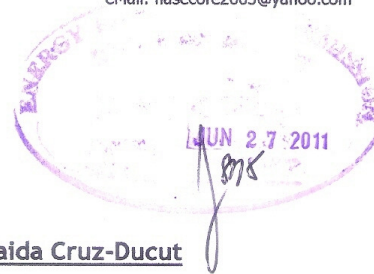




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22 June 2011

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 Del Sur Electric Cooperative, Inc (DASURECO) financial statements showing an over collection of P342,247,456.00 from 2005 to 2009.

Our finding is based on this Honorable Commission's *Unbundling Decision* dated 24 June 2004 under ERC Case No. 2001-977 granting DASURECO's annual revenue requirement of P84,212,477.00 (net of purchased power cost).

To determine if DASURECO was getting its ERC-approved annual revenue requirement, NASECORE studied DASURECO's 2005-2009 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)
2005	628,629,183.00	482,796,891.00	145,832,292.00	84,212,477.00	61,619,815.00
2006	664,940,800.00	516,425,180.00	148,515,620.00	84,212,477.00	64,303,143.00
2007	704,856,977.00	555,463,448.00	149,393,529.00	84,212,477.00	65,181,052.00
2008	774,391,325.00	615,370,895.00	159,020,430.00	84,212,477.00	74,807,953.00
2009	883,321,945.00	722,773,975.00	160,547,970.00	84,212,477.00	76,335,493.00
				Total Over/(Under)	P342,247,456.00

The table above clearly shows that DASURECO has an over-collection in the amount of P342,247,456.00 (net of purchased power cost) from 2005-2009. We still need to look into the 2010 annual report of DASURECO to find out if there is also an over collections in this year.

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

In this regard, we urge ERC to immediately conduct a regulatory audit of DASURECO 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, 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. Marc C. Douglas IV, Davao Del Sur 1st District Representative
✓ Hon. Franklin P Bautista, Davao Del Sur 2nd District Representative
✓ Hon. Douglas R. Cagas, Davao Del Sur Governor
Hon. Joseph R. Peñas, Digos City Mayor