



National Association of Electricity Consumers for Reforms, Inc. (NASECORE)

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THE HONORABLE COMMISSIONERS

Energy Regulatory Commission
16th Pacific Center Bldg, San Miguel Avenue
Ortigas Center, Pasig City

Thru: **HON. ZENAIDA G. CRUZ-DUCUT**
ERC Chairperson

Dear ERC Commissioners,

Greetings!

This pertains to the two charges of LEYECO I Electric Cooperative, Inc. (LEYECO I), which are Lifeline Discount/Subsidy and Interclass Subsidy Charges as reported under the Customer Profile in its 2006 to 2009 Annual Reports furnished to us by this Honorable Commission.

As a backgrounder, the Electric Power Industry Reform Act states:

***Section 73. Lifeline Rate.** - A socialized pricing mechanism called a lifeline rate for the marginalized end-users shall be set by the ERC, which shall be exempted from the cross subsidy phase-out under this Act for a period not exceeding ten (10) years, until or unless expressly rescinded by law. The level of consumption and the rate shall be determined by the ERC after due notice and hearing.*

***Section 74. Cross Subsidies.** - Cross subsidies within a grid, between grids and/or classes of customers shall be phased out in a period not exceeding three (3) years from the establishment by the ERC of a universal charge which shall be collected from all electricity end-users. Such level of cross subsidies shall be made transparent and identified separately in the billing statements provided to end-users by the suppliers or by the DOE as the case may be.*

The ERC may extend the period for the removal of cross subsidies for a maximum period of one (1) year upon finding that cessation of such mechanism would have a material adverse effect upon the public

interest, particularly the residential end-user; or would have an immediate, irreparable, and adverse financial effect on distribution utility.”

NASECORE believes that these charges should be revenue-neutral, which only means a distribution utility like LEYECO I should not generate any revenues from it and that the subsidy collected from the subsidizing customers should be equivalent only to the discounts given to the marginalized customers, no more no less.

However, NASECORE study shows that LEYECO I collected more than what was required for the lifeline subsidy from the subsidizing customers as the two tables show below:

Table 1. LEYECO I Lifeline Subsidy and Discount

Year	Lifeline Subsidy Collected	Lifeline Discount Given	OVERCOLLECTED SUBSIDY
2006	1,880,555.06	1,541,013.25	339,541.81
2007	1,797,815.65	1,623,810.33	174,005.32
2008	1,669,360.07	1,676,009.39	-6,649.32
2009	1,971,925.04	1,997,831.89	-25,906.85
		Total Over	480,990.96

Table 2. LEYECO I Interclass Subsidy

Year	Subsidizing Customers	Subsidized Customers	OVERCOLLECTED SUBSIDY
	Commercial, Industrial, Public Building, Streetlight	Residential and BAPA	
2006	9,196,580.36	(6,228,765.70)	2,967,814.66
2007	12,378,476.86	(4,411,161.38)	7,967,315.48
2008	7,440,653.00	(2,704,464.33)	4,736,188.67
2009	2,133,433.82	(669,077.19)	1,464,356.63
		TOTAL Over	17,135,675.44

These over collections have a total of **Php17,616,666.40**. We believe this amount should be refunded and LEYECO I be penalized and the amount of penalty should come from the personal pockets of the Board and the general manager being the management group responsible for this overcharges.

In this light, we beseech the Commission to look into this matter with urgency and we look forward for its immediate and favorable action considering that it is the

Commission which is duty-bound to look into these collections of the distribution utilities and not the consumers.

Thank you.

Very truly yours,


PETE L. ILAGAN
President

cc: Hon. Carlos Jericho L. Petilla, Leyte Governor
Hon Ferdinand Martin G. Romuladez, Leyte 1st District Representative
Hon. Sergio F. Apostol, Leyte 2nd District Representative
Hon. Andres D. Salvacion, Jr., Leyte 3rd District Representative
Hon. Lucy T. Gomez, Leyte 4th District Representative
Hon. Jose Carlos L. Cari, Leyte 5th District Representative
Hon. Ponciano D, Payuyo, APEC
Hon. Isidro Q. Lico, ATING KOOP
Hon. Jose R. Ping-ay, COOP NATCCO
Mayors within LEYECO I (DORELCO) franchise
Nasecore Coordinator- Region VIII
Mr. Gilbert Vertulfo- Nasecore Chapter President, Burauen, Leyte