



National Association of Electricity Consumers for Reforms, Inc. (NASECORE)

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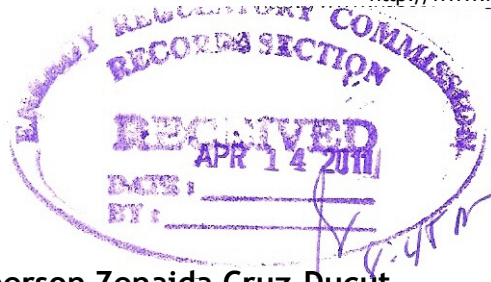
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12 April 2011

THE HONORABLE COMMISSIONERS
Energy Regulatory Commission
16th Floor, Pacific Center Building
San Miguel Avenue, Pasig City



Attention: **ERC Chairperson Zenaida Cruz-Ducut**

Dear ERC Commissioners:

Greetings!

This pertains to our study of LEYECO II's financial statements showing an over collection of **P214,958,591.00** from 2006 to 2009.

Our finding is based on this Honorable Commission's *Unbundling Decision* dated 04 February 2004 under ERC Case No. 2001-932 granting LEYECO II's annual revenue requirement of **P81,083,391**(net of purchased power cost).

To determine if LEYECO II was getting its ERC-approved annual revenue requirement, NASECORE studied LEYECO II's 2007-2009 annual reports and compared its ERC-approved annual revenue requirements against its actual annual revenues as shown in the table below:

ERC Approved vs Actual Distribution Revenue

Year	Total Revenue	Cost of Power	Actual Distribution Revenue	Approved Revenue-Unbundling	Over/ (under)
	(A)	(B)	(C=A-B)	(D)	(E=C-D)
2006	731,679,960.00	611,042,719.00	120,637,241.00	81,083,391.00	39,553,850.00
2007	730,407,011.00	601,444,556.00	128,962,455.00	81,083,391.00	47,879,064.00
2008	754,448,923.00	613,585,087.00	140,863,836.00	81,083,391.00	59,780,445.00
2009	979,448,512.00	830,619,889.00	148,828,623.00	81,083,391.00	67,745,232.00
				Total Over/(Under)	P214,958,591.00

The table above clearly shows that LEYECO II has an over-collection in the amount of **P214,958,591**.

We find this over-collections alarming because we take this as an abuse of market power when LEYECO II decided to deliberately keep to itself this over-collection

instead of disclosing this by way of a petition to reduce its current rates but maintaining its approved annual revenues. It is a common industry knowledge that this increase in its annual revenues is attributable to the increase in its annual sales in kilowatt-hours and kilowatt from its captive customers owing to the increasing consumption of its customers and the reduction in its system loss.(emphasis supplied)

We also find this alarming because this LEYECO II over-collections show that the Honorable Commission failed to closely monitor and review the operations of LEYECO II to determine whether its approved annual revenue for LEYECO II is what is actually being collected only based on LEYECO II's approved annual cost of service including its system loss percentage which should reflect if the utility is operating efficiently or not.

Had ERC done its primary duty to review the annual revenues it granted LEYECO II, it would have easily discovered this over-collection which NASECORE, on its own initiative, have discovered. It appears that ERC needs some reminding on its legal mandate to ensure adequate promotion of consumer interests which basically revolves on determining just and reasonable rates.

Further, this ERC failure renders its approved annual revenues for LEYECO II, which was the result of its exhaustive study to ensure the viable operations of the electric utility, inutile, as it failed to use this to serve as its way of ensuring that the LEYECO II rates are just and reasonable.

In this regard, we urge ERC to immediately conduct a regulatory audit of LEYECO II and reduce its rates so as to stop this over-collection and to immediately direct a refund of this over-collection.

We fervently hope ERC will swiftly act on this request based on its mandate to protect consumers from unjust and unreasonable rates.

Thank you so much.

Very truly yours

A handwritten signature in black ink, appearing to be 'Pete L. Ilagan', written over a horizontal line.

PETE L. ILAGAN
President

Cc: Hon. Juan Ponce Enrile, Senate President
Hon. Feliciano Belmonte, Speaker of the House
Hon. Rene D. Almendras, DOE Secretary
Hon. Edita S. Bueno, NEA Administrator
NASECORE Chapter Presidents