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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 Negros Oriental II Electric Cooperative Inc. (NORECO II) financial statements showing an over collection of P25,072,599.00 from 2004 to 2007.

Our finding is based on this Honorable Commission's *Unbundling Decision* dated 29 December 2003 under ERC Case No. 2001-949 granting NORECO II's annual revenue requirement of P113,538,446.00 (net of purchased power cost).

To determine if NORECO II was getting its ERC-approved annual revenue requirement, NASECORE studied NORECO II's 2004-2007 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	653,890,524.00	549,951,569.00	103,938,955.00	113,538,446.00	(9,599,491.00)
2005	766,768,876.00	645,854,384.00	120,914,492.00	113,538,446.00	7,376,046.00
2006	825,497,815.00	705,551,594.00	119,946,221.00	113,538,446.00	6,407,775.00
2007	847,782,045.00	713,355,330.00	134,426,715.00	113,538,446.00	20,888,269.00
				Total Over/(Under)	25,072,599.00

The table above clearly shows that NORECO II realized an accumulated over-collection in the amount of P25,072,599.00 (net of purchased power cost) from 2004-2007. We still need to look into the 2008-2010 annual reports of NORECO II to find out if there are also an over collection in the said years.

We find these over-collections alarming because we take this as an abuse of market power when NORECO II decided to deliberately keep to itself these over-collections instead of disclosing these by way of a petition to reduce its current rates but maintaining its approved annual revenues, especially that NORECO II is a *non-stock, non-profit organization*.

It is 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 these NORECO II over-collections show that the Honorable Commission blatantly failed to closely monitor and review the operations of NORECO II to determine whether the annual revenue it granted NORECO II 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 NORECO II it would have easily discovered these over-collections 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 NORECO II (the result of its exhaustive study to ensure the viable operations of the electric utility) inutile as it failed to use these to serve as its way of ensuring that the NORECO II rates it granted are just and reasonable.

In this regard, we urge ERC to immediately conduct a regulatory audit of NORECO II 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. Jose Rene Almendras, DOE secretary
Hon. Sergio R. Osmena III, Senator and Chair-Committee on Energy, Senate of the Philippines
Hon. Manuel M. Lapid, Senator and Chair-Senate Committee on Cooperatives Development
Hon. Henedina R. Abad, Chair-Committee on Energy, House of Representatives
Hon. Jose R. Ping-ay, Chair, Committee on Cooperative Development
Hon. Ponciano D. Payuyo, APEC Partylist Representative
Hon. Benjo Benaldo, Vice-Chair, Committee on Energy, House of Representatives
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Hon. Jocelyn S. Limkaichong, Negros Oriental 1st District Representative
Hon. George P. Arnaiz, Negros Oriental 2nd District Representative
Hon. Pryde Henry A. Teves, Negros Oriental 3rd District Representative
Hon. Emilio C. Macias II, Negros Oriental Governor
Hon. Manuel C. Sagarbarria, Dumaguete City Mayor