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**HON. RODOLFO B. ALBANO, JR.**  
*Chairman, Energy Regulatory Commission*  
Pacific Center Bldg. San Miguel Avenue  
Pasig City

**Dear Chairman Albano:**

Greetings!

Thank you for your letter dated 23 June 2008 replying to our letter of 20 June 2008 which we received last 04 July 2008.

With much respect, we would like to categorically deny that our letter of 20 June 2008 insinuated an ERC shortcoming in its transmittal of its Order dated 19 January 2007. We regret that the Honorable Commission had this impression. If the Commission will only find time to read our letter again with the attachment, as we did, it will find out that it was COA which said that *"the ERC Order of 19 January 2007 was not officially transmitted to the Commission on Audit"* and our request for the ERC to make a covering letter to make the transmittal letter official was based upon this COA statement. Nasecore can only interpret such COA statement as needing of a covering letter to make the transmittal official.

Truth is, Nasecore can not understand and finds it baffling how a simple request of making a covering letter to the said ERC Order done in order to satisfy the expectation of COA and to protect consumer interests be taken negatively by the Honorable Commission? Thus, Nasecore believes that the ERC impression of "insinuation" and its understanding of the validity and efficacy of the aforesaid Order should have been made known to COA and not to Nasecore which in the first place is only concerned about one basic thing; that the directive of the Supreme Court be complied to the fullest.

Further, Nasecore finds it very surprising for the Honorable Commission to resort to labeling Nasecore's letter as *"fault-finding to the extreme and are brazenly trying to impose its will on the ERC"*, because such was never the message nor the intention of the letter. Perhaps, a reminder that there is an EPIRA provision under Section 41 is most propitious at this point and it states,

*"The ERC shall handle consumer complaints and ensure the adequate promotion of consumer interests."*

It has always been under the spirit of this particular provision that Nasecore channels its concerns to the Honorable Commission and its letter of 20 June 2008 was no different as it was done in the same spirit invoking the mandate of the ERC in protecting the consumer interests as profoundly explained by the Supreme Court in its decisions on the Consolidated cases, decided en banc, entitled Manila Electric Company, Inc. vs. Genaro Lualhati, et al, G.R. no. 166769 and Energy Regulatory Commission vs. Genaro Lualhati, et al., G.R. no. 166818, promulgated on 06 December 2006.

Thus, we find the reply of the Honorable Commission very disappointing and equally surprising because it did not address the three (3) queries which Nasecore raised ahead of the request for a covering letter.

Lastly, in pursuing further the issue, may we please add two (2) more queries and requests?

1. Did the Honorable Commission, in showing its compliance with the directive of the Supreme Court, furnish the Supreme Court copy of its Order dated 19 January 2007 with the COA "received" stamp? If it did, may we be furnished copy of such transmittal?
2. Did the Honorable Commission, in accordance with its mandate under Section 41 of the EPIRA, inform the Supreme Court that COA did not respond or reply to its Order dated 19 January 2007? If it did, may we also be furnished copy of its communication with the Supreme Court?

We hope this letter will not be construed again by the Honorable Commission as insinuating a shortcoming of the ERC and will not be labeled as fault-finding. Nasecore will highly appreciate it if this letter will be addressed by the Honorable Commission squarely by answering the queries above, the queries we raised in our 20 June 2008 letter and grant the above-requests and the request in the 20 June 2008 letter. The Commission's answer to our queries will enable us to decide what to do next in order that we may be able to protect consumer interests parallel to the mandate of the ERC.

This Supreme Court directive to ERC to request COA to audit Meralco is of utmost importance to the 4.4million customers of Meralco because consumers can look forward to the possibility of a rate reduction. It should be recalled that the 1995 COA audit of Meralco resulted in the refund of over P30billion in November 2003. Since 1995, Meralco has not been subjected to a COA audit, thus, to ERC gives consumers the hope of a rate reduction.

It may also interest the Honorable Commission to know that the reason we are pushing for this COA audit is for consumers to be assured that Meralco's rate granted in March 2003 was just and reasonable in light of these facts.

Prior, to the passage of the EPIRA, Meralco's effective rate was only P3.40/kwh. Deducting from this the cost of NPC which included already the cost of transmission which was P1.84/kwh under the Meralco-NPC 10-year Contract for the Supply of Electricity, will give us P1.56 (*P3.40 less P1.84*)\* which went to Meralco.

Please consider the table below showing the Meralco rates granted by ERC for the 4.2million residential customers.

<b>CHARGES</b>	<b>RESIDENTIAL CONSUMPTION in kWh</b>			
	<b>0-200kwh</b>	<b>201-300kWh</b>	<b>301-400kWh</b>	<b>401kwh&amp;above</b>
System Loss	P0.54/kwh	P0.54/kwh	P0.54/kwh	P0.54/kwh
Distribution Charge	P0.57/kwh	P0.87/kwh	P1.16/kwh	P1.66/kwh
Metering Charge	P0.24/kWh	P0.24/kWh	P0.24/kWh	P0.24/kWh
Supply Charge	P0.52/kWh	P0.52/kWh	P0.52/kWh	P0.52/kWh
Total	P1.87/kWh	P2.17/kWh	P2.46/kWh	P2.96/kWh
Less: (Rate prior to EPIRA)	P1.56/kwh*	P1.56/kwh*	P1.56/kwh*	P1.56/kwh*
<b>Difference/Increase</b>	<b>P0.31/kWh</b>	<b>P0.61/kWh</b>	<b>P0.90/kWh</b>	<b>P1.40/kwh</b>

The amount in the difference/increase row represents rate increases per type of Meralco residential customers. We believe that a COA audit of Meralco will help determine whether Meralco's rates under the EPIRA are just and reasonable. This COA audit is so important to us that ERC's failure to answer these queries and to grant our request will compel us to believe that it is protecting Meralco rather than the interests of the electricity consumers it is mandated to protect.

Thank you so much and God bless.

Very truly yours,

PETE L. ILAGAN  
President