

NASEC CORE

National Association of Electricity Consumers for Reforms
Leyeco II Chapter
208-F Real St., Brgy. 53, Tacloban City

June 6, 2011

Mr. ROLAND HIDALGO

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

OFFICE OF THE ATTORNEY GENERAL
TACLOBAN CITY

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DATE: 5/6/11

TIME: _____

CONTROL NO. _____

Attn: **Atty. Jerry Gwen Conde**
General Manager

Subject: **MEMBER'S PATRONAGE CAPITAL CONTRIBUTION**

Dear President Hidalgo,

Greetings!

This refers to the provisions of the Leyeco II By-Laws establishing and recognizing members' ownership of the Cooperatives which state:

Section 1, Article II.

"The members are the joint owners of the Cooperative, with their individual equity in its assets determined on the basis of their patronage."

Section 2, Article VII:

"The Board of Directors shall upon approval of this By-laws create an ad hoc committee composed of professionals in the field of Finance and Accountancy, define in a proper guideline, computation of the credit to capital patronage. Final recommended guidelines shall be approved in a resolution by the Board of Directors, provided, however, that the Guidelines of Credit to Capital Patronage is submitted to and approved by NEA prior to implementation. The Chairman of the Committee on Finance of the Board shall sit as an adviser to the Committee."

Section 2 (a), Article VII.

"In the furnishing of electric energy, the Cooperative's operation shall be so conducted that members and non-members alike will, through their patronage, the capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating cost and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment

of receipt by the Cooperative and received with the understanding that they are furnished by the members and non-members alike as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating cost and expenses."

Section 2(b), Article VIII:

"The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account."

In addition, Presidential Decree 269 (Section 3) also recognizes the members' ownership in its definition of a "non-stock cooperative" which says:

"Non-profit" shall mean that a cooperative shall not engage in business for the purpose of making a profit for itself or its patrons, but it shall not mean that a cooperative may not account on a patronage basis to its patrons for any receipts in excess of its expenses in relation to its operations in serving such patrons or in relation to investment of any of its surplus funds pending their use by the cooperative or their refund to patrons; nor shall it mean that such excess receipts may not be refunded to its patrons, or may not be converted into patron-furnished capital subject to later redemption and retirement by the cooperative."

Clearly, all our payments in excess of Leyeco II's operating costs which were the "amortization costs at P0.0673 per kilowatt-hour and provision for reinvestment fund at P0.1525/kilowatt-hour" were our patronage capital contributions.

Last year, Leyeco II management introduced a revised charge in lieu of the amortization and reinvestment fund to address its requirement for debt servicing and capital build up for its capital expenditures. This charge is called "members' contribution for CAPEX (MCC)" in the amount of P0.1518 per kilowatt-hour.

In its usual anti-member management style, Leyeco II did not inform its member-consumers of this new charge even in its last Annual General Membership Assembly (AGMA). This only shows the lack of transparency and accountability in the operations of Leyeco II which is absent among cooperatives registered with the Cooperative Development Authority (CDA).

We are surprised and disappointed why the Leyeco II management have, up to this time, deprived all its members the Leyeco II ownership by keeping the truth away from them. And to think that all the funds that Leyeco II needs are continually provided for by the member-consumers is something very wrong.

In this regard, as a member-consumer myself and in behalf of the rest of the members of Leyeco II, may we request for the immediate implementation of the above provisions cited above? And may we know why, for more than 30 years, the management of Leyeco II kept from its members their ownership which is tantamount to "estafa"?

We look forward to receiving the notice, as provided for by the Leyeco II By Laws, that will inform the individual member, like me, of the amount of our patronage capital contributions that have been credited to my account in the books of Leyeco II. Should Leyeco II fail and disregard this request, we will be constrained to seek other form of relief.

Thank you.

Very truly yours,



ERLINDA L. BUTALID

President, NASECORE Leyeco II Chapter

cc: Hon. Paquito Ochoa, Executive Secretary
Hon. Cesar Purisima, Secretary, Department of Finance
Hon. Jose Rene D. Almendras, Secretary, Department of Energy
Hon. Zenaída 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. Isidro Lico, Representative, Ating Koop Part list
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
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