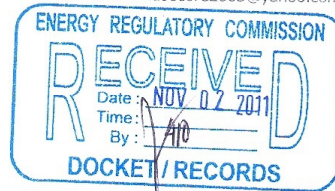




National Association of Electricity Consumers for Reforms, Inc.
 No. 10 Bayside Court Compound, 680 Quirino Ave., Tambo,
 Parañaque City 1700 Philippines
 Phone No.: +63.2.8530731
 TeleFax No.: +63.2.8530732
 http://www.nasecore.org
 eMail: nasecore2003@yahoo.com

02 November 2011

THE HONORABLE COMMISSIONERS
 Energy Regulatory Commission
 16th Floor, Pacific Center Building
 San Miguel Avenue, Pasig City



Attention: ERC Chairperson Zenaida Cruz-Ducut

Dear ERC Commissioners:

Greetings!

This pertains to our study of Peninsula Electric Cooperative, Inc (PENELCO) financial statements showing an over collection of P440,445,887.00 from 2004 to 2008.

Our finding is based on this Honorable Commission's *Unbundling Decision* dated 25 June 2003 under ERC Case No. 2002-19 granting PENELCO's annual revenue requirement of P147,248,756 (net of purchased power cost).

To determine if PENELCO was getting its ERC-approved annual revenue requirement, NASECORE studied PENELCO's 2004-2008 annual reports and compared its ERC-approved annual revenue requirements against its actual annual revenues as shown in the table below:

ERC Approved vs Actual Distribution Revenue

Year	Total Revenue (A)	Cost of Power (B)	Actual Distribution Revenue (C=A-B)	Approved Revenue- Unbundling (D)	Over/ (under) (E=C-D)
2004	1,119,765,369.00	866,469,731.00	253,295,638.00	147,248,756.00	106,046,882.00
2005	1,486,157,790.00	1,188,878,120.00	297,279,670.00	147,248,756.00	150,030,914.00
2006	1,527,993,711.00	1,333,472,927.00	194,520,784.00	147,248,756.00	47,272,028.00
2007	1,602,427,578.00	1,384,111,461.00	218,316,117.00	147,248,756.00	71,067,361.00
2008	1,346,069,119.00	1,132,791,661.00	213,277,458.00	147,248,756.00	66,028,702.00
				Total Over/(Under)	440,445,887.00

The table above clearly shows that PENELCO has an over-collection in the amount of P440,445,887.00 (net of purchased power cost).

We find this over-collections alarming because we take this as an abuse of market power when PENELCO decided to deliberately keep to itself this over-collection

instead of disclosing this by way of a petition to reduce its current rates but maintaining its approved annual revenues. It is a common industry knowledge that this increase in its annual revenues is attributable to the increase in its annual sales in kilowatt-hours and kilowatt from its captive customers owing to the increasing consumption of its customers and the reduction in its system loss.(emphasis supplied)

We also find this alarming because this PENELCO over-collections show that the Honorable Commission blatantly failed to closely monitor and review the operations of PENELCO to determine whether the annual revenue it granted PENELCO is what is actually being collected only from the consumers based on its approved annual cost of service including its system loss percentage which should be reflected if the utility is operating efficiently or not.

Had ERC done its primary duty of reviewing the annual revenues it granted PENELCO, it would have easily discovered this over-collection which NASECORE, on its own initiative, have discovered. It appears that ERC needs some reminding on its legal mandate of ensuring adequate promotion of consumer interests which basically revolves on determining just and reasonable rates.

Further, this ERC failure lamentably renders its approved annual revenues for PENELCO, the result of its exhaustive study to ensure the viable operations of the electric utility, inutile as it failed to use this to serve as its way of ensuring that the PENELCO rates are just and reasonable.

In this regard, we urge ERC to immediately conduct a regulatory audit of PENELCO and reduce its rates so as to stop this over-collection and to immediately direct a refund of this over-collection.

We fervently hope ERC will swiftly act on this request based on its mandate to protect consumers from unjust and unreasonable rates.

Thank you so much.

Very truly yours



PETE L. ILAGAN
President

Cc: Hon. Sergio R. Osmena III, Chair-Committee on Energy, Senate of the Philippines
Hon. Henedina R. Abad, Chair-Committee on Energy, House of Representatives
Hon. Manuel Lapid, Senator and Chair-Committee on Cooperatives Development
Hon. Jose R. Ping-ay, Chair, Committee on Cooperative Development
Hon. Ponciano D Payuyo, APEC Partylist Representative
Hon. Benjo Benaldo, Cagayan De Oro City Representative
Hon. Isidro Q. Lico, Ating Koop Party List
Hon. Herminio B. Roman, Bataan First District Representative
Hon. Albert S. Garcia, Bataan Second District Representative
Hon. Enrique T. Garcia, Jr., Bataan Governor
Hon. Jose Enrique S. Garcia III, Balanga City Mayor