

CITY LEGAL DIVISION  
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 RYAN HERNANDEZ  
 7-27-11

**NASEC**  
 National Association of Electricity Consumers for Reforms  
 Leyeco II Chapter  
 208-F Real St., Brgy. 53, Tacloban City

July 20, 2011

**ATTY. JERRY GWEN CONDE, CPA**  
 General Manager, LEYECO II, Inc.  
 Real St., Sagkahan, Tacloban City

**RECEIVED**  
 OF: *[Signature]*  
 DATE: 7/22/11  
 TIME: 3:20 pm  
 LEYECO II, INC. SAGKAHAN, TACLOBAN CITY

**RECEIVED**  
 BY: *[Signature]*  
 DATE: 7/20/11  
 TIME: 1:20 PM  
 OFFICE OF THE CITY ENGINEER

SUBJECT:

**Compliance with the Department of Energy  
 Department Circular No. 2003-12-011**

**OFFICE OF THE MAYOR**  
**RECEIVED**  
 RECEIVED BY: *[Signature]*  
 DATE/TIME: JUL 25 2011 9:40  
 REFERENCE #: 11-6899  
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 TACLOBAN CITY

Dear Atty. Conde,

Greetings!

This refers to the initial hearing conducted by the Energy Regulatory Commission (ERC) in the afternoon of July 14, 2011, Thursday at the LEYECO II conference room on LEYECO II's application with the ERC for the approval of the Power Sales Contract and the Commissioning Power Sales Contract between LEYECO II and KEPCO-SPC Power Corporation.

In the said hearing, you had the chance to explain the LEYECO II management's effort in complying with the DOE Circular (which you kept on repeating) that mandated electric cooperatives to secure reliable, efficient, and the least cost supply of electricity through bilateral contracts **when LEYECO II's Contract for the Supply of Electric Energy (CSEE) or Transition Supply Contracts (TSC) with the National Power Corporation (NPC) expired in 2009.** In support of your explanation, you were brandishing the LEYECO II letters to PSALM in March 2010 which you explained were letters seeking for reliable supply of electricity as proof of the LEYECO II management's effort in securing reliable, efficient, and least cost supply of electricity.

As I was listening to your lengthy explanation, I was reminded that the DOE Circular 2003-12-011 you were referring to was issued in year 2003 and this was merely a repetition of the function of DOE under the EPIRA which was passed into law in June 26, 2001. (Please, don't be surprised why I seem to know a lot about this. Our national president, Mr. Pete Ilagan, gave us a seminar on this.)

It occurred to me then how important the DOE Circular was because it was meant to ensure the continuity of the supply of electricity that will prevent unnecessary power outages or power blackout.

**It was also very important that the electric cooperative like LEYECO II should have acted prudently by securing new contracts for the supply of electricity/power sales contracts/agreements prior to the expiration of the**

**CSEE and Transition Supply Contracts in order to be able to choose the power supplier that can provide the power requirement of LEYECO II and that can offer the least cost and to avoid being held hostage owing to the lack of power supply.** Securing the Power Supply Contract prior to the expiration of its existing contract at that time would have afforded LEYECO II choice of a supplier and the least cost of power a **prudent thing that the LEYECO II management should have done.**

It occurred to me that LEYECO II could have been judicious in complying with the said DOE Circular had it entered into a Contract with those companies which showed interest in acquiring the NPC plants prior to the privatization and to those companies which were in the planning stage of constructing new generation plants because the cost of electricity then would have been cheaper and LEYECO II would have avoided the situation when it didn't have the choice anymore and would have become 'hostage' to the new owners because the LEYECO II contracts have already expired which means that should we not accept the terms including the high rates of the power supplier, then we will have power blackout.

Very unfortunately, that is the situation where LEYECO II now is because it grossly failed in securing adequate, affordable, quality, and reliable supply of electricity as the DOE Circular 2003-12-011 mandated the distribution utilities like LEYECO II from 2003 up to 2009 before the expiration of its Contract with NPC.

Had LEYECO II complied with the DOE Circular 2003-12-011 and entered into bilateral contracts prior to the expiration of its CSEE and TSC with NPC in 2009, LEYECO II would have also avoided violating Section 25 of the EPIRA which states:

**"The retail rates charged by distribution utilities for the supply of electricity in their captive market shall be subject to regulation by the ERC based on the principle of full recovery of prudent and reasonable costs incurred, or such other principles that will promote efficiency as may be determined by the ERC."**

Thus, the said application of LEYECO II for the approval of its Power sales Contract which was heard last Thursday by the ERC have led itself to be a 'hostage' of any power supplier now because if LEYECO II does not accept the terms of the Contract, it has nowhere to go and the result will be "POWER BLACK OUT".

But of course, LEYECO II can put the blame on NEA which was the agency tasked to support the ECs ability to enter into power supply contracts.

Be that as it may, it is very clear that the management of LEYECO II committed gross negligence in complying with the DOE Circular 2003-12-011 which enjoined all distribution utilities to supply adequate, affordable, quality, and reliable electricity and which compels them now to violate Section 25 of the EPIRA as it is left with no choice but to enforce a Power Sales Contract with high generation rates even if it has not been approved yet by the ERC.

At this point, it is worth citing that in July 2010, one year ago, our generation charge was only P3.7212/kilowatt-hour while last June 2011, our generation

charge went up to P4.52/kWh showing an increase of P.07988/kWh. **If we multiply this increase of P0.7988 with LEYECO II's annual purchases of 200 million kWh, consumers were charged P159 million more in one year.**

Poor LEYECO II consumer-owners who have elected their directors to represent their interests and who pay very handsomely a general manager not of its choice only to made hostage because of gross negligence which led the cooperative to violate the law.

What is our course of action?

As a very highly paid general manager of the cooperative, we hope you can provide us a plausible answer.

Very truly yours,



**ERLINDA L. BUTALID**

President, NASECORE Leyeco II Chapter

cc: Hon. Paquito Ochoa, Executive Secretary  
Hon. Jose Rene D. Almendras, Secretary, Department of Energy  
Hon. Zenaida C. Ducut, ERC Chairperson  
Hon. Edita S. Bueno, NEA Administrator  
Hon. Sergio Osmena III, Chair-Senate Committee on Energy  
Hon. Henedina Abad, Chair-House Committee on Energy  
Hon. Jose R. Ping-ay, Chair-House Committee on Cooperative development  
Hon. Isidro Lico, Representative, Ating Koop Part list  
Hon. Ponciano Payuyo, Representative, APEC Party List  
Hon. Ferdinand Martin Romualdez, Representative 1<sup>st</sup> District Leyte  
Hon. Florencio G. Noel, Representative, An Waray Party List  
Hon. Jericho L. Petilla, Governor, Leyte  
Hon. Ma. Mimietta S. Bagulaya, Vice-Governor, Leyte  
Hon. Members of the Sangguniang Panlalawigan, Province of Leyte  
Hon. Vincent Emnas, Leyte Provincial Administrator  
Hon. Alfred S. Romualdez, Tacloban City Mayor  
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Hon. Members of the Sangguniang Bayan, Municipality of Palo  
Hon. Charita M. Chan, Mayor Municipality of Babatngon  
Hon. Members of the Sangguniang Bayan, Municipality of Babatngon  
Pete Ilagan, Nasecore President  
Member Consumers  
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