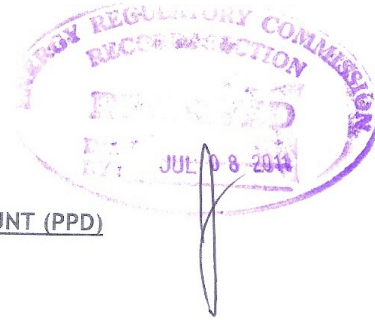




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06 July 2011

HON. FRANCIS SATURNINO C. JUAN
Executive Director, Energy Regulatory Commission
Pacific Ctr. Bldg, San Miguel Ave.
Ortigas Center, Pasig City



Subject: PROMPT PAYMENT DISCOUNT (PPD)

Dear Executive Director Juan,

Greetings!!!

This refers to the Guidelines of Automatic Adjustment of Generation Rates and System Loss of Distribution Utilities (AGRA) of 2004 which directed DUs to pass on to its customers 50% of the PPD if they are able to avail of the same.

On 20 July 2005, this Honorable Commission issued Resolution No. 12, Series of 2005 adopting a new policy on the treatment of Prompt Payment Discount (PPD) which effectively reinstated the previously deducted 50% PPD from the revenue requirements of the distribution utilities under the unbundling of rates applications owing to ERC's recognition that some DU's may or may not be able to avail of the PPD.

It is interesting to note that in Page 2, IIB of the NEA Comprehensive Operational Audit of LEYECO II for the period 01 April 2005 to 31 July 2007 dated 12 March 2008, it expressly states that LEYECO II continuously avail of the NPC's 3% Prompt Payment Discount. (see annex "A")

In connection with this, may we be furnished of the total amount of PPD availed by LEYECO II from the 2001 to present? Further, may we know if the 50% of the 3% monthly PPD were applied as discount to the customers in compliance with the ERC Guideline and may we be furnished the monthly LEYECO II report which we understand is a requirement of the AGRA Rules prior to the issuance of Resolution 16, Series of 2009?

Thank you and we look forward to your usual support and prompt action.

Very truly yours,


PETE L. ILAGAN
President

II. MANAGEMENT AND FINANCIAL AUDIT

A. RESULTS OF OPERATION

Operating Performance – Comparative Analysis

	AVERAGE MONTHLY			
	2007 (7 mos.) (12mos.)		2006	
	Amount	%	Amount	%
Operating Revenue	60,572,880	100	63,209,608	100
Power Cost	50,631,297	84	50,920,227	81
Dist. Exp. Operation	2,119,792	3	1,991,734	3
Dist. Exp. Maintenance	970,728	2	819,276	1
Consumers Accounts Exp.	2,373,584	4	2,219,767	4
Adm. & Gen. Exp.	2,392,818	4	2,650,089	4
Total Operating Exp.	58,488,220	97	58,601,094	93
Net Margin	1,539,894	3	2,599,239	4
Collection Efficiency		86%		90%
Systems Loss		15.54		13.32

The coop realized net margins of P10,779,261.22 and P31,190,872 for the first seven (7) months of 2007 and for the year 2006 respectively. Accumulated net losses as of 31 July 2007 amounts to P29,915,492.

B. Financial Condition as of 31 July 2007

Cash General Fund	P25,895,134
Consumers Accounts Receivables-Energy (1.8 mos)	108,383,364
Accounts Receivables – Others	8,598,016
Cash Advances to Officers and Employees	545,556
Accounts Payable-Power (current)	52,353,815
Other Accounts Payable	4,433,440

The coop continuously availed of the NPC's 3% Prompt Payment Discount (PPD).