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**HON. JOSE RENE D. ALMENDRAS**  
*Secretary, Department of Energy*  
Energy Center, Merritt Road  
Fort Bonifacio, Taguig City

**Dear Secretary Almendras,**

Greetings!

This refers to the Rural Electrification Financing Corporation (REFC) formed in 2003 by some General Managers (GMs) and Directors of Electric Cooperatives (ECs) registered with the National Electrification Administration (NEA) which has control and supervision over these ECs by virtue of Presidential Decree (PD) 1645 amending PD 269.

The Secretary of the Department of Energy (DOE) is the concurrent chairman of NEA thus, this letter.

By its name alone, REFC is clearly a financing and profit-oriented corporation. Its amended Articles of Incorporation (AOI) state that its funds shall come from not more than nineteen (19) electric cooperatives and other financial institutions with the GMs and Directors apparently designated by their respective ECs as representatives to REFC.

REFC's primary purpose is to provide timely and sufficient loans exclusively to qualified electric cooperatives to improve their reliability and reduce their system losses.

We have nothing against the formation and objective of REFC.

However, NASECORE vehemently opposes the direct participation of Electric Cooperatives in the REFC through their designated representatives and their use of Electric Cooperatives' funds therefore, for the following reasons:

1. Electric Cooperatives were organized as Electric Distribution Utilities, specifically to implement NEA's mandate of total rural electrification and not to organize themselves as a financing corporation as this is already a function of NEA which is a government-owned and controlled corporation. The participation of the ECs in the formation of REFC is therefore a violation of its mandate as electric distribution utilities.
2. The REFC's use of the Electric Cooperatives' funds is anomalous because the revenues of an EC come from the consumers' monthly payments of the distribution, supply, and metering (DSM) charges that ensure the EC's viable operation as an electric distribution utility and not as a financing corporation. This is not to mention that out of those charges also come the consumers' patronage capital contributions for the EC's capital expenditures.

The use of the EC fund as an equity in REFC could amount to malversation of funds as all the revenues of an EC should be applied to its operation in providing electricity to its members. In fact, such use of funds requires the approval of both the Energy Regulatory Commission (ERC) and NEA.

The possible use of the Electric Cooperative's fund for the travel expenses of the EC officials attending to REFC Board and Executive functions is another issue worth looking into to protect the EC Members' funds, such REFC functions not being related to providing electricity to the EC Members.

3. The election of an EC General Manager to the REFC Board or as an executive officer will require his important time and thus deprive the EC of his precious personal attention needed in the day to day management of the operations of the EC of which he is paid to work on a full-time basis;
4. The election of an EC Director to the REFC Board or as an executive officer will require him to devote important time in the management of this profit-oriented financing corporation where he is presumably enjoying a better compensation;
5. We also find the formation of REFC by some Electric Cooperatives as an affront to NEA's mandate which is to primarily provide financing assistance to the electric cooperatives in pursuit of the total electrification program of the government;

Presumably, the use of the Electric Cooperatives' fund as initial capital of the REFC was supported by a Board Resolution of the ECs which participated in the formation of the corporation. Moreover, being directly under NEA, Electric Cooperatives are

obligated to submit all their Board Resolutions to NEA which has the power under Section 7 of PD 1645 either to approve or disapprove such resolutions.

Since REFC has been operating for the past seven (7) years, it is safe to assume that NEA had approved the Board Resolutions of these participating ECs in the formation of REFC which, in effect, made NEA a willing party to said anomalous use of the ECs funds in REFC, a private and profit-oriented financing corporation whose objective is a simple duplication NEA's mandate of providing timely and sufficient financial assistance to ECs.

In this regard, may we request the Honorable Secretary and Chairman of NEA to provide NASECORE free photocopy of the Board Resolution of each of the participating EC approving their capital equity in the formation of REFC and the designation of either the GM or EC Director as incorporator or stockholder of REFC and NEA's corresponding resolution approving the same and to direct each participating EC to declare the respective annual earnings of their equity at REFC and proof that this was remitted back to the electric cooperative?

Further, may we also request the NEA Chairman to immediately direct the participating Electric Cooperatives to divest themselves from their investment in REFC and to declare all monthly compensation and annual benefits of their designated Coop Representative to REFC as a director/officer of REFC?

Moreover, may the NEA Chairman issue a Memorandum that will prohibit any Director or Officer of the Electric Cooperative from using coop funds other than as approved by ERC and NEA?

Thank you so much.

Very truly yours,



**PETE L. ILAGAN**  
*President*

Cc: Hon. Juan Ponce Enrile, Senate President and Chairman  
Hon. Zenaida C. Ducut, ERC Chairperson  
Hon. Benjo A. Benaldo, 1<sup>st</sup> District, Cagayan De Oro City  
Hon. Ferjenel G. Biron, Representative, 4<sup>th</sup> District, Iloilo  
Hon. Ma. Milagros H. Magsaysay, Representative, 1<sup>st</sup> District, Zambales  
Hon. Herminia B. Roman, Representative, 1<sup>st</sup> District, Bataan  
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Hon. Isidro Q. Lico, Representative, Ating Koop Party-List  
Hon. Jose R. Ping-ay, Representative, Coop-Natcco Party-List