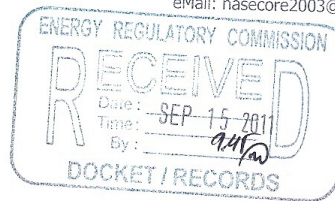




**National Association of Electricity Consumers for Reforms, Inc.**  
 No. 10 Bayside Court Compound, 680 Quirino Ave., Tambo,  
 Parañaque City 1700 Philippines  
 Phone No.: +63.2.8530731  
 TeleFax No.: +63.2.8530732  
 http://www.nasecore.org  
 eMail: nasecore2003@yahoo.com

15 September 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 Kalinga Apayao Electric Cooperative (KAELCO) financial statements showing an over collection of P2,385,953.00 from 2006 to 2009.

Our finding is based on this Honorable Commission's *Unbundling Decision* dated 20 July 2005 under ERC Case No. 2001-975 granting KAELCO's annual revenue requirement of P31,732,402.00 (net of purchased power cost).

To determine if KAELCO was getting its ERC-approved annual revenue requirement, NASECORE studied KAELCO'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 (A)	Cost of Power (B)	Actual Distribution Revenue (C=A-B)	Approved Revenue- Unbundling (D)	Over/ (under) (E=C-D)
2006	116,520,978.00	96,208,375.00	20,312,603.00	31,732,402.00	(11,419,799.00)
2007	123,883,281.00	96,161,404.00	27,721,877.00	31,732,402.00	(4,010,525.00)
2008	129,449,438.00	89,009,535.00	40,439,903.00	31,732,402.00	8,707,501.00
2009	134,425,910.00	93,584,732.00	40,841,178.00	31,732,402.00	9,108,776.00
				<b>Total Over/(Under)</b>	<b>2,385,953.00</b>

The table above clearly shows that KAELCO realized an accumulated over-collection in the amount of P 2,385,953.00 (net of purchased power cost) from 2006-2009. We still need to look into the 2010 annual report of KAELCO to find out if there are also an over collection in the said year.

We find these over-collections alarming because we take this as an abuse of market power when Kaelco 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 Kaelco is a *non-stock, non-profit organization*.

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 these Kaelco over-collections show that the Honorable Commission blatantly failed to closely monitor and review the operations of Kaelco to determine whether the annual revenue it granted Kaelco 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 Kaelco, 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 Kaelco (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 Kaelco rates it granted are just and reasonable.

In this regard, we urge ERC to immediately conduct a regulatory audit of Kaelco 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. HAGAN**  
President

Cc: Hon. Jose Rene Almendras, DOE secretary  
Hon. Sergio R. Osmena III, Senator and Chair-Committee on Energy, Senate of the Philippines  
Hon. Juan Miguel Zubiri, 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. Manuel S. Agyao, Kalinga Representative  
Hon. Jocel C. Baac Kalinga Governor  
Hon. Ferdinand B. Tuban, Balbalan Mayor