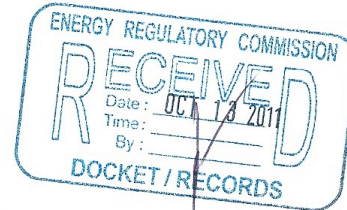




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13 October 2011

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 Iloilo II Electric Cooperative Inc. (ILECO II) financial statements showing an over collection of P106,913,608.00 from 2004 to 2009.

Our finding is based on this Honorable Commission's *Unbundling Decision* dated 03 December 2003 under ERC Case No. 2001-960 granting ILECO II's annual revenue requirement of P86,800,736.00 (net of purchased power cost).

To determine if ILECO II was getting its ERC-approved annual revenue requirement, NASECORE studied ILECO II's 2004-2009 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 (A)	Cost of Power (B)	Actual Distribution Revenue (C=A-B)	Approved Revenue- Unbundling (D)	Over/ (under) (E=C-D)
2004	384,288,306.00	285,488,940.00	98,799,366.00	86,800,736.00	11,998,630.00
2005	427,626,346.00	327,971,557.00	99,654,789.00	86,800,736.00	12,854,053.00
2006	459,714,093.00	362,427,476.00	97,286,617.00	86,800,736.00	10,485,881.00
2007	466,076,069.00	360,795,465.00	105,280,604.00	86,800,736.00	18,479,868.00
2008	475,664,367.00	374,586,528.00	101,077,839.00	86,800,736.00	14,277,103.00
2009	598,984,577.00	473,365,768.00	125,618,809.00	86,800,736.00	38,818,073.00
Total Over/(Under)					106,913,608.00

The table above clearly shows that ILECO II realized an accumulated over-collection in the amount of P106,913,608.00 (net of purchased power cost) from 2004-2009. We still need to look into the 2010 annual report of ILECO II to find out if there are also an over collection in the said years.

We find these over-collections alarming because we take this as an abuse of market power when ILECO II decided to deliberately keep to itself these over-collections instead of disclosing these by way of a petition to reduce its current rates but maintaining its approved annual revenues, especially that ILECO II is a *non-stock, non-profit organization*.

It is 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 these ILECO II over-collections show that the Honorable Commission blatantly failed to closely monitor and review the operations of ILECO II to determine whether the annual revenue it granted ILECO II is what is actually being collected only from the consumers based on its approved annual cost of service including its system loss percentage which should be reflected if the utility is operating efficiently or not.

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

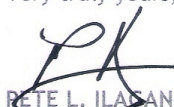
Further, this ERC failure lamentably renders its approved annual revenues for ILECO II (the result of its exhaustive study to ensure the viable operations of the electric utility) inutile as it failed to use these to serve as its way of ensuring that the ILECO II rates it granted are just and reasonable.

In this regard, we urge ERC to immediately conduct a regulatory audit of ILECO 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,


PETE L. ILASAN
President

Cc: Hon. Jose Rene Almendras, DOE secretary
Hon. Sergio R. Osmena III, Senator and Chair-Committee on Energy, Senate of the Philippines
Hon. Manuel M. Lapid, Senator and Chair-Senate Committee on Cooperatives Development
Hon. Henedina R. Abad, Chair-Committee on Energy, House of Representatives
Hon. Jose R. Ping-ay, Chair, Committee on Cooperative Development
Hon. Ponciano D. Payuyo, APEC Partylist Representative
Hon. Benjo Benaldo, Vice-Chair, Committee on Energy, House of Representatives
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Hon. Arthur R. Defensor Jr., Iloilo 3rd District Representative
Hon. Ferjanel G. Biron, Iloilo 4th District Representative
Hon. Neil C. Tupas Jr., Iloilo 5th District Representative
Hon. Arthur D. Defensor Sr., Iloilo Governor
Hon. Pablo L. Perez, Pototan Mayor