

2015 ANNUAL REPORT

The image features a large silhouette of a utility worker on the left, climbing a tall pole. The worker is wearing a red hard hat and a yellow safety vest. Below the worker, a group of five yellow silhouettes of people are running towards the right, symbolizing progress and teamwork. In the background, there is a utility pole with cross-arms and a bright sun or light source behind the worker, creating a lens flare effect.

**"STRENGTHENING
PARTNERSHIP
AND
COMMITMENT
TOWARDS
PROGRESS"**



**PAMPANGA II ELECTRIC
COOPERATIVE, INC.**
SAN ROQUE, GUAGUA, PAMPANGA

MISSION

PELCO II DELIVERS EXCELLENT SERVICE FOR THE SATISFACTION, PARTICIPATION AND DEVELOPMENT OF ITS MEMBER-CONSUMERS, MAKING THE COOP A FINANCIALLY VIABLE AND TOP PERFORMING COOPERATIVE

VISION

A LEADING CONSUMERS' CHOICE ELECTRIC COOPERATIVE WITH COMMITED MANAGEMENT AND EMPLOYEES DELIVERING QUALITY SERVICE TOWARDS CUSTOMER SATISFACTION

The cover illustrates the AGMA's theme for this year, "Strengthening Partnership and Commitment towards Progress."

The two people erecting the pole represent PELCO II, together with its partner, Comstech-Meralco. The people supporting them signify five key players in the Cooperative's aim towards progress: the Management, the Employees, the Board of Directors, the Local Government Units/ concerned Government Agencies and of course, the Member-Consumers. The background also shows sunrise, which symbolizes a new beginning after surpassing the darkest days.

This cover simply depicts that shared vision, teamwork, and solidarity will truly result to collective development. Hence, PELCO II is an epitome of camaraderie, resilience, strength, and success.





PELCO II

APRIL 23, 1979

COOPERATIVE

LOGO

As PELCO II moves on to another milestone, a new logo is introduced to symbolize the new era of cooperation between PAMPANGA II ELECTRIC COOPERATIVE, INC. (PELCO II), COMSTECH INTEGRATION ALLIANCE, INC. (COMSTECH) - Investor Manager, and its technical partner, MANILA ELECTRIC COMPANY (MERALCO) - a distribution utility long known for its service excellence.

The new logo bears the color of the partners:

Yellow - the color of PELCO II; Green - the color of ComsTech Integration Alliance, Inc. (COMSTECH); Orange - the color of MERALCO.

It describes the elements that represent the partnership: to be continuously rotating, innovating, and moving forward towards progress. Indeed, the new logo embodies a new era of commitment, competence, stability and quality service which would benefit its member-consumers and all its stakeholders.

We hope that your cooperative's new logo could be a symbol that you could be truly proud of, A NEW SYMBOL OF SERVICE EXCELLENCE.

TA



TABLE OF CONTENTS

MESSAGE FROM OFFICIALS	1-19
PRESIDENT'S REPORT	21-22
CHIEF MANAGEMENT ADVISOR'S MESSAGE	22-24
GENERAL MANAGER'S REPORT	25-27
PELCO II PROFILE & DEPARTMENTAL ACCOMPLISHMENTS	29-44
PELCO II COVERAGE AREA	45-52
COOPERATIVE ACTIVITIES	53-68
FUTURE PLANS	69-70
2014 AUDITED FINANCIAL STATEMENTS	71-77
2015 AUDITED FINANCIAL STATEMENTS	78-84
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN	84
AGMA COMMITTEES	86-88
ACKNOWLEDGEMENT	89

MESSAGE

My warmest greetings to the **Pampanga II Electric Cooperative** as you hold your **Annual General Membership Assembly**.

Boosting a rapidly developing economy calls for prudence, foresight, and dynamism. The Philippines has assumed a more aggressive stance in this era of economic resurgence, and we are tapping all viable sectors to further advance our nation to equitable progress.

Energy is chief among our indispensable resources: It enables individuals, communities, and industries to take a more significant role in our revitalization. We call on PELCO II to rise to the challenge of sustainable development: Strive even harder to achieve your goals and help deliver 100% electrification to our countrymen. May this assembly align your cooperative's endeavors with our national agenda of citizen empowerment along the straight and righteous path.

May transparency, accountability, and integrity remain your watchwords as you provide unflagging service to your member-consumers. Let us stay on track the Daang Matuwid and translate our aspiration of a fully-transformed, inclusive Philippines into reality.

May this be a productive, purposeful assembly.



BENIGNO S. AQUINO III
President of the Philippines

MESSAGE

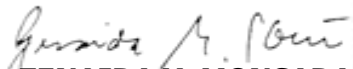
It is with great joy to express my heartfelt greetings to the Board of Directors and Member-Consumers of the Pampanga II Electric Cooperative, Incorporated (PELCO II) as you hold your Annual General Membership Assembly (AGMA).

The Department of Energy (DOE) recognizes PELCO II's efforts to integrate the virtue of unity into its operations by theming this year's AGMA with "Strengthening Partnership and Commitment Towards Progress". With the rapid changing energy landscape, this is an opportune time for us to stand in solidarity for all of our aspirations for the betterment of the sector.

Faced with fast and sustained economic expansion, Pampanga needs, more than ever, the unwavering support of the distribution utilities serving the province by providing quality electricity services to its customers. Apart from being steadfast to your current challenges, we also encourage PELCO II to formulate responsive plans that would adhere to the future needs of the franchise area you serve.

We wish that this AGMA brings fruition to your collective aspirations for the improvement of your electric cooperative. Please be assured of DOE's continued support as our esteemed partner in uplifting the lives of the Pampangaños.

Mabuhay and More power!


ZENAIDA Y. MONSADA
Secretary



Republic of the Philippines
NATIONAL ELECTRIFICATION ADMINISTRATION
57 NIA Road, Government Center, Diliman,
Quezon City 1100

MESSAGE

I wish to extend my warmest greetings to all the stakeholders of the Pampanga II Electric Cooperative, Inc. (PELCO II) on the occasion of your Annual General Membership Assembly.

As we continue to make excellence as the performance mode of electric cooperatives nationwide, I, too, urge you to continue to be a reliable power provider that remains attuned to the needs of your member-consumers. With your theme "Strengthening Partnership and Commitment Towards Progress," I am confident that you will use this occasion as an opportunity to raise the bar of your performance to meet the growing demands of a fast-developing province like Pampanga.

But there is no other way to secure excellence than to keep challenging your past accomplishments. As an electric cooperative committed to quality service, you should all the more innovate, encouraging an outlook that is only determined to succeed and get better.

While there are challenges that may hamper your way in realizing your goals, let this be a reminder instead of what we can do together to map out responsive plans and programs for the benefit of the Filipino people whom we have committed to serve to the best that we can.

I wish you a fruitful and engaging assembly.

Mabuhay!




EDITA S. BUENO
Administrator

MESSAGE

On behalf of the Energy Regulatory Commission (ERC), I extend my warmest greetings to the officers and members of the PELCO II on the occasion of your Annual General Membership Assembly.

This special event provides you with the opportunity to consolidate your ideas and continuously inspire one another as you work closely together and even harder towards the achievement of your noble goal of promoting and protecting the long-term interest of PELCO II's member-consumers.

Your theme, "Strengthening Partnership and Commitment Towards Progress", amplifies your determination to succeed by tapping the resources of your partners, allies, and general community to overcome the challenges in bringing in socio-economic progress.

The ERC looks forward to an even stronger partnership as we work together to revolutionize the electric power industry. The ERC vows to support you wholeheartedly as our partner in ensuring progress through exemplary power regulation.

I wish you all a productive and meaningful assembly.



JOSE VICENTE B. SALAZAR
Chairman and CEO

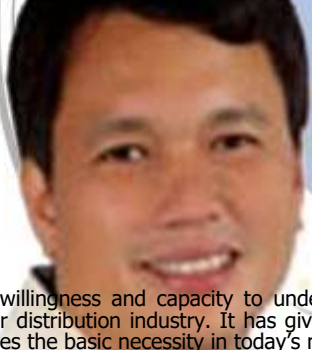


MESSAGE

Congratulations to PAMPANGA II ELECTRIC COOPERATIVE, INC. (PELCO II) as you celebrate your Annual General Membership Assembly (AGMA) on May 29, 2016.

Your theme: "Strengthening Partnership and Commitment towards Progress" is a message of confidence that PELCO II indeed has shown that a strong commitment to the vision and mission of rural electrification with stakeholders is a potent formula for growth and economic development of the province of Pampanga.

Let me salute you for your exemplary performance as a **MEGA LARGE** Electric Cooperative with a **B Rating** given to you by the national award-giving body, the National Electrification Administration (NEA). You have energized 100% of your barangays, with 95% collection efficiency and also current with your power suppliers, **GENCO** and **NGCP** as shown in the latest NEA Report of 2015. What an awesome achievement! As you continue to reap the fruits of reform in rural electrification, I trust that these and your other accomplishments will inspire you to remain steadfast in the pursuit of your mandate.

to  **1st Consumers Alliance for Rural Energy (1-CARE Party List)** has successfully brought the fore the concern of member-consumers in the legislative arena i.e., the role of the NEA as an institution mandated to protect the interests of electric cooperatives and member-consumers. Republic Act 2013 otherwise known as the NEA Reform Act 2013 provides crystal clear accountability of all key-players in the ECs, defines their basic qualifications and ensures the financial stability of electric cooperatives. Indeed, the enacted law strictly provides the key players are knowledgeable, educated and with willingness and capacity to understand the many facets and complexities of the power distribution industry. It has given more teeth to the institution that protects and secures the basic necessity in today's modern living...electricity in homes and industries.

It is every citizen's duty to stand as stalwarts of integrity, competence and accountability and hope to commit and steer our country to a more stable and prosperous future.

I wish you a productive and energizing assembly and grateful for your unflinching support to **1-CARE Party List**.

Mabuhay and more power!



MICHAEL ANGELO C. RIVERA
Representative, 1-CARE Party List

MESSAGE

My warm greetings to the member-consumer-owners (MCOs) of Pampanga II Electric Cooperative, Inc. (PELCO II) on the occasion of your Annual General Membership Assembly (AGMA) on May 29, 2016.

I commend the officers, management and staff of PELCO II for convening the MCOs to go over the accomplishments and renew commitments in providing electric and related services to the people of Pampanga.

I also would like to take this opportunity to congratulate PELCO II for being the first Electric Cooperative in the country to have successfully entered into an Investment and Management Contract (IMC) to resolve its financial concerns.

The theme for this year's AGMA, "Strengthening Partnership and Commitment towards Progress" echoes the strong resolve of PELCO II to move forward and be part in the development of the people it serves.

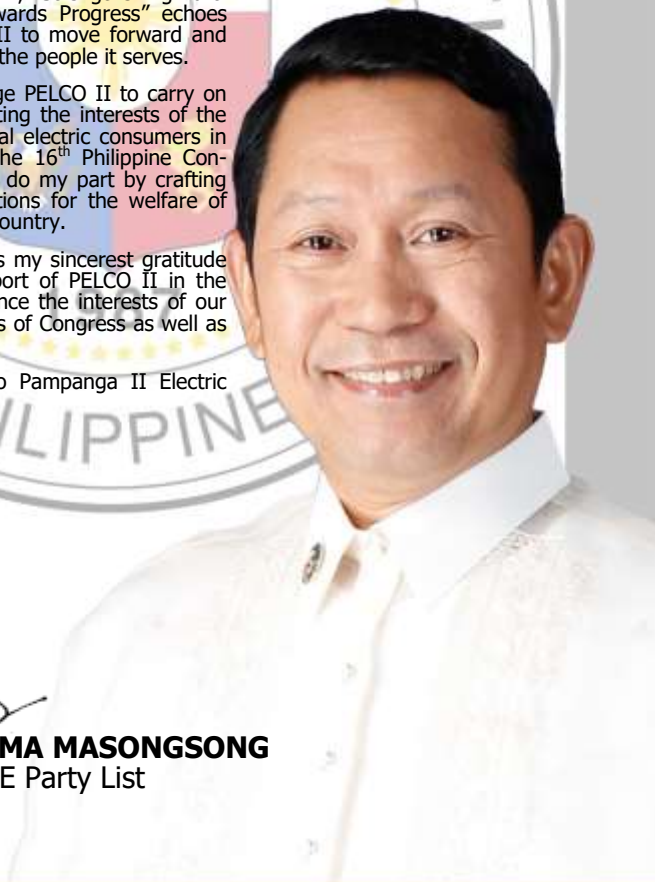
As you hold your AGMA, I urge PELCO II to carry on with its active role in protecting the interests of the people in general and the rural electric consumers in particular. As a member of the 16th Philippine Congress, rest assured that I will do my part by crafting laws and doing legislative actions for the welfare of the electric consumers in the country.

Finally, I would like to express my sincerest gratitude for the contribution and support of PELCO II in the mission to promote and advance the interests of our EC's and the MCOs in the Halls of Congress as well as in the urban and rural areas.

Mabuhay and more power to Pampanga II Electric Cooperative, Inc.!



EDGARDO 'ERM' RAMA MASONGSONG
Representative, 1-CARE Party List



MESSAGE

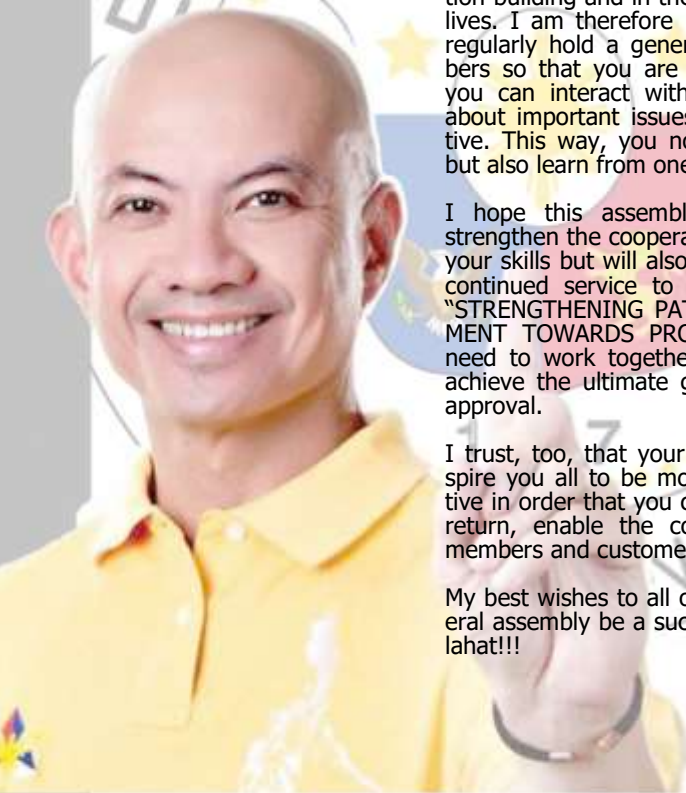
Congratulations and warmest greetings to you, the officers and members of the Pampanga II Electric Cooperative, Inc. as you hold your Annual General Membership Assembly (AGMA) on 29 May 2016.

Cooperatives play a very significant role in nation-building and in the improvement of people's lives. I am therefore pleased to note that you regularly hold a general assembly of all members so that you are provided a venue where you can interact with one another and learn about important issues affecting your cooperative. This way, you not only fortify your ranks but also learn from one another.

I hope this assembly will not only further strengthen the cooperative, upgrade and update your skills but will also help inspire you to be of continued service to the public. Your theme, "STRENGTHENING PATNERSHIP AND COMMITMENT TOWARDS PROGRESS" emphasizes the need to work together as a team in order to achieve the ultimate goal of winning customer approval.

I trust, too, that your accomplishments will inspire you all to be more active in the cooperative in order that you can help improve it and in return, enable the cooperative to help more members and customers.

My best wishes to all of you and may your general assembly be a success. Mabuhay po tayong lahat!!!



A handwritten signature in black ink, appearing to read "Joseller M. Guiao".

REP. JOSELLER "YENG" M. GUIAO
1ST District of Pampanga

MESSAGE

I laud the Pampanga II Electric Cooperative, Inc. (PELCO II) for Its continuous service to our cabalens.

Progress is attained by understanding the company's purposes and goals and its members working harmoniously to achieve them. I am glad that PELCO II has chosen the theme "Strengthening Partnership and Commitment Towards Progress" for this year's Annual General Membership Assembly. I hope that the cooperative can carry this theme throughout the year to be successful in its quest to enhance Its operations.

Providing electricity to households and establishments also means giving comfort and convenience to the people. The availability of electricity for the entire western part of Pampanga is an amenity that our cabalens look forward to. Therefore I pray that all the members and partners of PELCO II will continue their dedication and perseverance to fulfill this task efficiently.

My sincerest congratulations to all the members, officials and employees of PELCO II, and may you continue to bring light and power to our province.



REP. GLORIA MACAPAGAL-ARROYO
2nd District of Pampanga

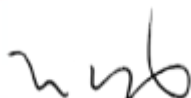
MESSAGE

I would like to congratulate the Pampanga II Electric Cooperative (PELCO II) for spearheading the Annual General Membership Assembly. This is the proper venue where members and consumers meet and get first hand information on the performance of the cooperative with actual figures reflecting its financial, administrative and social status.

I also look at this assembly as an effective exercise in eliciting more active involvement and commitment from members and consumers with the end in view of enhancing and strengthening the partnership, literally putting into place and action this year's theme of "Strengthening Partnership and Commitment Towards Progress".

With a strong, determined and committed membership, and, supportive and well-meaning consumers, we all look forward to a very successful and fruitful assembly – all for the best of the cooperative.

My best wishes!



OSCAR S. RODRIGUEZ

Representative, 3rd District of Pampanga

MESSAGE

My warmest greetings to the Pampanga II Electric Cooperative, Inc. as you hold your Annual General Membership Assembly on May 29, 2016 with the theme, "Strengthening Partnership and Commitment Towards Progress".

Electricity is an essential part of daily living. It is therefore crucial for a service-oriented enterprise like PELCO II to sustain its efficiency and reliability in providing electricity to consumers.

I am glad to note that PELCO II has proven to be a steadfast partner of the provincial government in its mission of building a bright future for the people. Let us continue to work together in empowering communities through dependable power distribution.


LILIA G. PINEDA
Governor

MESSAGE

I COMMEND Pampanga II Electric Cooperative on the occasion of its Annual General Membership Assembly.

Your cooperative has been at the forefront on the drive for progress as it partners with stakeholders, our city government included.

We envision a more vibrant economy where your participation matters most in the supply of uninterrupted power service to the communities you serve.

Cognizant of your theme: "Strengthening Partnership and Commitment Towards Progress", we urge you to find ways to improve your service always.



MARINO P. MORALES
City Mayor

MESSAGE

It is indeed an opportune time given to all member-consumers together with Pampanga II Electric Cooperative, Inc., to gather and make a previous year's report of the cooperative's performance, the challenges and different endeavors the organization is into.

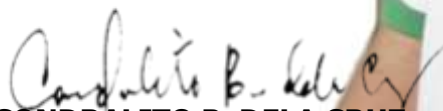
A better and in depth collaboration and understanding for both parties serve in strengthening the partnership and a unified commitment to work for the betterment of services.

Transparency echoed with dedication is an utmost interest of every consumer driven by immediate action taken.

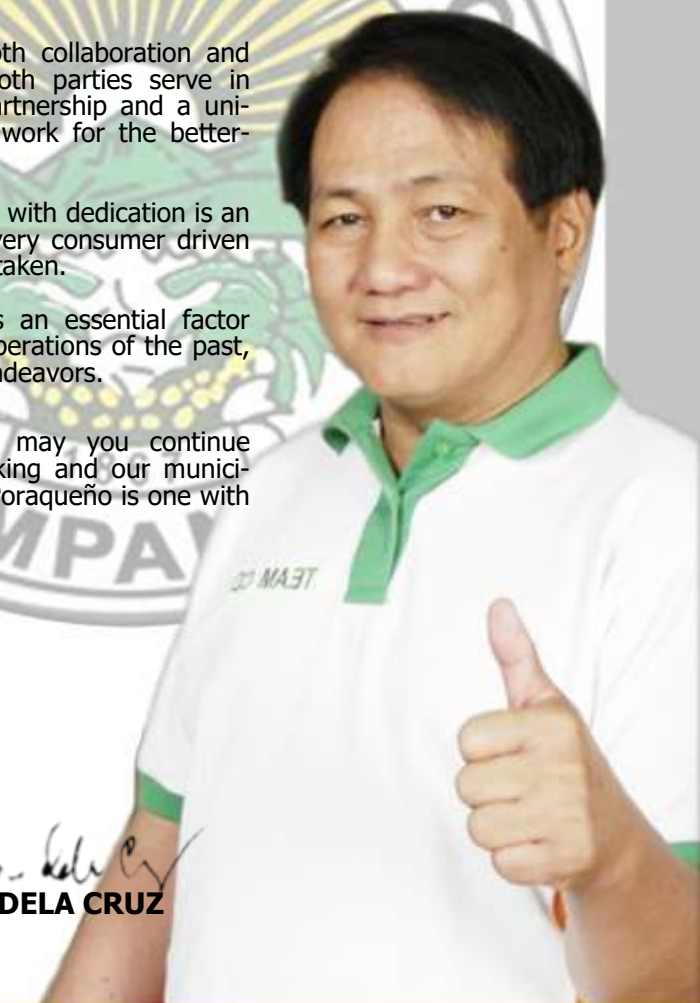
So, this gathering is an essential factor contributory in the operations of the past, present and future endeavors.

Congratulations and may you continue this spirited undertaking and our municipality together with Poraqueño is one with you in this journey.

Dacal pung salamat.



CONDRALITO B. DELA CRUZ
Municipal Mayor



MESSAGE

Greetings of Peace in the name of our Beloved Patroness, Santa Rita de Cascia!

Partnership and commitment are probably two of the most important elements that are needed to achieve development. And for Pampanga II Electric Cooperative (PELCO II) to consistently triumph in its operations for many years, it is evident that partnership is strongly valued in this company as well as its commitment to commendable standards and excellent service.

As a cooperative, I believe that from its core, the spirit of cooperation permeates the work ethics of its officials and employees and is manifested in its member-consumers. And for this, I express my warmest congratulations to PELCO II.

But as any partnership and commitment, those of PELCO II should be strengthened from time to time and should never rest on the laurels of success lest it will settle on the shackles of complacency and mediocrity.

To keep up with the demands of time, PELCO II should bring out openness to positive changes and embrace a progressive outlook. With high hopes and optimism. Let us be your committed partners towards progress.

Sesen taya ing PELCO II! Sesen taya ing Santa Rita!

Dakal pung salamat!

Yours in the service of God and community!



YOLANDA M. PINEDA
Municipal Mayor

MESSAGE

I am extending my sincere and warm felicitations to all the Officers and Members of the Pampanga II Electric Cooperative, Inc. (PELCO II) on their Annual General Membership Assembly (AGMA) held this 29th of May, 2016.

With the Organization's theme "STRENGTHENING PARTNERSHIP AND COMMITMENT TOWARDS PROGRESS," I am confident that PELCO II, with a strong partnership with the government and private entities, coupled with dedication and commitment, will carry out its mandate and authority in an effective and efficient manner, thus making the entire organization go a long way.

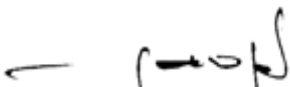
As you gather once again for your general assembly, let this be the right time and opportunity to boost comradeship, solidarity and professionalism among yourselves.

Continue to grow as a responsible institution to deliver the best and meet customer satisfaction.

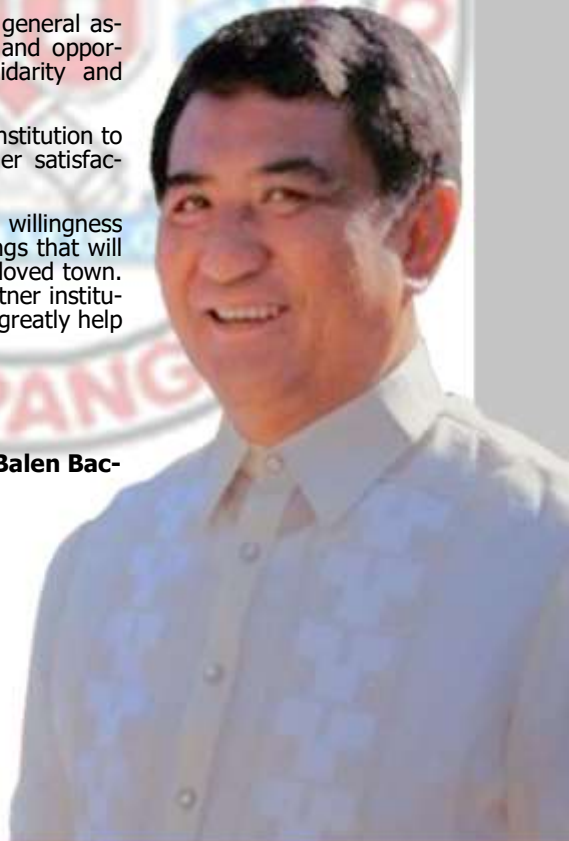
Finally, I would like to express my willingness to support you and your undertakings that will make good things happen in my beloved town. I believe that working well with partner institutions both in public and private will greatly help me achieve good governance.

Congratulations and Mabuhay!

"Tune Serbisyu at Lugud Keng Balen Bacolor"



JOSE MARIA O. HIZON
Municipal Mayor



Republic of the Philippines
Province of Pampanga
MUNICIPALITY OF GUAGUA
OFFICE OF THE MUNICIPAL MAYOR

MESSAGE

My warmest greetings to PELCO II as it holds its Annual General Membership Assembly (AGMA) 2016 with the theme "Strengthening Partnership and Commitment Towards Progress".

PELCO II efforts to ensure that electricity is being availed in every home in the Municipality of Guagua and helps ensure that our constituents are provided with the means to pursue their aspirations with the comforts and conveniences of modern technology.

Truly, we must strengthen our partnership and commitment as we strive for excellence and gear forward toward ASEAN integration.

We always count on you as our partner in our pursuit of lasting and equitable progress and your contributions have engaged our people to become more active participants in nation – building.

Mabuhay and more power!!!



DANTE D. TORRES
Municipal Mayor

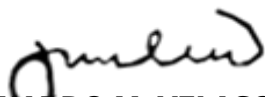
MESSAGE

Our warm greetings TO ALL THE OFFICERS, BOARD OF DIRECTORS, EMPLOYEES OF PELCO II and the Active Cooperative Members of the Second District of Pampanga.

On the joyous celebration of their **ANNUAL GENERAL MEMBERSHIP ASSEMBLY** on May 29, 2016, to be held at the Dila – Dila Sports Complex in Sta. Rita, Pampanga, with this year's theme, "Strengthening Partnership and Commitment Towards Progress," through the provision of **COST EFFECTIVE POWER SUPPLY**, the Industry Leaders and the Government Sector could accelerate the turn of Development by producing goods and services of world – class standards, that will invigorate and level-up the regional shares consistent with the national goals.

The mutual Act of CARING for each other's benefits in terms of beneficial economic measures, will assure a solid partnership and a firm commitment towards nation building.

May this Assembly Boost our Power Energy.



NARDO M. VELASCO
Municipal Mayor



Republic of the Philippines
Province of Pampanga
MUNICIPALITY OF LUBAO
OFFICE OF THE MUNICIPAL MAYOR



MESSAGE

Progress and development are among the utmost desire of every public servant and the gauge of effective and significant governance.

We, in the Local Government of Lubao, will always believe in the importance of partnership in public service. A partnership that will sustain in giving the basic needs and tools of every individual, household and the whole community.

That every project and programs of PELCO II are in line with our commitment in providing power and energy which is the most important utility in progress.

With this year's activity, we again renew our partnership and support to PELCO II and let me commend its men and women who are equally committed in serving our constituents.

I would like to personally thank the management and employees of PELCO II for not letting us down in our pursuit to development and hand in hand facing challenges and changes.

Again thank you so much for your continued support and you are indeed a true partner in progress and development.



MYLYN P. CAYABYAB
Municipal Mayor

MESSAGE

My heartfelt greetings and congratulations to PAMPANGA II ELECTRIC COOPERATIVE, INC. (PELCO II) on its Annual General Membership Assembly (AGMA) with this year's theme "Strengthening Partnership and Commitment Towards Progress".

This is another year of get together and thanksgiving for the continuous support and patronage of all the members and consumers of PELCO II. The partnership built through the years undeniably makes this electric cooperative a financially stable organization with remarkable performance.

Continue to deliver excellent service to our constituents and fortify the partnership and commitment towards the achievement of your goal.

Congratulations once again to all the Officers and Members of PELCO II and **MABUHAY.**




EDUARDO D. GUERRERO
Municipal Mayor

Republic of the Philippines
Province of Pampanga
MUNICIPALITY OF MAGALANG
OFFICE OF THE MUNICIPAL MAYOR

MESSAGE


I am pleased to greet and congratulate the management, the Board of Directors and the members – clientele of PELCO II for another yet successful year.

Indeed our electric cooperative has been able to meet the challenges in responding to the ever increasing demand for electricity and the need to innovate to better serve the requirements in the franchise area.

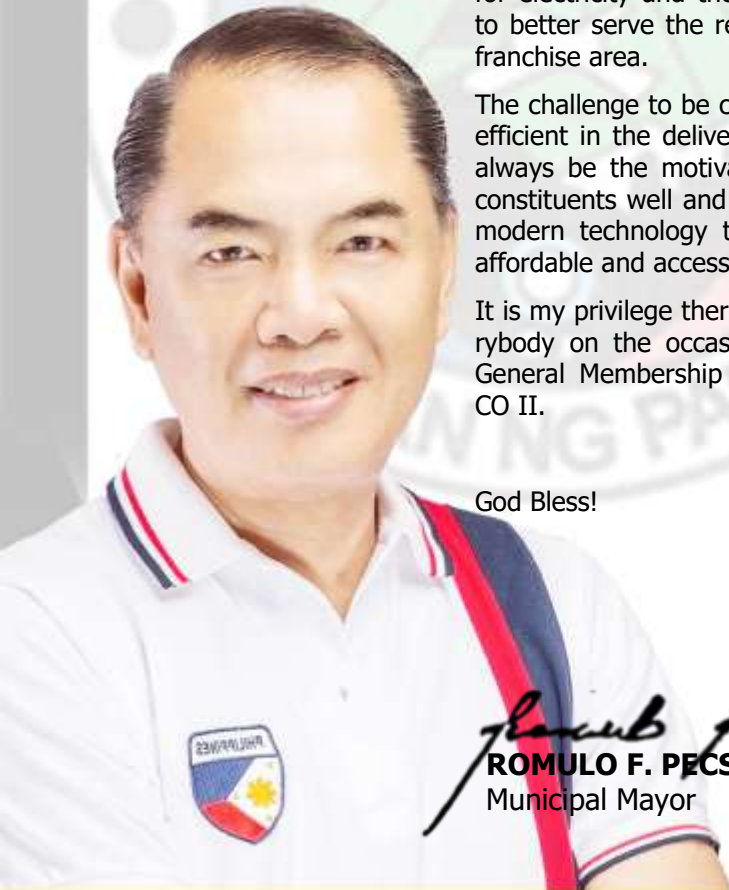
The challenge to be cost – effective and efficient in the delivery of service must always be the motivation to serve our constituents well and to keep pace with modern technology to make electricity affordable and accessible to all.

It is my privilege therefore to greet everybody on the occasion of the Annual General Membership Assembly of PELCO II.

God Bless!



ROMULO F. PECSON
Municipal Mayor





LEADER

SOMEONE WHO KNOWS THE WAY
SOMEONE WHO SHOWS THE WAY
SOMEONE WHO GOES THE WAY

President's Report

My warmest greetings to all our beloved member-consumers! Thank you for joining us in this year's conduct of PELCO II Annual General Membership Assembly (AGMA) with the theme: "Strengthening Partnership and Commitment towards Progress."

Board Composition

PELCO II is represented by members of the Board of Directors who are elected by member-consumers in every district. At present, only the districts of Sta. Rita, Sasmuan and Guagua are represented by a Board of Director. The seats for Board of Director for Bacolor, Porac, Lubao and Mabalacat remain vacant for the failure of the candidates in the said districts to meet the qualifications for Board of Directors during the conduct of District Elections. Herein stated below is the composition of the PELCO II Board of Directors:

	Designation	District
Dir. Francis Virgilio M. Ocampo	President	Sta. Rita
Dir. Allan L. Laxa	Treasurer	Sasmuan
Dir. Jose L. Manganti	Secretary	Guagua
- Vacant -		Porac
- Vacant -		Mabalacat
- Vacant -		Lubao
- Vacant -		Bacolor

Board Meeting

I am also pleased to report that the Board holds two (2) regular meetings every first (1st) and third (3rd) Tuesday of the month and special Board meetings, if required. For the year 2015, a total of 24 regular meetings and 4 special meetings were conducted with one hundred percent (100%) attendance of its members.

Board Performance

The Board is a collegial body composed of representatives elected from each district to promulgate policies, rules and regulations which are necessary for the viable operation of the EC and the exercise of its corporate power. A total of 184 resolutions were approved and passed by the Board for the year 2015 which resulted in the improvement of the Coop Operation, consisting of the following, to wit:

Operation Related	-	137 or 74.46%
Internal/Administrative	-	41 or 22.28 %
Corporate Social Responsibility	-	22 or 3.26%

I am also happy to report to you that among the vital decisions made by the Board, which brought great impact to the Coop's Operation, are the following resolutions:

Board Resolution no. 027-15

APPROVING THE POWER SUPPLY CONTRACT SIGNED BY AND BETWEEN PAMPANGA II ELECTRIC COOPERATIVE, INC. (PELCO II) AND SAN MIGUEL ENERGY CORPORATION (SMEC)

Board Resolution no. 095-15

APPROVING THE PROPOSAL OF COMSTECH INTEGRATION ALLIANCE, INC. (COMSTECH) FOR THE REFINANCING OF PELCO II'S PSALM OBLIGATION, WORKING CAPITAL AND FUNDING FOR PLANNED CAPITAL EXPENDITURES WITH PHILIPPINE NATIONAL BANK (PNB)

Board Resolution no. 107-15

APPROVING THE INTERIM POWER SUPPLY AGREEMENT SIGNED BY AND BETWEEN PAMPANGA II ELECTRIC COOPERATIVE, INC. (PELCO II) AND 1590 ENERGY CORPORATION (1590EC)

Board Resolution no. 142-15

APPROVING THE PROPOSED DISCONNECTION AND RECONNECTION POLICY FOR RESIDENTIAL CUSTOMERS

Board Resolution no. 180-15

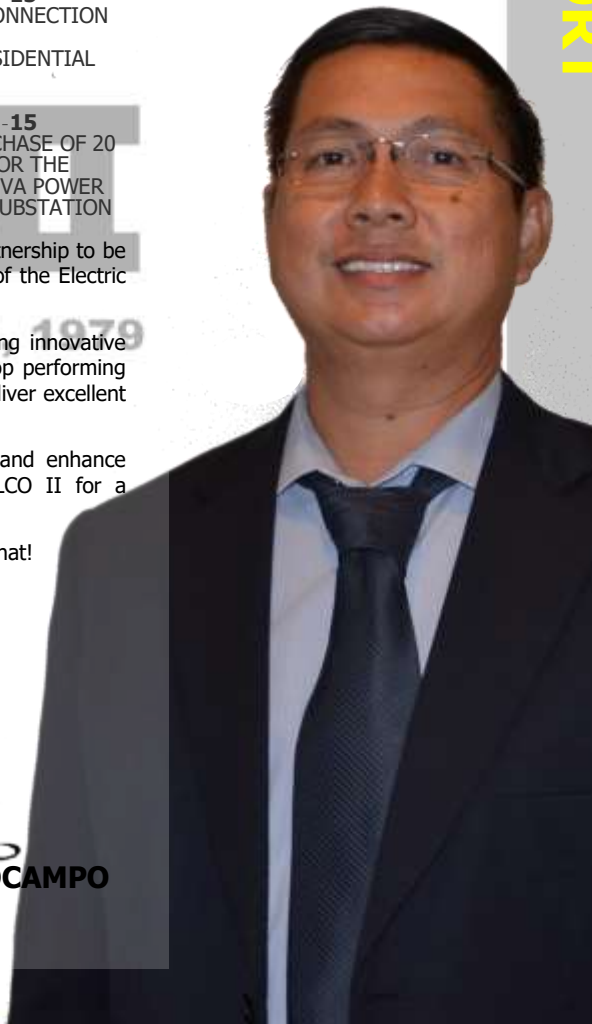
APPROVING THE EMERGENCY PURCHASE OF 20 MVA POWER TRANSFORMER FOR THE REPLACEMENT OF DAMAGED 15 MVA POWER TRANSFORMER AT THE GUAGUA SUBSTATION

It requires total commitment and partnership to be able to survive the current situation of the Electric Industry and to achieve progress.

We at PELCO II will never stop finding innovative ways, as we struggle to become a top performing cooperative and as we continue to deliver excellent service to our member-consumers.

Let us strengthen our commitment and enhance our partnership in transforming PELCO II for a better and brighter future.

Thank you and Mabuhay po tayong lahat!



A handwritten signature in black ink, appearing to read 'Francis Virgilio M. Ocampo'.

FRANCIS VIRGILIO M. OCAMPO
Board President

MESSAGE

To our Member-consumers,

In the last AGMA, we have presented you for the first time our short and medium-term plans to build back better PELCO II. A year hence, it is my pleasure to give our member-consumers a glimpse of the year that was; through the lens of our major thrusts.

Power supply and management of prices.

Your cooperative has finally managed to sign a power supply contract for 30MW with San Miguel Energy Corporation and it was approved by the Energy Regulatory Commission on August 17, 2015. At the moment, this contract is not yet implemented pending a Motion for Reconsideration filed by SMEC before the ERC. Preparations are also underway for the Cooperative's direct membership to the Wholesale Electricity Spot Market (WESM). By being a direct member of the WESM, your Cooperative can further manage our electricity prices. At the same time, the PELCO II management is actively looking to sign more power suppliers for the long-term power supply needs of the Cooperative. The earlier we are able to complete our portfolio of power suppliers, the better we can assure adequacy of supply and more stability in our electricity prices.

Network Adequacy, Efficiency & Reliability

2015 saw an increase in network-related projects mostly geared to address concerns on adequacy, efficiency, reliability and safety of our electric system. In 2015, aside from interruptions due to outages of supply from the NGCP 69-kV lines, we also experienced forced interruptions due to trouble in our facilities. We also had down times that are necessary to give way for the construction and rehabilitation works of our crew. As of now, PELCO II has no capability yet to perform "live-line" works and we're slowly working towards that goal. These interruptions however, are all well within the NEA allowable values.

Because of the parallel line projects in improving our system and deliberate upgrading of our metering systems, the Cooperative ended 2015 with 11.61% system loss – a 1.37 percentage point improvement over last year's 12.98%. This translated to a savings of about Php 31.06 M which were passed-on to the member-consumers through a reduction in the electricity bills. The ERC-mandated system loss cap is at 13%.

Member-Consumer Focus

Engagement with member-consumers was further intensified in 2015 through the use of internet/social media (web site and Facebook page) and short messaging systems to augment the print, TV, radio and barangay broadcasts that the cooperative use to disseminate information for the benefit of member-consumers. The feedback your Cooperative receives from these new media platforms challenge us to further improve our services.

The planning and design for the rehabilitation of all area offices was completed in 2015 and will be ready for bidding and implementation these coming months. While waiting for these projects to be completed, your Cooperative is continuously looking for payment partners around the franchise area to provide you, our member-consumers, more paying options and convenience.

An initial fleet of brand new vehicles was also acquired in 2015 to start the fleet replacement program for the Cooperative's need to better serve its member-consumers. The bulk of the fleet replacement is expected to come within 2016.

Engagement with member-consumers, LGUs and other stakeholders are also strengthened through other activities such as tree-planting, blood-letting, school children feeding projects and other gift-giving activities and participation in LGU-sponsored activities such as Alay Lakad and Walkathon for Earthquake Awareness, among others.

PELCO II likewise conducted its 2015 AGMA with a free eye-checkup for member-consumers in coordination with the Kapampangan Development Foundation (KDF).

Despite having obtained 100% electrification of all barangays within our area of responsibility, your Cooperative continues to look for more areas that need to be electrified in coordination with NEA and the DOE through the Sitio Electrification Program (SEP) and Barangay Line Enhancement Program (BLEP), in order to bring the blessing of electricity to the remote recesses of our franchise area. For 2015, we have extended about 6.7 kilometers of our distribution system to eight (8) sitios in Sta. Rita, Porac, Guagua, Lubao, and Bacolor.

Sales Growth

2015 registered an 8.09% year-on-year growth from 2014. The continuing improvement on service application process and reducing restoration times are some of the factors that contributed to the continuous sales growth. There is also a deliberate effort in engaging our prospective consumers to address their concerns prior to their application with the cooperative.

Operational Excellence

In the year 2015, your Cooperative started review of business continuity plans through talent and leadership development and effective succession planning. We have also engaged the services of Behavioral Dynamics for the testing of our new hires including our linemen. This is a step in professionalizing our recruitment and hiring process. Seminars and training were provided to all employees to keep them abreast with developments in their fields. Your Cooperative also ended 2015 with a 353 member-consumer to employee ratio, meeting NEA's guidance for workforce efficiency.

Internal processes were identified and were lined-up for review to ensure responsiveness to the needs of member-consumers and other stakeholders including NEA and the ERC. This will also pave the way for migration into new systems in the future.

Regulatory Advocacy

Your Cooperative has been likewise active in its participation in the NEA and/or ERC-sponsored events. It is actively providing comments on proposed ERC Resolutions that would have impact on electric cooperatives particularly on generation and renewable energy supply. In 2015, PELCO II was audited by the Distribution Management Committee and several compliances issues reported are being addressed at the moment.

Slowly but surely, your Cooperative is rebuilding itself to be truly worthy of your trust and patronage. Let us continue with the dialogue as we strengthen our partnership and commitment towards a better future for our Cooperative.

Maraming Salamat po!




NESTOR P. SARMIENTO
Chief Management Advisor

General Manager's Report

Pagbati!

Sa ngalan po ng bumubuo ng PELCO II Board, Management, Staff & Employees, nais kong ipaabot ang taos-pusong pagbati sa lahat ng masugid na tagatangkilik ng ating kooperatiba at higit lalo na sa mga nagbigay importansiya na makadalo sa mahalagang pagtitipon na ito, ang ating *ANNUAL GENERAL MEMBERSHIP ASSEMBLY (AGMA)* na may temang "*Strengthening Partnership & Commitment towards Progress.*"

Ang AGMA ay isang pamamaraan upang kaming mga opisyal ng kooperatiba ay makapagbigay ng ulat sa nakalipas na taong operasyon ng PELCO II. Ito ay upang mas lalong maintindihan ng bawat kasapi ang mga ginagawang mga pamamaraan ng inyong pamunuan, upang matugunan ang misyon ng kooperatiba na makapagbigay ng mahusay na serbisyo para sa ikauunlad at ikasusulong ng bawat kasapi, maging maayos ang pinansiyal na aspeto nito at mapabilang sa mga mahuhusay na kooperatiba sa buong bansa.

Sa bawat taon ng ating pagtitipon, akin pong iniulat sa inyo ang nakalipas na operasyon ng PELCO II. Subalit sa taong ito, bilang patunay ng aming patuloy na pag-gampan sa minimithing pagbabago at pagpapaunlad ng ating kooperatiba, nais ko na iprisinta ang naging operasyon sa nakaraang taon. Marapatin po nating balikan ang ilan sa mga unang nabigyan ng katugunan mula ng maipasa sa AGMA ang Investment Management Contract (IMC) taong 2014 ng PELCO II at COMSTECH partnership, kagaya ng;

Pagbabayad sa kautangan ng PELCO II sa National Electrification Administration

Pagbabayad sa kautangan ng PELCO II sa Power Supplier (San Miguel Energy Corporation)

Pagbibigay ng teknikal na kaalaman sa pamumuno, pagsasa-ayos at pagpapaunlad ng Distribution System ng kooperatiba, atbp.

Sa loob ng mahigit isang taon ng partnership, malaki na ang naitalang pagbabago sa operasyon ng PELCO II dulot ng pagtutulongan ng lahat ng "stakeholders" (PELCO II Board, Management, Partners, Officers, Employees, LGU's, Member-Consumers), ang susunod na tala ay ilan lamang sa kasalukuyang binibigyan ng prioridad ng pamunuan upang maisalarawan ang ilan sa nakamit na nito;

TAON	BAYAD SA NEA	BAYAD SA POWER SUPPLIER	INSTITUTIONAL PARAMETERS	SYSTEM LOSS	COLLECTION EFFICIENCY
2008	With Arrears	With Arrears	Partially Compliant	18.10 %	80.16%
2009	With Arrears	With Arrears	Partially Compliant	14.49 %	83.67 %
2010	With Arrears	With Arrears	Partially Compliant	13.85 %	90.80 %
2011	With Arrears	With Arrears	Partially Compliant	12.99 %	91.64 %
2012	With Arrears	With Arrears	Partially Compliant	13.09 %	90.83 %
2013	With Arrears	With Arrears	Partially Compliant	13.10 %	90.53 %
2014	Current 3 rd Quarter	Current 3 rd Quarter	Partially Compliant	12.98 %	93.04 %
2015	Current	Current	Partially Compliant	11.61 %	94.62 %

Base sa ilang naitalang report buhat ng taong 2008-2015, atin ng unti-unting nakikita ang mga positibong resulta dulot ng pagsasa-ayos ng panlabas at panloob na operasyon ng kooperatiba, kasama na dito ang pagkakaroon ng Investment Management Contract (IMC). Dahil sa patuloy na pagdami ng mga bagong aplikante ng kuryente (average of 5,000 new electric service applicants), buhat sa residensiyal, komersiyal, industriyal at iba pang uri ng mga establisimiyento, ang pamunuan ng PELCO II ay hindi humihinto sa pagsasagawa ng pamamaraan upang matugunan ang pangangailangan ng bawat kasapi ng kooperatiba. Ang ilan sa nakatakdang isasagawang mga proyekto ay ang mga sumusunod:

- (a) pagdaragdag ng mga power substations,
- (b) pagbili ng mga makabagong kagamitang pang-distribution system bilang:
 - pagtupad sa itinatakda ng PEC, PDC at iba pang ahensiya ng gobyerno
 - na nagtatakda ng mga alituntunin para sa mga distribution utilities gaya ng PELCO II
- (k) pagtatayo ng 69kV Subtransmission lines
- (d) lopping ng distribution lines at ng sub-transmission lines
- (e) patuloy na pagsasa-ayos ng mga distribution lines
- (g) pagpapagawa ng bagong headquarters ng PELCO II
- (h) pagsasa-ayos ng mga tanggapan/opisina para maging komportable at kaaya-aya sa mga pagbisita ng mga kasapi
- (i) paglalagay ng mga CCTV Cameras
- (l) pag-upgrade ng mga computer system

- (m) pagdaragdag pa ng mga collection partners (payment centers)
- (n) pagkakaroon ng kontrata para sa power supplier
- (o) pagpapalawig pa ng kaalaman ng mga empleyado sa pamamagitan ng mga trainings o seminars.
- (p) pagsasa-ayos ng mga sistemang may kaugnayan pa sa pagpapabilis pa ng mga serbisyong inihahandog ng PELCO II, atbp.

Ang mga proyektong nabanggit ay ilan lamang sa mga pinagtutuunan ng pansin ng inyong pamunuan para makapagbigay ng tunay na pagbabago at pagseserbisyo. At dahil na rin sa patuloy ang mga reporma sa industriya ng elektridad ay kinakailangan ang pagiging agresibo sa pagtugon dito ng mga kooperatiba. Kasama na ang di maitatangging hamon sa PELCO II na mapabilang sa mga nangungunang electric cooperative (Triple A Cooperative) di lamang sa Central Luzon kung hindi sa buong Pilipinas, kaya kinakailangan na paigtingin ang tunay na pagbabago at pagsasa-ayos nito bilang parte na rin ng pinagkasunduang kontrata ng PELCO II at ng COMSTECH Integrated Alliance.

Bilang pangwakas, aking ipina-paabot sampo ng lahat ng bumubuo ng PELCO II ang taos pusong pagbati at pasasalamat sa lahat ng mga "stakeholders" nito at bilang Pangkalahatang Tagapamahala, nais ko pong iprisinta ang Annual Report para sa taong 2015.

Pagpalain nawa tayo ng Poong Maykapal. Mabuhay po kayo at mabuhay ang PELCO II.

Maraming salamat po!

AMADOR T. GUEVARRA
General Manager





To our beloved member-consumers,
We have the honor to present and submit the Annual Accomplishment Report of the Pampanga II Electric Cooperative, Inc. (PELCO II) for the calendar year 2014 – 2015.

Respectfully yours,

Francis Virgilio M. Ocampo
BOD President

Nestor P. Sarmiento
Chief Management Advisor

Amador T. Guevarra
General Manager

PELCO II



THE BIRTH OF PELCO II...

In the latter months of the year 1972, the Eastern Pampanga Electric Cooperative, Inc. (EPECO) was established to comply with the mandated Rural Electrification Program of the National Electrification Administration (NEA). The cooperative's formal operations started in the month of April, year 1973. From six towns in the eastern part of Pampanga, its coverage area extended into 17 municipalities. Thus, the name was changed into Pampanga Electric Cooperative, Inc.

But as years of operations passed by, consumers were not very much satisfied of the services offered by the Cooperative. It experienced frequent technical failures and unrelenting consumer complaints which were endorsed to NEA for further evaluation, thorough study, and proposals of countermeasures.

Therefore, during PELCO's Annual General Membership Assembly in April 8, 1979, the members approved the splitting of the Cooperative into two (2): PELCO I, comprising the municipalities of Arayat, Candaba, San Luis, San Simon, Mexico, Magalang, Sto. Tomas, Minalin, Apalit, Macabebe, and Masantol; and PELCO II, the municipalities of Bacolor, Guagua, Sexmoan (now Sasmuan), Sta. Rita, Porac, and Mabalacat City.

PELCO II was then incorporated in April 23, 1979 and began its formal operations in May 26 of the same year, at its main office in Sta. Filomena, Guagua, Pampanga. From an area coverage of six (6) districts with a total of 28, 696 member-consumers, it took over Guagua Rural Electric Service (GRES) in July 1980 and the Lubao Municipal Electric System (LMES) in November 1981, resulting to an increase of its area coverage into seven (7) municipalities.

PELCO II is serving seven (7) municipalities namely Mabalacat

PELCO II-OVERCOMING ALL ODDS...

(City), Guagua, Lubao, Porac, Sta. Rita, Sasmuan, and Bacolor and has also acquired services at the resettlement areas in Sta. Lucia, Magalang; Model Community, Porac; Palmayo, Florida-blanca; and Mawacat, Floridablanca, which were designed and funded by the national government as relocation of the victims of the Mt. Pinatubo eruption in the 1990's.

Come the early years of the new millennium, PELCO II was regrettably categorized by NEA as an ailing Cooperative. This meant that the Coop was not in good condition and had financial distress caused by its undeniable high system loss, poor collection efficiency, and other inherited problems in the span of 20 years. Several General Managers, CEO's, experts, and even NEA's appointed Project Supervisors and Deputy Administrator attempted to manage the Coop in order to lessen its liabilities and insufficiencies, but none was successful enough to revive the Coop from its downfall. Everyone was almost at the verge of giving up and surrendering, but for the sake of the member-consumers, that was not an option.

However, with the provision of R.A. 10531, it provided options for the ailing cooperatives, including PELCO II. Regardless of the criticisms and all of the negative remarks received by PELCO II, it continued its study on all alternative plans and performed

thorough research on the options given, particularly the Investment Management Contract (IMC). After much deliberation, the Coop proceeded with the steps and underwent due process. In the end, it was established that Comstech Integrated Alliance, Inc. with Technical Partner, MERALCO was the qualified bidder and was the one who complied with all the requirements.

On February 14, 2014 during the Annual General Membership Assembly, the IMC was thoroughly discussed and duly approved by member-consumers present. All needed papers were drafted, signed, legalized, and submitted to concerned offices and on August 11, 2014, PELCO II has officially sealed its partnership with COMSTECH/ MERALCO.

2016 Annual General Membership Assembly Theme:

"Strengthening Partnership and Commitment towards Progress."



As the theme suggests, PELCO II has always sworn to ensure

PELCO II-A CLOSER LOOK TODAY

quality service to its member-consumers through strengthened partnership, unto the realization of its goals. For the past year, after the finalization of the Coop's partnership with Comstech-Meralco, everyone has noticed the improvement: from the operations to the process, to the facilities and the equipment. At first, not everybody was convinced that the IMC would do PELCO II any good. But it stood its ground and proved to everyone that a once-labeled ailing Coop can revive itself and make its way to

the top. With the joint efforts of all its departments and area offices, it has unceasingly exerted efforts to improve its services not only to its member-consumers but also with its industry partners.

A significant share on this improvement is credited to the conjoined efforts of the Institutional Office. They have for so long desired and succeeded in the enhancement of service efficiency and customer relations. They have relentlessly worked to provide better service to the member-consumers. Below is a detailed list of their accomplishments:

- Conducted 82 Public Announcements regarding power interruptions and collection/disconnection policies.
- Accomplished mass information through academes, barangay meetings, media guesting and interviews
- District Elections were done and a Board of Director for the District of Guagua was elected
- Distributed flyers/leaflets during PMOS and Barangay Meetings.
- Set a Public Hearing with regards to the "Interim Power Supply Agreement"
- Aired thru Radioworld Broadcasting Corporation (RW 95.1) and Lou – Chrigrod Broadcasting, Inc. (KISS FM 102.3) Program and informed by Short Messaging System (SMS)/MESSAGE CAST SYSTEM scheduled power interruptions, ERC Hearings/orders and other Coop activities.
- Messages thru Short Messaging System (SMS)/Message Cast System of emergency power interruptions.
- Regular submission of Monthly Institutional Report in compliance with NEA memo/directives pursuant to the newly amended R.A 10531.
- Acquired new service vehicles for field work

Aside from the technical aspects that are measured through Key Performance Indicators (KPI's), the IS Office also engages in environmental, ethical and philanthropic responsibilities by initiating projects like tree planting, bloodletting, gift giving, and feeding programs.

Going inside PELCO II, employees have been transformed to become of better service. Through seminars, workshops, trainings and constant encouragement from the Management, they have become better individuals. Below is the list of employee empowerment activities, spearheaded by the Office of the Human Resources:

- Maintenance and Testing Division (MTD) and Substation Personnel Skills Competition (January 28, 2015)
- HPS Safety Tool Product Demonstration and Training (January 30, 2015)
- Road Safety Seminar (Feb. 27, 2015/Mar. 13, 2015 & April 8, 2015)
- Engineering Design Lecture (March 6, 13, 20 & 27, 2015)
- AES Academy Training Series 21 "Safety Training" at Baguio City (March 17 – 20, 2015)
- Strategic Alignment Workshop (March 8, 2015)
- Forum on Interruptible Load Program (March 20, 2015)
- WESM Public Consultation (March 30 – 31, 2015)
- Tech Island 2.0 Mastering the Digital Wave (April 16, 2015)
- Line Design Immersion (Apr. 13-17/Apr. 20-24 & Apr. 27 – May 1, 2015)
- Classroom Session on Safety (May 14, 2015)
- Practical/Field Session on Safety (May 18 – 21, 2015)
- MDTI Converged Solutions Unraveling the Data Center (May 19, 2015)

- PHILATMEC National Convention (May 20 – 21, 2015)
- EPIRA 202 – Distribution Utility CAPEX – OPEX Planning and Rate Making
- Communication Asia 2015 Exhibition and Conference (Sponsored by DCTECH Micro Service Inc. – June 1 to 5, 2015)
- NSO Data Dissemination Forum (June 5, 2015)
- EPIRA 201 – Electricity Market Power Supply Contracting, WESM & Retail Competition (June 22 – 24, 2015)
- Customer Service Seminar (June 24 – 26, 2015)
- DOLE Programs, Conciliation-Mediation Law and Latest Jurisprudence cum CLAMP General Assembly (June 25, 2015)
- Internal Audit Working Papers Seminar (June 30, 2015)
- Back to Basic on Business Tax (July 3, 2015)
- Cooperative on Management Course II (July 7 – 9, 2015)
- Exclusive Run for Philippine Smart Grid (July 8 – 10, 2015)
- Financial Literacy Seminar (July 16 & September 1, 2015)
- Net Metering Orientation Seminar (July 24, 2015)
- Hitting the bull's Eye on Income Tax, Withholding Tax and Value Added Tax (July 28, 2015)
- Detection of Irregularities on Kwh Meter (August 14, 2015)
- Seminar on Full IFRS/PFRS (PICPA)
- ERC 1ST Metering Convention @ Baguio City (August 25 – 28, 2015)
- Cooperative Technical Management Course (September 3, 2015)
- Demonetization Program Security Features of the New Generation Currencies (September 14, 2015)
- Cooperative Management Course I & II @ Cebu City (September 14 – 19, 2015)

- Seminar on Protection Relay (September 15 – 16, 2015)
- In-house Seminar "Updates on Magna Carta & Net Metering Process Flow". (September 17, 2015, October 9, 2015 & December 3, 2015)
- Financial Reporting Techniques & Methodologies of Electric Cooperatives (September 22 – 25, 2015)
- Seminar on Power Quality Meter Testing (September 24, 2015)
- Seminar on Managing System Loss (October 8 – 9, 2015)
- IIEE 17th Central Luzon Regional Conference (October 9 – 10, 2015)
- Seminar on 2nd Joint National Convention @ Tagbilaran City, Bohol (October 12 – 16, 2015)
- Safety Orientation Seminar (Oct. 19, 21 & Nov. 20, 2015)
- Seminar on Continuing Regulatory Education for the Stakeholders (CREST) October 22 23, 2015)
- Seminar on MS Office 2013 Tips & Tricks (November 3, 2015)
- Seminar on Accelerated Financial Reporting using Excel (November 3-4, 2015)
- Seminar on Safety (Sponsored by MERALCO) November 3 – 4, 2015
- 70th Annual National Convention for Philippine Institute of Certified Public Accountants (PICPA) November 24 – 29, 2015
- IIEE 40th Annual Convention (November 25 – 28, 2015)

Despite the undeniable development of pools of talent in the Cooperative, the HR Department still has plans to continue and increase the capabilities of its team. PELCO II believes that investing on manpower will result to positive outcome especially for a service-oriented organization. Hence, the learning process has no end.

On the other hand, there also has been immense hard work from the staff of the Technical Services. They support the Coop's goals and criteria such as System Loss Reduction, Reliability, Power Quality, Capacity, Safety, Electrification, and Submission of ERC & NEA Requirements. The result of their work reflects on the commendable outcome they have achieved:

A. System Loss Projects

The System Loss in year 2015 is 11.61% reducing the system loss by 0.11% from the previous year. The coop accomplished the System Loss Reduction Projects and maintained the System Loss below the System Loss Cap of 13% after undertaking the following:

- Rehabilitation of primary lines of feeder 1,2 and 5 of Guagua Substation, with a total of 10.33 circuit-kilometers distribution line
- Rehabilitation of secondary lines with a total of 70.21 circuit-kilometers distribution line
- Clustering of 1,133 kWh meters into several common locations protected with meter sheds but still accessible to both member-consumers and coop's personnel for maintenance and meter reading.
- Replacement of 2,759 units of stop/defective kWhr Meters of member-consumers
- Accuracy testing of 3,037 units of kWhr Meter of member-consumers
- Right-of-Way clearing of 226.08 circuit-kilometers of distribution line
- Transformer Load Management of 81 units of distribution transformer with assorted capacity and transferring of 8 units of distribution transformers to load centers thus optimizing the transformer efficiency and capacity.

B. Reliability Projects

The Reliability projects reduce the frequency of power outages and ensure the reliability and efficiency of electric service within the allowable limit of the *Philippine Distribution Code* (PDC)

- In the aspect of *System Average Interruption Frequency Index* (SAIFI), 2015 ended with 12.21
- And 677.09 *System Average Interruption Duration Index* (SAIDI) in 2015
- Right-of-Way clearing of 226.08 circuit-kilometers of distribution line
- Complete test of 4 units of Power Transformer at Guagua and Pio substation
- Insulation Resistance/Contact resistance tests of 15 units of Reclosers at Mabiga, Pio, Remedios, Sta Cruz substation
- Repaired control mechanism of Cooper and ABB reclosers at Guagua Substation (Feeder 1)
- Regasketing of 10MVA Power Transformer at Pio Substation
- Replacement of 3 units of reclosers at Pio, Remedios and Sta. Cruz substation
- Replacement of Control of Recloser at Guagua substation
- Testing and Resetting of 3 units of Relay Protection Parameters at Pio, Sta Cruz and Mabiga substation

C. Power Quality Projects

The projects implemented to address the power quality problems thus improving the delivery voltage within the acceptable voltage variation level are as follows:

- Upgrading of conductor of feeder 1,2 and 5 of Guagua Substation, from sizes of (#2, 1/0, 2/0) ACSR to 336.4 MCM ACSR

- Extension of 2.12 circuit-kilometers of Single (1) phase distribution line
- Extension of 1.94 circuit-kilometers of Underbuilt distribution line
- Extension of 3.67 circuit-kilometers of Open secondary distribution line
- Center loading of 8 units of transformer

D. Capacity Projects

The expansion, upgrading and augmentation of the distribution system capacity ensure the sufficiency of power supply to the increasing demands and load growths. The following were accomplished:

- Upgrading/Additional of 81 units of brand new distribution transformers
- Extension of 2.97 circuit-kilometers of Three (3) phase distribution line
- Extension of 2.12 circuit-kilometers of Single (1) phase distribution line
- Extension of 1.94 circuit-kilometers of Underbuilt distribution line
- Extension of 3.67 circuit-kilometers of Open secondary distribution line
- A total of 5,258 units Residential kWhr meter for new connections has been installed and 108 units of kWhr meter to New Industrial Low/High Voltage Consumers
- Erection/installation of 300 pcs of steel and concrete poles.

E. Safety Projects

The continuous implementation of the safety projects insures the safe and efficient operation of the distribution system and its related facilities.

- Replacement of 616 pcs. of rotten wood poles with steel and concrete poles
- Replacement of 61 units of old distribution transformers

F. Electrification Projects

The project is in support to the major electrification program of the government through the *National Electrification Administration* (NEA) under the *Sitio Electrification Program* (SEP) and *Barangay Line Enhancement Program* (BLEP).

1. Construction and energization of the eight (8) sitios funded by government subsidy through the NEA Sitio Electrification Program and Barangay Line Enhancement Program
 - a. Zone 3 and 4, Dila-Dila, Sta. Rita
 - b. Sitio Mauli, Palat, Porac
 - c. Sitio Looban, Planas, Porac
 - d. Sitio Sapa Purok 4, Maquiapo, Guagua
 - e. Sitio Farm to Market Road, San Jose, Guagua
 - f. Purok 7, Prado Siongco, Lubao
 - g. Zone 1 and Zone 2, Talba, Bacolor
 - h. Purok 3, San Matias, Lubao

G. ERC and NEA Requirements

Compliances on the policies and regulations required for the operation of Electric Distribution Utilities.

- Submission of 2015 *Distribution Segregated Loss* (DSL) to ERC
- Submission of 2015 *Monthly Engineering Report* (M.E.R) to NEA

All of these achievements though, would have been nothing without the support of the other departments who serve as the backbone of the operations.

Starting off with the Facilities, Logistics, Equipment and Materials Department and the Procurement Services. They make sure that the coop is physically equipped with the necessary materials, tools and equipment to serve the member-consumers better. In 2015, through their efforts, the Coop has gained service vehicles which are utilized in field works of different sorts.

There also is the Information Technology. They demonstrate expertise on software and hardware management which both are necessities in the Coop's everyday operations. The following are their accomplishments:

A. Hardware

- Provision of Fiber Optic Connection to all area offices
- Renewal of subscription to website domain, hosting and corporate e-mail
- Introduction of Message Cast for information dissemination
- Provision of GPS tracking to all newly acquired vehicles for better fleet management
- Procurement of additional laptop and printer for collection center for faster and reliable services.
- Installation of additional database server and back-up battery for consumer database

- Procurement of network switch/router for computer network stability.
- Acquisition of meter reading gadget and mobile thermal printer for consumer monthly bill.
- Acquisition of ID printer to save on printing services for employee and consumer IDs

B. Software Application Development

- **Consumer Management**

- ◊ Automation of Complaints Tracking Form Entry & Reports

- **Meter Reading System**

- ◊ Development of New Modules, Entries & Reports for New Meter Reading Gadgets

- **Billing System**

- ◊ Development of New Modules, Entries & Reports for New Meter Reading Gadgets
- ◊ Development of Monthly Sales Processing and Data Exporting
- ◊ Development of Daily Accounts Receivable Processing and Data Exporting

- **Accounting Module**

- ◊ Enhancement of Disbursement Processing

- **Human Resources Information System**

- ◊ Enable system to support HR-HUB System Requirements

- ◇ Development of New Modules, Entries & Reports to Support HR HUB Requirements
- **Computerization of Annual General Membership Assembly (AGMA) registration module.**
- **Acquisition of Microsoft Office and OS license**
 - ◇ Office 2013
 - ◇ Office 2016
 - ◇ Microsoft Operating system Upgrade (windows 8.1pro)

The Safety Office was created in 2015 to emphasize the Cooperative's focus on and concern for the safety of its employees and member-consumers. Their detailed accomplishments are as follows:

A. Safety Trainings

- Road safety seminar with AAP
- Safety officers training at MERALCO
- Occupational safety orientation for new hired employees
- Occupational safety seminar for regular employees
- Occupational Safety orientation for PELCO II security guards

B. Safety Matters (Monthly issue of safety reminders/posters)

- February – Avoiding slips, trips and falls
- March – Fire Prevention

- April – When Heat is On
- May – Electrical Safety
- June – Working in the rain
- July – Personal Protective Equipment
- August – Workplace first aid guide
- September – Lift safely
- October - Report near misses
- November - Workplace accidents
- December - Holiday home safety

C. Safety Moment (Safety tips every Meetings w/ the safety officers)

D. Accident investigation and reporting

E. Offices and Substations Inspection

F. Monthly Safety Committee Meeting

G. Monitoring of Employees PPE

H. Distribution Emergency Drill - December 5, 2015

I. Installation of emergency fire exit plan and how to use fire extinguishers

J. PNRC – PELCO II Bloodletting participation

K. Tree Planting Activities – Sta. Rita

L. Guagua MDRRMC Walkathon for Earthquake Preparedness

Among member-consumers, the most familiar would be the Area Offices. Each Area Office is strategically located within the franchise area of the Cooperative for the convenience of the member-consumers. Area Heads and the employees are trained to be professionals in their dealing with member consumers and to patiently listen to consumer feedback and suggestions to continuously improve their service.

An organization will never survive without the intellect, understanding, and uncompromised efforts of the Financial Services. They are the ones in charge of the financial aspects of the Cooperative. They contribute on every step towards the realization of PELCO II's goals and aspirations.

PELCO II strives to ensure transparency and truthfulness in all its action. The Internal Audit ensures this through proper controls such as verification and authentication of all Cooperative transactions. There is also the Revenue Protection which is tasked to safeguard the Coop's interest in terms of its checking violation of contract cases and other sources of non-technical loss such as electricity pilferage. Meanwhile, the Regulatory Management office ensures the Coop's compliance with all requirements from the regulators such as the NEA and ERC and the other government agencies.

Overall monitoring and coordination of all these diversities are the Office of the General Manager and the Office of PELCO II's partner, Comstech-MERALCO. They make sure that all departments work harmoniously which results to positive outcomes individually and as a whole. These offices make sure that not only PELCO II benefits from the determination to succeed but also puts into consideration the welfare of industry partners like the Power Suppliers, Government Agencies, Local Government Units, Investors and Lenders, the Employees, and most especially the Member-Consumers.

PELCO II-Comstech-Meralco will always be one with its industry partners and the beloved member-consumers in building a brighter future.



COVERAGE AREA

M

MABALACAT CITY is a newly converted city in the Province of Pampanga. The city is classified as Urban City in the 1st District of Pampanga, Region III (Central Luzon). The city has withstood the catastrophic event of Mt. Pinatubo's eruption in the 1990's. From then on, it has continuously grown and developed into an urbanized town.

Total number of barangay - 27
Total number of Energized Consumer - 62,557
Total kWh used - 11,557.4 kWh
(as of December 2015)

Soon to rise:

Dau City Mall Located @ Dau, Mabalacat, Pamp. and Business Process Outsourcing (BPO) Located @ Mabiga, Mabalacat, Pamp.





P

ORAC is a first class municipality in the province of Pampanga, 26 kilometres (16 mi) west from the provincial capital San Fernando.

Porac is the largest town in Pampanga. It was among the largest municipalities in the archipelago before it was divided into separate municipalities. The Subic-Clark-Tarlac Expressway (SCTEX) traverses this town, the exit of which is located in Barangay Manuali. Porac is an important source of granite and a tamping ground of minerals.

Total number of Barangay - 29

Total number of Energized Consumer - 30,503

Total kWh used - 6,351.4 kWh
(as of December 2015)



AREA OFFICE
CANGATBA, PORAC



AREA OFFICE
MANIBAUG, PORAC



ANTA RITA is a fourth class municipality in the province of Pampanga. The town belongs to the Second District of Pampanga, along with the towns in the south-western part of the province. Sta Rita is popular for the delicacies like turones de casoy and sansrival. It is also a farming town and is the home of Duman, a priced, seasonal food which is made of malagkit rice (lakatanmalutu) that undergoes the rigorous process of being beaten from its husks and toasted in a clay oven which helps release the sweet oils and nuttiness.

Total number of Barangays - 10
 Total number of Energized Consumer - 11,336
 Total kWh used - 1,680.4 kWh
 (as of December 2015)



STA. RITA AREA OFFICE
 SAN VICENTE, STA. RITA





BACOLOR is a third class municipality in the province of Pampanga. Bacolor once served as the Capital of the Philippines. It took the center stage of the national history in the last decade of the 20th century when the Mt. Pinatubo eruption devastated 95% of the whole town, burying 18 out of its 21 progressive barangays. A landmark in the town is the San Guillermo Parish Church known as the 'sunken church' and was one of the structures that were half-buried by the lahar flow.

Total number of Barangays - 21
Total number of Energized Consumer - 4,326
Total kWh used - 897.1 kWh
(as of December 2015)



G

UAGUA is a first-class municipality in the province of Pampanga. From its income classification in 1986 as a third-class municipality, Guagua grew to a first-class one. It belongs to the Second District of Pampanga, along with the towns in the south-western part of the province. The town is almost flat and is suitable to any phase of development; agricultural, industrial, commercial and others.

Total number of Barangays - 31
Total number of Energized Consumer - 28,358
Total kWh used - 4,900.6 kWh
(as of December 2015)





S

ASMUAN (known as Sexmoan until January 15, 1991) is a fourth class municipality in the province of Pampanga, Philippines. Sasmuan has a unique geography that it is surrounded by fish ponds. Aquaculture has been the main industry that drives the local economy. The fish from ponds and other areas are sold at the Fish Port. The town is also known for the Sasmuan Delicacies, founded in 1990. It is being sold in many big supermarkets and malls in the Philippines.

Total number of Barangays - 12
 Total number of Energized Consumer - 6,118
 Total kWh used - 611.7 kWh
 (as of December 2015)



LUBAO is a first class municipality in the province of Pampanga which is located at the south-western part. It is noted for rice, sugar cane, fish, and sampaguita. Lubao is also famous for annual festivals like the Sampaguita Festival and the Lubao International Balloon Festival.

Total number of Barangays - 44
 Total number of Energized Consumer - 35,594
 Total kWh used - 5,485.2 kWh
 (as of December 2015)





COOPERATIVE

ACTIVITIES

2015



“He who plants a tree, plants hope.”

SAN VICENTE
Lucy Larcom



To the young and healthy, it is no loss and it costs nothing. But to the sick and needy, it is an invaluable gift and a ray of hope. DONATE BLOOD, SAVE A LIFE.





It's not how much we give but how much love we put into giving."

—Mother Teresa



There is no exercise better for the heart than reaching down and lifting people up."

John Holmes



We continually look for ways to thank you for giving us the opportunity to serve you. We appreciate you, our Member-Consumers!



Continuous renovation, upgrading of equipment, and improvement of services, to serve you better!



Reaching out to the public through the use of a very powerful tool: the MEDIA





“If they can't learn the way we teach, we teach the way they learn”

O. IvarLovaas





Leadership is defined by conviction, vision, passion and inspiration.



“**C**onflict can be healthy within a collaborative group, as long as everyone sticks to the issues and things don't get personal.”

-Eunice Parisi-Carew



2015

"An anniversary is the perfect time to celebrate all the missed opportunities, to correct a mistake, and even take vows to renew it."

Bauvard



“**C**ommemorating 36 years of togetherness, resilience, and commitment in delivering quality service to its Member-Consumers.”





2015



Nothing is Impossible
Matthew 19:26



CLECA 2015 DANCE CONTEST CHAMPION

FU

PLANS

RENOVATION OF AREA OFFICES

PELCO II aims to provide convenience to member-consumers at all times. With the upcoming years, the Cooperative is planning to renovate its Area Offices with the purpose of standardizing the look of all its buildings to enhance recognition for all of PELCO II's infrastructures.



INSTALLATION OF CCTV CAMERAS

As an additional security measure for both the member-consumers and PELCO II employees, the Cooperative will be installing CCTVs (closed-circuit televisions) which will help monitor all activities inside the Coop premises.



DEVELOPMENT OF 69KV SUB-TRANSMISSION LINE

PELCO II always prioritizes projects which would greatly benefit the member-consumers, may it be promptly, or long term.

The technical team thoroughly studies upgrades on equipment and transmission lines.



ONLINE INQUIRY ON THE WEBSITE

With the relentless advancement of technology, PELCO II needs to adapt in order to provide further convenience to the members. A part of this advocacy is the upcoming online website inquiry where customers could ask questions like bill queries, update inquiries, requests, suggestions, complaints, and the likes. They can post them online and there will be a team on standby to walk them through their concerns.

Nonetheless, member-consumers, employees, suppliers, investors, and lenders could look forward to PELCO II's future plans. These are just samples of the Coop's ideas and projects to provide further convenience to its consumers and partners.

PELCO II will continue to thrive to materialize all its dreams and aspirations. All as one, aiming to build a brighter future.



2014

AUDITED FINANCIAL STATEMENTS



REYES TACANDONG & Co.
FIRM PRINCIPLES·WISE SOLUTIONS.

INDEPENDENT AUDITOR'S REPORT

The Members and the Board of Directors
Pampanga II Electric Cooperative, Inc.
San Roque, Guagua, Pampanga

We have audited the accompanying financial statements of Pampanga II Electric Cooperative, Inc. (a non-stock, non-profit electric cooperative) (the Cooperative), which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in fund balance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions as prescribed by the National Electrification Administration Accounting and Budgeting Manual.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions as prescribed by the National Electrification Administration Accounting and Budgeting Manual, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making the risks assessment, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Without qualifying our report, we draw attention to Note 1 to the financial statements which disclosed that the Cooperative has a capital deficiency because of continued losses. This condition indicates the existence of a material uncertainty which may cast doubt about the Cooperative's ability to continue as a going concern. In 2014, the Cooperative entered into an Investment Management Contract (IMC) with Comstech Integration Alliance, Inc. (Comstech). Pursuant to the IMC, Comstech provided ₱743.4 million to the Cooperative to settle its outstanding liabilities with National Electrification Administration and its power suppliers. Moreover, Comstech will provide continuous technical and financial support to enable the Cooperative to timely meet its obligations and to sustain its operations.

We have assessed the ability of the Cooperative to continue as a going concern and have considered these matters to have mitigated the going concern issue.

Other Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which prescribes the basis of accounting of the Cooperative. The financial statements are prepared by Pampanga II Electric Cooperative, Inc. to meet the requirements of National Electrification Administration.

Report on the Supplementary Information Required under Revenue Regulations Nos. 15-2010 and 19-2011 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses and the schedule of taxable income and deductible expenses in Note 34 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Pampanga II Electric Cooperative, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

BOA Accreditation No. 4782; Valid until December 31, 2018

BIR Accreditation No. 08-005144-11-2014

Valid until March 31, 2017

NEA Accreditation No. 2015-03-00023

Valid until March 26, 2018

PTR No. 5321845

Issued January 5, 2016, Makati City

April 12, 2016

Makati City, Metro Manila

PAMPANGA II ELECTRIC COOPERATIVE, INC.
(A Non-Stock, Non-Profit Electric Cooperative)

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(With Comparative Figures for 2013)

	Note	2014	2013 (As Restated - Note 5)	2012 (As Restated - Note 5)
ASSETS				
Noncurrent Assets				
Utility plant, property and equipment	6	₱ 637,267,983	₱ 969,192,606	₱ 916,754,312
Other noncurrent assets	7	47,766,527	137,124,359	50,865,977
Total Noncurrent Assets		685,034,510	1,106,316,965	967,620,289
Current Assets				
Cash and cash equivalents	8	272,968,986	135,696,267	265,697,073
Trade and other receivables	9	284,439,753	619,723,868	503,481,068
Materials and supplies inventories	10	59,771,650	4,574,181	10,465,634
Prepayments	11	3,837,465	5,183,995	24,992,446
Total Current Assets		621,017,854	765,178,311	804,636,221
		₱1,306,052,364	1,871,495,276	1,772,256,510
EQUITY AND LIABILITIES				
Equity				
Members' contribution	12	₱ 965,130	₱ 939,745	₱ 914,685
Donated capital	13	516,053,974	516,053,974	515,602,424
Investment Management Contract fund	14	743,412,190	-	-
Reinvestment fund for sustainable capital expenditures	15	731,345,025	815,815,228	744,864,561
Cumulative remeasurement losses on retirement benefits liability	27	(59,064,779)	(8,115,377)	(10,955,989)
Deficit		(2,822,335,225)	(2,371,943,588)	(2,330,598,297)
Total Equity		(889,623,685)	(1,047,250,018)	(1,080,172,616)
Noncurrent Liabilities				
Long-term debt - net of current portion	16	1,032,808,444	1,620,218,945	1,578,956,356
Retirement benefits liability	27	421,905,507	324,386,216	284,189,427
Provisions	34	110,877,056	-	-
Other noncurrent liabilities			42,218,986	42,218,986
Total Noncurrent Liabilities		1,565,591,007	1,986,824,147	1,905,364,769
Current Liabilities				
Trade and other payables	17	427,902,147	745,764,223	771,164,351
Consumers' deposits	18	121,627,141	116,699,587	110,685,235
Current portion of long-term debt	16	80,555,754	69,457,337	65,214,771
Total Current Liabilities		630,085,042	931,921,147	947,064,357
Total Liabilities		2,195,676,049	2,918,745,294	2,852,429,126
		₱1,306,052,364	₱1,871,495,276	₱1,772,256,510

PAMPANGA II ELECTRIC COOPERATIVE, INC.
(A Non-Stock, Non-Profit Electric Cooperative)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Figures for 2013)**

	Note	2014	2013 (As Restated - Note 5)
ENERGY SALES	19	₱3,175,738,669	₱ 2,712,144,170
COST OF SERVICES			
Purchased power	20	2,485,829,299	2,317,660,362
Distribution charges	21	573,286,683	231,408,679
		3,059,115,982	2,549,069,041
GROSS INCOME		116,622,687	163,075,129
GENERAL AND ADMINISTRATIVE EXPENSES	22	(429,601,898)	(112,642,144)
INCOME (LOSS) FROM OPERATIONS		(312,979,211)	50,432,985
FINANCE COSTS	26	(113,125,898)	(129,764,717)
PROVISIONS	34	(110,877,056)	—
OTHER INCOME - Net	23	86,367,729	37,259,498
INTEREST INCOME	8	222,799	726,943
NET LOSS		450,391,637	41,345,291
OTHER COMPREHENSIVE LOSS (INCOME)			
Not to be reclassified in profit or loss			
Remeasurement losses (gains) on retirement benefits liability	27	50,949,402	(2,840,612)
TOTAL COMPREHENSIVE LOSS		₱501,341,039	₱38,504,679

PAMPANGA II ELECTRIC COOPERATIVE, INC.
(A Non-Stock, Non-Profit Electric Cooperative)

STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Figures for 2013)

	Note	Members' Contribution	Donated Capital	Investment Management Contract (IMC) Fund	Reinvestment Fund for Sustainable Capital Expenditures (RFSC)	Cumulative Remeasurement Gains (Losses) on Retirement Benefits Liability	Deficit	Total
Balances as at December 31, 2013, as previously reported		₱939,745	₱516,053,974	₱-	₱815,815,228	₱-	(₱2,062,186,960)	(₱729,378,013)
Prior period adjustments	4	-	-	-	-	(8,115,377)	(309,756,628)	(317,872,005)
Balances as at December 31, 2013, as restated		939,745	516,053,974	-	815,815,228	(8,115,377)	(2,371,943,588)	(1,047,250,018)
Contributions from members	12, 15	25,385	-	-	74,915,109	-	-	74,940,494
IMC fund	14	-	-	743,412,190	-	-	-	743,412,190
Reversal of the uncollected portion of RFSC	15	-	-	-	(159,385,312)	-	-	(159,385,312)
Remeasurement losses on retirement benefits liability	27	-	-	-	-	(50,949,402)	-	(50,949,402)
Net loss		-	-	-	-	-	(450,391,637)	(450,391,637)
Balances as at December 31, 2014		₱965,130	₱516,053,974	₱743,412,190	₱731,345,025	(₱59,064,779)	(₱2,822,335,225)	(₱889,623,685)
Balances as at January 1, 2013, as previously reported		₱914,685	₱515,602,424	₱-	₱744,864,561	₱-	(₱2,061,337,588)	(₱799,955,918)
Prior period adjustments	4	-	-	-	-	(10,955,989)	(269,260,709)	(280,216,698)
Balances as at January 1, 2013, as restated		914,685	515,602,424	-	744,864,561	(10,955,989)	(2,330,598,297)	(1,080,172,616)
Contributions		25,060	451,550	-	70,950,667	-	-	71,427,277
Remeasurement gains on retirement benefits liability	27	-	-	-	-	2,840,612	-	2,840,612
Net loss		-	-	-	-	-	(41,345,291)	(41,345,291)
Balances as at December 31, 2013		₱939,745	₱516,053,974	₱-	₱815,815,228	(₱8,115,377)	(₱2,371,943,588)	(₱1,047,250,018)

See accompanying Notes to Financial Statements.

PAMPANGA II ELECTRIC COOPERATIVE, INC.
(A Non-Stock, Non-Profit Electric Cooperative)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Figures for 2013)

	Note	2014	2013 (As Restated - Note 5)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		(P450,391,637)	(P41,345,291)
Adjustments for:			
Depreciation	6	353,704,955	26,344,338
Impairment losses on trade and other receivable	9	301,218,576	924,098
Finance costs	26	113,125,898	129,764,717
Provisions	34	110,877,056	-
Retirement benefits expense	27	46,569,889	43,037,401
Write-off of other deferred debits and credits - net interest income	8	(222,799)	(726,943)
Operating income before working capital changes		455,367,489	157,998,320
Decrease (increase) in:			
Trade and other receivables		(125,319,773)	(117,166,898)
Materials and supplies inventories		(55,197,469)	5,891,453
Prepayments		1,346,530	19,808,451
Increase (decrease) in:			
Trade and other payables		(317,862,076)	(25,400,128)
Consumers' deposits		4,815,318	5,862,105
Net cash generated from (used for) operations		(36,849,981)	46,993,303
Interest received		222,799	726,943
Net cash provided by (used in) operating activities		(36,627,182)	47,720,246
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to utility plant, property and equipment	6	(21,780,332)	(78,782,632)
Decrease (increase) in other noncurrent assets		66,653,295	(86,258,382)
Net cash provided by (used in) investing activities		44,872,963	(165,041,014)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Investment Management Contract	14	743,412,190	-
Reinvestment Fund for Sustainable Capital Expenditures	15	74,915,109	70,950,667
Members' contribution	12	25,385	25,060
Long-term debt		-	150,000,000
Donated capital		-	451,550
Payments of:			
Long-term debt		(576,312,084)	(104,494,845)
Finance costs		(113,013,662)	(129,612,470)
Net cash provided by (used in) financing activities		129,026,938	(12,680,038)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		137,272,719	(130,000,806)
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR		135,696,267	265,697,073
CASH AND CASH EQUIVALENTS AT END OF YEAR		P272,968,986	P135,696,267

201

AUDITED FINANCIAL STATEMENTS



REYES TACANDONG & Co.
FIRM PRINCIPLES. WISE SOLUTIONS.

INDEPENDENT AUDITOR'S REPORT

The Members and the Board of Directors
Pampanga II Electric Cooperative, Inc.
San Roque, Guagua, Pampanga

Report on the Financial Statements

We have audited the accompanying financial statements of Pampanga II Electric Cooperative, Inc. (a non-stock, non-profit electric cooperative) (the Cooperative), which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions as prescribed by the National Electrification Administration Accounting and Budgeting Manual.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions as prescribed by the National Electrification Administration Accounting and Budgeting Manual, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making the risks assessment, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pampanga II Electric Cooperative, Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with financial reporting guidelines prescribed by National Electrification Administration Accounting and Budgeting Manual.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pampanga II Electric Cooperative, Inc. as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with financial reporting guidelines prescribed by the National Electrification Administration Accounting and Budgeting Manual.

Emphasis of Matter

Without qualifying our report, we draw attention to Note 1 to the financial statements which disclosed that the Cooperative has a capital deficiency because of continued losses. This condition indicates the existence of a material uncertainty which may cast doubt about the Cooperative's ability to continue as a going concern. In 2014, the Cooperative entered into an Investment Management Contract (IMC) with Comstech Integration Alliance, Inc. (Comstech). Pursuant to the IMC, Comstech provided ₱743.4 million to settle the Cooperative's outstanding liabilities to National Electrification Administration and its power suppliers. Moreover, Comstech will provide continuous technical and financial support to enable the Cooperative to timely meet its obligations and to sustain its operations.

We have assessed the ability of the Cooperative to continue as a going concern and have considered Comstech's technical and financial support to the Cooperative to have mitigated the going concern issue.

Other Matter

The financial statements of Pampanga II Electric Cooperative, Inc. as at and for the year ended December 31, 2013 were audited by another auditor whose report dated July 2, 2014, expressed an unmodified opinion on those statements. These financial statements, however did not include the restatement adjustments discussed in Note 4 to the financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which prescribes the basis of accounting of the Cooperative. The financial statements are prepared by Pampanga II Electric Cooperative, Inc. to meet the requirements of National Electrification Administration.

REYES TACANDONG & CO.

JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. PA-A-707-A

Valid until April 30, 2016

SEC Accreditation No. 08-005144-11-2014

Valid until March 31, 2017

NEA Accreditation No. 2015-03-00023

Valid until March 26, 2018

PTR No. 5321845

Issued January 5, 2016, Makati City

January 19, 2016

Makati City, Metro Manila

PAMPANGA II ELECTRIC COOPERATIVE, INC.
(A Non-Stock, Non-Profit Electric Cooperative)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

December 31

	Note	2015	2014
ASSETS			
Noncurrent Assets			
Utility plant, property and equipment	5	₱700,623,832	₱637,267,983
Other noncurrent assets	6	26,420,264	47,766,527
Total Noncurrent Assets		727,044,096	685,034,510
Current Assets			
Cash and cash equivalents	7	316,021,716	272,968,986
Trade and other receivables	8	306,559,325	284,439,753
Materials and supplies inventories	9	63,492,661	59,771,650
Prepayments anti other current assets	10	5,797,328	3,837,465
Total Current Assets		691,871,030	621,017,854
		₱1,418,915,126	₱1,306,052,364
EQUITY AND LIABILITIES			
Equity			
Members' contribution	11	₱990,130	₱965,130
Donated capital	12	516,053,974	516,053,974
Investment Management Contract fund	13	665,636,956	743,412,190
Reinvestment fund for sustainable capital expenditures	14	812,587,528	731,345,025
Cumulative remeasurement gains (losses) on retirement benefits liability	26	114,454,206	(59,064,779)
Deficit		(2,849,975,092)	(2,822,335,225)
Total Equity		(740,252,298)	(889,623,685)
Noncurrent Liabilities			
Long-term debt - net of current portion	15	961,500,096	1,032,808,444
Retirement benefits liability	26	302,623,755	421,905,507
Provisions	33	129,891,323	110,877,056
Total Noncurrent Liabilities		1,394,015,174	1,565,591,007
Current Liabilities			
Trade and other payables	16	512,143,207	427,902,147
Consumers' deposits	17	141,696,589	121,627,141
Current portion of long-term debt	15	111,312,454	80,555,754
Total Current Liabilities		765,152,250	630,085,042
Total Liabilities		2,159,167,424	2,195,676,049
		₱1,418,915,126	₱1,306,052,364

PAMPANGA II ELECTRIC COOPERATIVE, INC.
(A Non-Stock, Non-Profit Electric Cooperative)

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended	December 31
	Note	2015	2014
ENERGY SALES	18	P3,123,036,812	P3, 175, 738,669
COST OF SERVICES			
Purchased power	19	2, 714,324,811	2,485,829,299
Distribution services	20	271,665,926	573,286,683
		2,985,990,737	3,059,115,982
GROSS INCOME		137,046,075	116,622,687
GENERAL AND ADMINISTRATIVE EXPENSES	21	(196,488,864)	(429,601,898)
LOSS FROM OPERATIONS		(59,442,789)	(312,979,211)
FINANCE COSTS		(65,930,587)	(113,125,898)
PROVISIONS		(19,014,267)	(110,877,056)
INTEREST INCOME		932,960	222,799
OTHER INCOME - Net		115,814,816	86,367,729
NET LOSS		(27,639,867)	(450,391,637)
OTHER COMPREHENSIVE INCOME			
<i>Not to be reclassified in profit or loss</i>			
Remeasurement gains (losses) on retirement benefits liability	26	173,518,985	(50,949,402)
TOTAL COMPREHENSIVE INCOME (LOSS)		P145, 879, 118	(P501,341,039)

PAMPANGA II ELECTRIC COOPERATIVE, INC.
(A Non-Stock, Non-Profit Electric Cooperative)

STATEMENTS OF CHANGES IN FUND BALANCE

Note	Members' Contribution	Donated Capital	Investment Management Contract (IMC) Fund	Reinvestment Fund for Sustainable Capital Expenditures (RFSC)	Cumulative Remeasurement Gains (Losses) on Retirement Benefits Liability	Deficit	Total
Balances as at December 31, 2014	₱965,130	₱516,053,974	₱743,412,190	₱731,345,025	(₱59,064,779)	(₱2,822,335,225)	(₱889,623,685)
Contributions from members	25,000	-	-	81,242,503	-	-	81,267,503
Recoupment of the IMC fund	-	-	(77,775,234)	-	-	-	(77,775,234)
Remeasurement gains on retirement benefits liability	-	-	-	-	173,518,985	-	173,518,985
Net income	-	-	-	-	-	(27,639,867)	(27,639,867)
Balances as at December 31, 2015	₱990,130	₱516,053,974	₱665,636,956	₱812,587,528	₱114,454,206	(₱2,849,975,092)	(₱740,252,298)
Balances as at December 31, 2013	₱939,745	₱516,053,974	₱-	₱815,815,228	(₱8,115,377)	(₱2,371,943,588)	(₱1,047,250,018)
Contributions from members	25,385	-	-	74,915,109	-	-	74,940,494
IMC fund	-	-	743,412,190	-	-	-	743,412,190
Reversal of the uncollected portion of RFSC	-	-	-	(159,385,312)	-	-	(159,385,312)
Remeasurement losses on retirement benefits liability	-	-	-	-	(50,949,402)	-	(50,949,402)
Net loss	-	-	-	-	-	(450,391,637)	(450,391,637)
Balances as at December 31, 2014	₱965,130	₱516,053,974	₱743,412,190	₱731,345,025	(₱59,064,779)	(₱2,822,335,225)	(₱889,623,685)

See accompanying Notes to Financial Statements.

PAMPANGA II ELECTRIC COOPERATIVE, INC.
(A Non-Stock, Non-Profit Electric Cooperative)

STATEMENTS OF CASH FLOWS

		Years Ended	December 31
	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		(P27,639,867}	(P450,391,637)
Adjustments for:			
Finance costs	25	65,930,587	113,125,898
Retirement benefits expense	26	54,237,233	46,569,889
Depreciation	5	45,457,596	353,704,955
Provisions	33	19,014,267	110,877,056
Impairment losses on trade and other receivables	8	1,999,293	301,218,576
Interest income	7	(932,960)	(222,799)
Write-off of other deferred debits and credits - net	22	-	(19,514,449)
Operating income before working capital changes		158,066,149	455,367,489
Decrease (increase) in:			
Trade and other receivables		(24,118,865)	(125,319,773)
Materials and supplies inventories		(3,721,011)	(55,197,469)
Prepayments and other current assets		(1,959,863)	1,346,530
Increase (decrease) in:			
Trade and other payables		84,241,060	(317,862,076)
Consumers' deposits		19,928,446	4,815,318
Net cash generated from (used for) operations		232,435,916	(36,849,981)
Interest received		932,960	222,799
Net cash provided by (used in) operating activities		233,368,876	(36,627,182)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to utility plant, property and equipment	5	(108,813,445)	(21,780,332)
Decrease in other noncurrent assets		21,346,263	66,653,295
Net cash provided by (used in) investing activities		(87,467,182)	44,872,963
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debt		(1,141,477,780)	(576,312,084)
Investment Management Contract (IMC) recoupment		(77,775,234)	-
Finance costs		(65,789,585)	(113,013,662)
Proceeds from:			
Long-term debt		1,100,926,132	-
Reinvestment fund for sustainable capital expenditures		81,242,503	74,915,109
IMC		-	743,412,190
Members' contribution		25,000	25,385
Net cash provided by (used in) financing activities		(102,848,964)	129,026,938
NET INCREASE IN CASH AND CASH EQUIVALENTS		43,052,730	137,272,719
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		272,968,986	135,696,267
CASH AND CASH EQUIVALENTS AT END OF YEAR		P316,021,716	P272,968,986

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN**

The Management of Pampanga II Electric Cooperative, Inc. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2015. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all other tax returns filed for the reporting period, including, but not limited, to the value added tax and/ or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements as at and for the year ended December 31, 2015 and the accompanying Annual Income Tax Return are in accordance with the books and records of Pampanga II Electric Cooperative, Inc., complete and correct in all material respects. Management likewise affirms that:

the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standard (i.e., Philippine Financial Reporting Standards) and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

Pampanga II Electric Cooperative, Inc. has filed all applicable returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signature: _____
FRANCIS URBANO M. OGAMPO
Board President

Signature: _____
AMADOR T. GUEVARRA
General Manager

Signature: _____
NESTOR P. SARMIENTO
Chief Management Advisor

SUBJECT: ANNUAL GENERAL MEMBERSHIP ASSEMBLY
DATE & TIME: MAY 29, 2016 (SUNDAY) from 8AM ONWARDS
VENUE: DILA-DILA SPORTS CENTER, DILA - DILA, STA. RITA, PAMPANGA

In view of the conduct of Annual General Membership Assembly on May 29, 2016 (Sunday) from 8am onwards at Dila - Dila Sports Center, Dila - Dila, Sta. Rita, Pampanga, the following committees are created to ensure the holding of said Coop activity, to wit:

OVERALL CHAIRMEN:	GM Amador T. Guevarra	Engr. Nestor P. Sarmiento
CO-CHAIRMEN:	Engr. Raul L. Canlas Mary Ann S. Lugtu Neil S. Isip	Ellsworth E. Vitug Fernando C. Ubaldo Danilo C. Ildefonso Jr.
MODERATORS:	Atty. Rolando H. Ruga	Atty. Cecil L. Andin

COMMITTEE ON PREPARATION, VENUE & STAGE DECORATION

CHAIRPERSON/S:	Lilibeth C. Gozum	Edgardo E. Garcia
SECRETARIAT/MEMBERS:	Rhonel G. Maninang Adoracion M. Marcial Engr. Khevin R. Silva Mikko P. Ortanez Jay G. Enriquez Junerl P. Tamayo Moises L. Velasco Ronald C. Puno Avelino M. Dionicio, Jr.	Adrian B. Adriano Teresita R. Gatabonton Jean S. Fernandez Oliver M. Batac Arturo D. Rodriguez, Jr. PJ T. Bautista Wayne R. Caling Maynard S. Bautista Mark Reiniel L. Mendoza

COMMITTEE ON REGISTRATION

CHAIRPERSON/S:	Eduardo A. Isip, Jr.	Joan D. del Rosario
MEMBERS:	Sheena Joy M. Malonzo Sheila V. Magcaling Florian C. Julao Arnold R. Manuyag Wensimari L. Valencia Jenny C. De Guzman Jeanette N. Cruz Aurea T. Sunga Amor T. de Leon Marycon G. Macaspac Michelle B. Almario Claudilyn Joy B. Cadenilla Girly D. Masangkay Sharon S. Velasquez Niño Lawrence L. Sotto Racquel S. Carreon Jerome A. Laxa Maricar G. Lacsa Von Ryan R. Castro Rosvie A. Sampang	Roselle S. Simbahan Hazel L. Laxa Albert S. Gamboa Ronald M. Ibay Evangeline E. Sunga Danna D. Cunanan Rowena C. Valerio Jayson Q. Roque Larry M. Lapid Emmanuel N. Villegas Engr. Gio Angelo C. Nicolas Engr. Kim P. Mallari Engr. Rommer F. Rodriguez Engr. James Paul D. Manlapat Engr. Louie G. Serrano Jeanet T. Lusung Jennylyn R. Ocampo Mark Anthony S. Mendoza Annalie L. Manio

COMMITTEE ON RECEPTION & ACCOMODATION

CHAIRPERSON:	Janet M. Quiazon	
MEMBERS:	Engr. Enrique Y. Gamboa Remedios R. Galang Mario A. Pangilinan	Lucia D. Danan Elenita P. Lacson Consolacion C. Muli

COMMITTEE ON DISTRIBUTION OF CASH GIFTS

CHAIRPERSON/S:	John Terry M. Cayanan	Lorinda R. Soriano
MEMBERS:	Mina Joy L. Yabut Jenica K. Flores Mary Rose S. Isip Emilyn M. de Leon Danilen F. Canlas	Ronnel M. Guevarra Leo M. Rivera Jayson B. Quesada April Joy L. Sotto

COMMITTEE ON RAFFLE

CHAIRPERSON:	Edward P. Timog	
CO-CHAIRPERSON:	Ma. Concepcion L. Baltazar	
MEMBERS:	Merlito B. del Rosario April Kay C. Sibal Michael G. Magat Rodelio D. Limin Jhoemarson A. Pantig	Renato Paul I. Laxa II Andyson M. Perez Roel O. Kabling Julius N. Mallari Arcel M. Dimalanta

COMMITTEE ON DOCUMENTATION

Marilou B. dela Peña Mylene R. Tadeo

COMMITTEE ON COMPUTER PRESENTATION, VIDEO COVERAGE & SOUND SYSTEM

CHAIRPERSON:	Jeffrey D. de Jesus	
MEMBER:	Normito S. Panlilio, Jr. Darwin O. David	Kelvin G. Calilung

COMMITTEE ON TRANSPORTATION

CHAIRPERSON:	Annie M. Pacia	
CO-CHAIRPERSON:	Engr. Christian John P. Macaspac	
MEMBERS:	John Albert C. Talabino Joseph S. Valiao David Andrew C. Pacia Adriel Edson L. de Guzman Engr. Victor Francis M. Arceo Engr. Christian D. Danganan Francisco B. Matitu, Jr. Miguelito P. Cruz, Jr. Joel S. Naguit	Arigo M. Luat Angelo C. Bustos Norberto C. Umali Delia D. Escueta Estanislao M. Manimtim Ismael B. Aquino Noriel S. Adriguez Joel M. David Michael D. Manalo

COMMITTEE ON FOOD ASSISTANCE/SUPPORT

CHAIRPERSON: Agnes S. Isip
CO-CHAIRPERSON: Rachel D. Gaviola

MEMBERS: Angelina D. Rongcal Reywyn V. Santiago
 Wilner C. de Leon Ralph William B. Aguilar
 Catherine M. Quiambao Webster M. de Ausen
 Gizelle S. Sibug

COMMITTEE ON MEDICAL ASSISTANCE

CHAIRPERSON: Lianna Lei C. Lapid

MEMBER: Philippine National Red Cross (Pampanga Chapter)
 Kapampangan Development Foundation

IN CHARGE OF HOUSEKEEPING

Allan G. Villacentino Almario T. Santos

**COMMITTEE ON CROWD MANAGEMENT/
 PEACE & ORDER/TRAFFIC**

Erwin R. Magtoto Engr. Jay Arr D. David
 Pineda Security Agency

**COMMITTEE ON CONDUCT OF REFERENDUM
 FOR ELECTRIC COOPERATIVE CONVERSION**

CHAIRPERSON: Lilibeth C. Gozum

MEMBERS: Adrian B. Adriano Engr. Mikko P. Ortanez
 Rhonel G. Maninang Engr. Khevin R. Silva
 Jean S. Fernandez

For your strict compliance.

FRANCIS VIRGILIO M. OCAMPO
 BOD President

ENGR. NESTOR P. SARMIENTO
 Chief Management Advisor

AMADOR T. GUEVARRA
 General Manager

ACKNOWLEDGEMENT

In behalf of the whole PELCO II family, we would like to extend our sincerest gratitude to all those who continuously support the Cooperative's advocacies. We truly appreciate your willingness to help PELCO II materialize all its aspirations. Partnership and commitment are indeed two essential things needed to make a difference in the fast-paced electric industry.

The Coop recognizes the collective efforts of all people who contribute towards its progress: The Board of Directors and the Management for their unyielding concern for the Cooperative; the Employees who work hard for the welfare of the Coop; Government units and agencies for their support and guidance for all electric cooperatives in the country; Industry partners for the services they provide; and most specially, most profound thanks to the member-consumers who continuously inspire the Cooperative to work harder in providing excellent service. Thus, consumer satisfaction leads to endless opportunities for growth and development.

May you always be one with PELCO II in achieving its goals.

Mabuhay ang PELCO II!

Mabuhay tayong lahat!

An electronic version of this Annual Report could be viewed at our Cooperative's official website @ www.pelco2.com



PELCO II

APRIL 23, 1979

Main Office
San Roque, Guagua, Pampanga
Fax No. (045) 9010-534
(045) 9010-535

 www.facebook.com/Pelco2/

 www.pelco2.com/

Email Address: pelco_2@yahoo.com

Hotline: 0939-920-9502

Institutional Services
Tel no. (045) 9010-862

Office of the General Manager
Tel no. (045) 900-2650