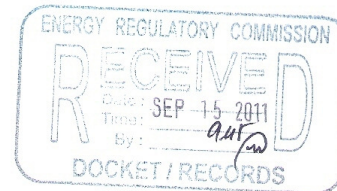




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14 September 2011

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 Davao Light and Power Company, Inc.'s (DLPCI) financial statements showing an over collection of P4,374,205,843.00 from 2004 to 2008.

Our finding is based on this Honorable Commission's *Unbundling Decision* dated 22 December 2003 under ERC Case No. 2001-897 granting DLPCI's annual revenue requirement of P858,071,000.00 (net of purchased power cost).

To determine if DLPCI was getting its ERC-approved annual revenue requirement, NASECORE studied DLPCI's 2005-2008 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	4,872,742,223.00	3,339,234,668.00	1,533,507,555.00	858,071,000.00	675,436,555.00
2005	5,884,442,888.00	4,153,356,783.00	1,731,086,105.00	858,071,000.00	873,015,105.00
2006	6,321,184,128.00	4,548,016,902.00	1,773,167,226.00	858,071,000.00	915,096,226.00
2007	6,649,055,914.00	4,794,537,644.00	1,854,518,270.00	858,071,000.00	996,447,270.00
2008	6,511,964,083.00	4,739,682,396.00	1,772,281,687.00	858,071,000.00	914,210,687.00
				Total Over/(Under)	4,374,205,843.00

The table above clearly shows that DLPCI has an over-collection in the amount of P4,374,205,843.00 (net of purchased power cost).

We find this over-collections alarming because we take this as an abuse of market power when DLPCI 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 DLPCI over-collections show that the Honorable Commission blatantly failed to closely monitor and review the operations of DLPCI to determine whether the annual revenue it granted DLPCI 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 DLPCI, 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 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 DLPCI, 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 DLPCI rates are just and reasonable.

In this regard, we urge ERC to immediately conduct a regulatory audit of DLPCI 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. 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. 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. Sara Duterte, City Mayor
Hon. Karlo Alexei B. Nograles, Representative, 1st District, HoR
Hon. Mylene J. Garcia- Albano, Representative, 2nd District, HoR
Hon. Isidro T. Ungab, Representative, 3rd District, HoR
Hon. Rodrigo Duterte, City Vice mayor
Davao City Councilors
Davao City Chamber of Commerce
Most Rev, Fernando R. Capalla, D.D., Archbishop of Davao