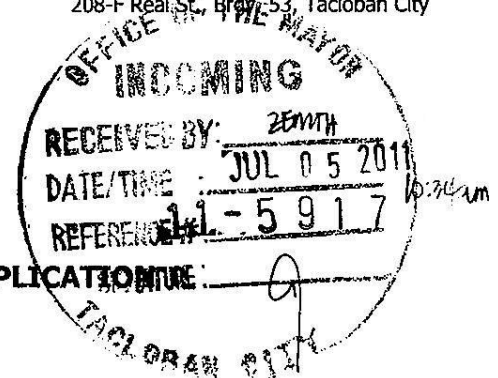


July 4, 2011

Mr. ROLAND HIDALGO

Board President, Leyte II Electric Cooperative, Inc. (Leyeco II)
Real St., Tacloban City



RE: LEYECO II AND KEPCO-SPC POWER JOINT APPLICATION

Dear President Hidalgo,

This pertains to the joint application of LEYECO II and KEPCO-SPC Power Corporation filed with the Energy Regulatory Commission (ERC) for the approval of a Power Sales Contract and a Commissioning Power Sales Contract between LEYECO II and KEPCO-SPC Power Corporation with prayer for Provisional Authority. We were advised that the initial public hearing was set on *July 14, 2011* from 9:00 a.m. to 5:00p.m. and the venue is at the LEYECO II premises.

This application comes very interesting to us because, if approved, this will have an increasing effect on our current generation and system loss charges which we find already high. Naturally, any customer of LEYECO II will not welcome the said LEYECO II application and will oppose such proposed increase in our generation charge which will have a corresponding adjustment in our system loss charge.

As consumers who shoulder all these costs increases in our monthly bills, we would like to know if the management of LEYECO II took prudent steps in ensuring that the electricity it supplies to its customers is in the least cost manner as the law requires of distribution utilities like LEYECO II.


Section 23 of the EPIRA states:

"A distribution utility shall have the obligation to supply electricity in the least cost manner to its captive market, subject to the collection of retail rate duly approved by the ERC."

However, a reading of the prayer portion of the application makes us wonder why LEYECO II and KEPCO-SPC Power Corporation are asking ERC to issue an Order for the following:

1. Approving the Power Sales Contract dated January 20, 2011 and Commissioning Power Sales Contract dated December 10, 2010 between KEPCO -SPC Power Corporation and LEYECO II;
2. Granting KEPCO SPC Power Corporation's request for a provisional authority to sell its power and commissioning and commercial power to LEYECO II from the Commissioning dated on Oct. 8, 2010 (for the Commissioning Power) and from the start of KSPC's Commercial Operations on 28 February 2011 (for Unit 1) and 31 May 2011 (for Unit 2) for the main power;
3. Granting KEPCO SPC Power Corporation's request for a retroactive effect of any provisional authority and provisional rate that may be granted by this Honorable Commission for the sale of KSPC's commercial and commissioning power to LEYECO II from the time of the first sale of the commercial and commissioning power.

Based on the above-cited prayer in the said application, it will not take a genius to be led to understand that the application refers not to Power Sales Contracts that will be implemented once


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the approval of the ERC is secured but to Power Sales Contracts that are already "in force" and that the Commissioning and Commercial rates as stated in the application have been charged already to the LEYECO II customers even prior to the filing of the said application with ERC.

As the president of our Cooperative, we believe it is in your heart and in the hearts of the other elected members of the LEYECO II Board of Directors to protect the member-consumers from unjust and unreasonable costs of electricity.

In this connection, may we know if the LEYECO II Board passed the resolution approving Commissioning Power Sales Contract and the Power Sales Contract with KEPCO-SPC Power Corporation even without the approval of the ERC yet? If so, may we be furnished copy of the said Board Resolution?

Further, may we know why LEYECO II entered into these contracts with KEPCO-SPC Power Corporation whose plants are based in CEBU when in the past its entire power requirement was sourced/purchased from the geothermal plants in LEYTE and at a cheaper price? Apparently, there was a blatant management failure in forecasting its steadily growing power requirement and as a consequence, consumers are now paying a higher cost of electricity.

Lastly, may we know if such Board Resolutions were transmitted to the National Electrification Administration (NEA) for their approval/confirmation of the same? If there was, may we also be furnished copy of NEA's official confirmation?

We hope these request will merit your favorable response.

Thank you so much, Mr. LEYECO II President.

Very truly yours,



ERLINDA L. BUTALID

President, NASECORE Leyeco II Chapter

cc: Hon. Paquito Ochoa, Executive Secretary
Hon. Jose Rene D. Almendras, Secretary, Department of Energy
Hon. Zenaida C. Ducut, ERC Chairperson
Hon. Edita S. Bueno, NEA Administrator
Hon. Sergio Osmena III, Chair-Senate Committee on Energy
Hon. Henedina Abad, Chair-House Committee on Energy
Hon. Jose R. Ping-ay, Chair-House Committee on Cooperative development
Hon. Ponciano Payuyo, Representative, APEC Party List
Hon. Ferdinand Martin Romualdez, Representative 1st District Leyte
Hon. Florencio G. Noel, Representative, An Waray Party List
Hon. Jericho L. Petilla, Governor, Leyte
Hon. Vincent Emnas, Leyte Provincial Administrator
Hon. Alfred S. Romualdez, Tacloban City Mayor
Hon. Members of the Sangguniang Panglunsod, Tacloban City
Hon. Remedios L. Petilla, Mayor Municipality of Palo
Hon. Members of the Sangguniang Bayan, Municipality of Palo
Hon. Charita M. Chan, Mayor Municipality of Babatngon
Hon. Members of the Sangguniang Bayan, Municipality of Babatngon
Pete Ilagan, Nasecore President
Member Consumers
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