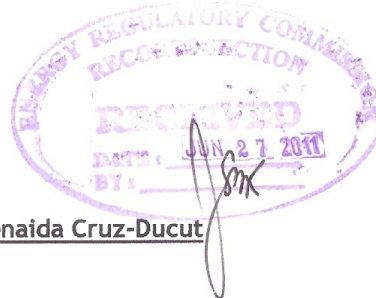




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22 June 2011

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 Misamis Occidental II Electric Cooperative, Inc (MOELCI II) financial statements showing an over collection of P130,809,116.00 from 2004 to 2008.

Our finding is based on this Honorable Commission's *Unbundling Decision* dated 27 February 2004 under ERC Case No. 2001-971 granting MOELCI II's annual revenue requirement of P72,306,459.00 (net of purchased power cost).

To determine if MOELCI II was getting its ERC-approved annual revenue requirement, NASECORE studied MOELCI II's 2005-2008 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	Cost of Power	Actual Distribution Revenue	Approved Revenue-Unbundling	Over/ (under)
	(A)	(B)	(C=A-B)	(D)	(E=C-D)
2004	270,536,938.33	202,714,581.67	67,822,356.67	72,306,459.00	(4,484,102.33)
2005	426,097,317.00	326,574,984.00	99,522,333.00	72,306,459.00	27,215,874.00
2006	443,136,692.00	343,656,163.00	99,480,529.00	72,306,459.00	27,174,070.00
2007	475,502,932.00	368,283,105.00	107,219,827.00	72,306,459.00	34,913,368.00
2008	500,508,495.00	386,696,232.00	113,812,263.00	72,306,459.00	41,505,804.00
				Total Over/(Under)	130,809,116.00

The table above clearly shows that MOELCI II has an over-collection in the amount of P130,809,116.00 (net of purchased power cost) from 2004-2008. We still need to look into the 2009 and 2010 annual reports of MOELCI II to find out if there are also over collections in these years.

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

In this regard, we urge ERC to immediately conduct a regulatory audit of MOELCI II 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
