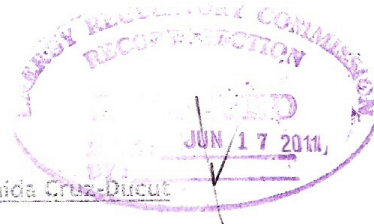




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THE HONORABLE COMMISSIONERS  
 Energy Regulatory Commission  
 16<sup>th</sup> Floor, Pacific Center Building  
 San Miguel Avenue, Pasig City



Attention: ERC Chairperson Zenaida Cruz-Ducut

Dear ERC Commissioners:

Greetings!

This pertains to our study of Itigan Light and Power, Inc.'s (ILPI) financial statements showing an over collection of P248,853,154.00 from 2007 to 2009.

Our finding is based on this Honorable Commission's *Unbundling Decision* dated 22 December 2003 under ERC Case No. 2001-893 granting ILPI's annual revenue requirement of P107,404,450.00 (net of purchased power cost).

To determine if ILPI was getting its ERC-approved annual revenue requirement, NASECORE studied ILPI'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)	ILPI Actual Distribution Revenue** (C=A-B)	Approved Revenue- Unbundling* (D)	Over/ (under) (E=C-D)
2006	789,280,773.00	631,089,844.00	158,240,929.00	107,404,450.00	50,836,479.00
2007	811,135,815.00	654,612,257.00	156,523,551.00	107,404,450.00	49,119,101.00
2008	780,390,941.00	628,893,157.00	151,997,784.00	107,404,450.00	44,593,334.00
2009	934,971,407.00	723,262,717.00	211,708,690.00	107,404,450.00	104,304,240.00
				<b>Total Over/(Under)</b>	<b>248,853,154.00</b>

\*net of purchased cost  
 \*\* Distribution, Supply and Metering Revenue only (net of purchase and interclass subsidy revenue)  
 Sources: 2007 to 2009 ILPI's Audited Financial Statement submitted to ERC and Unbundling Decision

The table above clearly shows that ILPI has an over-collection in the amount of P107,404,450.00 (net of purchased power cost).

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

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

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. Sergio R. Osmena III, Chair-Committee on Energy, Senate of the Philippines  
Hon. Henedina R. Abad, Chair-Committee on Energy, House of Representatives  
Hon. Jose Rene Almendras, DOE Secretary  
Hon. Vicente F. Belmonte, Jr., Iligan City Lone District Representative  
Hon. Mohamad K. Quibranza-Dimaporo, Lanao Del Norte Governor  
Hon. Lawrence L. Cruz, Iligan City Mayor  
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  
Dra. Melchie Ambalong, LAPOCOF President