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HON. EDITA S. BUENO

Administrator

National Electrification Administration

NIA Road, Government Center

Diliman, Quezon City

Dear Administrator Bueno:

Greetings!

This is a follow up to our letter dated 31 August 2006 regarding the loan given by the NEA to the Philippine Rural Electric Cooperative Association (PHILRECA) payable for a ten-year period.

On the said letter, we asked your good office to deny PHILRECA's request for the condonation of the interests and surcharges of the loan and the amortization of the unpaid principal within a period of ten (10) years because we believe that yielding to PHILRECA's request is not only outrageous but is without legal basis, as well.

We received your letter dated 08 September 2006. We thank you for your prompt response to our inquiry. In your letter, you expressed that NEA stands by its previous position, to wit:

"xxx NEA sent a letter to PHILRECA President to **settle first the principal amount of the loan before the condonation of interest and surcharges will be recommended** to the NEA Board of Administrators." (*emphasis supplied*)

We reiterate our view that the granting of the PHILRECA loan is highly irregular, more so, the condonation of the interest and surcharges. Furthermore, we believe that the

NEA is not authorized to allow PHILRECA to amortize the payment of the latter's loan for a ten-year period.

In view of the foregoing, we would like to ask your good office for documents pertaining to the status of PHILRECA's loan. Also, we strongly urge you and the NEA Board of Directors to collect PHILRECA's outstanding obligation. A portion of your 2004 Financial Statement provides:

"NEA's Legal Department issued a final demand letter to PHILRECA as early as 26 October, 1999. To pursue collections of its receivables, NEA sent another demand letter to the Board of Directors of PHILRECA requiring settlement of the account, otherwise, NEA shall be compelled to immediately pursue judicial action."
(emphasis supplied)

Considering the fact that NEA's final demand letter was sent on 26 October 1999 and that, after nine (9) long years, PHILRECA still failed miserably to settle its obligations, we believe that now is the time for your good office to make good of its above-quoted promise to pursue judicial action against PHILRECA.

We are hoping for your prompt and favorable response on this matter. Thank you very much.

Very truly yours,

PETE L. ILAGAN
President