrepresentation or deceit such as applying for a new connection 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 amount of written-off accounts of consumers who will apply for reconnection of electric service shall be collected as a condition for the approval of their application.

## **VII. Transitory Provision**

Electric Cooperatives, which have not availed of the one-time write-off granted in NEA Memorandum 2016-009, shall be given another chance and are initially exempted from the two oldest bills limitation as provided in V. No.3. These ECs are given a period of three (3) years from the effectivity of this amended guidelines to request for the write-off of all Consumer Accounts Receivable disconnected December 31, 2013 and older.


Failure of these ECs to avail of this one-time opportunity within the given period will subject them to the two oldest bills limitation as provided herein.

## **VIII. Repealing Clause**

This supersedes NEA Memorandum 2007-019 dated June 13, 2007, "Revised Guidelines for Writing-Off Worthless Consumers Accounts Receivables" and NEA Memorandum 2016-009 on the same title dated 10 June 2016.

## **IX. Effectivity**

This amended guideline shall take effect fifteen (15) days after filing with the University of the Philippines (UP) Law Center pursuant to Presidential Memorandum Circular No. 11 dated October 9, 1992 and shall remain in effect until otherwise further amended or revoked.

  
**EDGARDO R. MASONGSONG**  
**Administrator**

NATIONAL ELECTRIFICATION  
ADMINISTRATION  
Office of the Administrator



NEA-QA265695

*10/27/20*

