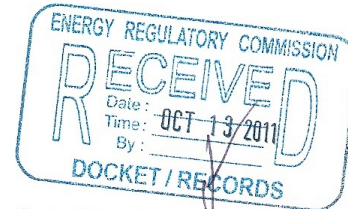




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13 October 2011

**THE HONORABLE COMMISSIONERS**  
Energy Regulatory Commission  
16<sup>th</sup> 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 III Electric Cooperative Inc. (ILECO III) financial statements showing an over collection of P71,535,508.00 from 2006 to 2009.

Our finding is based on this Honorable Commission's *Unbundling Decision* dated 26 January 2004 under ERC Case No. 2001-927 granting ILECO III's annual revenue requirement of P55,089,230.00 (net of purchased power cost).

To determine if ILECO III was getting its ERC-approved annual revenue requirement, NASECORE studied ILECO III's 2006-2009 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	273,564,107.00	197,255,230.00	76,308,877.00	55,089,230.00	21,219,647.00
2007	271,423,990.00	201,032,451.00	70,391,539.00	55,089,230.00	15,302,309.00
2008	285,755,780.00	216,033,970.00	69,721,810.00	55,089,230.00	14,632,580.00
2009	342,393,837.00	266,923,635.00	75,470,202.00	55,089,230.00	20,380,972.00
				<b>Total Over/(Under)</b>	<b>71,535,508.00</b>

The table above clearly shows that ILECO III realized an accumulated over-collection in the amount of P71,535,508.00 (net of purchased power cost) from 2006-2009. We still need to look into the 2010 annual report of ILECO III 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 III 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 III 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 III over-collections show that the Honorable Commission blatantly failed to closely monitor and review the operations of ILECO III to determine whether the annual revenue it granted ILECO III 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 III 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 III (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 III rates it granted are just and reasonable.

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

  
PETER L. ILAGAN  
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  
Hon. Isidro Q. Lico, Ating Koop Party List  
Hon. Janette L. Garin, Iloilo 1<sup>st</sup> District Representative  
Hon. Augusto Buboy Syjuco, Iloilo 2<sup>nd</sup> District Representative  
Hon. Arthur R. Defensor Jr., Iloilo 3<sup>rd</sup> District Representative  
Hon. Ferjenel G. Biron, Iloilo 4<sup>th</sup> District Representative  
Hon. Neil C. Tupas Jr., Iloilo 5<sup>th</sup> District Representative  
Hon. Arthur D. Defensor Sr., Iloilo Governor  
Hon. Neptali P. Salcedo, Sara Mayor