



**National Association of Electricity Consumers for Reforms**

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22 March 2010

**HON. ZENAIDA CRUZ-DUCUT**

*Chairperson, Energy Regulatory Commission*

16<sup>th</sup> Floor Pacific Center Bldg.

San Miguel Avenue, Pasig City

Dear Chairperson Ducut,

Greetings!

This refers to the ERC Decision dated 04 February 2004 on the application of The Leyte II Electric Cooperative, Inc.(Leyeco II) for the Unbundling of its Rates where fifty (50%) percent of the Prompt Payment Discount (PPD) granted by the National Power Corporation (NPC) as a matter of policy was ordered deducted from Leyeco II's revenue requirement as shown in Page 21 under II.A.7 - Other Revenue Items of Unbundling Decision under ERC Case No. 2001-932 in the amount of **P8,538,359.00**. The amount deducted from the revenue requirement was **P4,269,179.50** (50% of P8,538,359.00).

<b>PARTICULARS</b>	<b>AMOUNT (PhP)</b>
Rent from Electric Properties	1,145,301
Prompt Payment Discount	8,538,359
<b>Total</b>	<b>9,683,660</b>
<b>50% of the above</b>	<b>4,841,830</b>

The National Power Corporation offers a prompt payment discount of 3% to the DUs for their power purchases.

On 20 July 2005, the Energy Regulatory Commission issued Resolution No. 12, Series of 2005 allowing the reinstatement of the amount corresponding to 50% of the said PPD previously deducted from the DU's respective revenue requirement.

This was followed by another ERC Order dated 07 December 2005 directing Leyeco II to implement the recovery and reinstatement of the previously deducted 50% PPD. Under this Order, Leyeco II was authorized to collect under-recoveries for the period of one (1) year upon receipt of the Order or until such time that the amount of under-recoveries has been recovered.

ERC, however, did not specifically indicate the amount that LEYECO II was entitled to recover but indicated that Php0.1676/kWh will be credited (**charged**) to residential customers and Php21.58/cust/mo will be charged to commercial, industrial, public building and flat streetlights customers.

These were added to the **supply charge**.

In reinstating this 50% PPD in the following billing cycle, Leyeco 2 adjusted the rate of residential for its partial increase by P0.0838/kWh in January 2006, an additional increase of P0.0795/kWh in February 2006 and the last adjustment of P.0043kWh was made in April 2006. For the customers other than residential, its supply charge was increased by P21.02/cust/mo and the last adjustment was made in April 2006 by P0.56/cust/mo. Below is the table showing the adjustments thereof:

*Table 1*

<b>SUPPLY CHARGE</b>	<b>Residential Customers</b>	<b>Other Customers</b>
Unbundling Decision ERC Case No. 2001-932 February 04, 2004	0.2951/kWh	37.98/cust/mo
Leyeco 2's Billing for January 2006	0.3789/kWh	
Leyeco 2's Billing for February 2006	0.4584/kWh	59.00/cust/mo
Leyeco 2's Billing for April 2006	0.4627/kWh	59.56/cust/mo
Leyeco 2's Billing for August 2008 onwards	0.3789/kWh	/cust/mo

(Leyeco 2's January 2006, February 2006, April 2006 and August 2008 electric bills of residential customers are attached as Annex B to B-3 and for commercial customers February 2006, April 2006 electric bills attached as Annex C to C-1)

Based on Nasecore's computation using Leyeco II's monthly sales from January 2006 to December 2008 (available data), Leyeco II has collected from its increases the total amount **Twenty Seven Million, Forty Three Thousand, Four Hundred Eleven Pesos and Eighty Six Centavos (Php27,043,411.86)** from its Residential Customers as shown in *Table 2* and **Three Million, Nine Hundred Eighteen Thousand, Two Hundred Eighty Three Pesos and Fifty Five Centavos (Php 3,918,283.55)** from other customers (*Table 3*) or a total of **Thirty Million, Nine Hundred Sixty One Thousand, Six Hundred Ninety Five Four Pesos and Forty One Centavos (Php 30,961,695.41)**.

**Table 2. Total Collections from Residential for the SUPPLY CHARGE Increase**

Month and Year	RESIDENTIAL kWh Sales <sup>1</sup> (A)	Php Increase in Supply Charge per kWh (B)	Collected Amount (C= AxB)
Jan-06	4,274,828	0.0838	358,230.59
Feb-06	4,353,398	0.1633	710,909.89
Mar-06	4,192,616	0.1633	684,654.19
Apr-06	4,767,372	0.1676	799,011.55
May-06	4,689,116	0.1676	785,895.84
Jun-06	4,923,720	0.1676	825,215.47
Jul-06	4,778,477	0.1676	800,872.75
Aug-06	4,743,951	0.1676	795,086.19
Sep-06	4,851,450	0.1676	813,103.02
Oct-06	4,485,027	0.1676	751,690.53
Nov-06	4,757,266	0.1676	797,317.78
Dec-06	4,520,902	0.1676	757,703.18
Jan-07	4,110,827	0.1676	688,974.61
Feb-07	4,414,902	0.1676	739,937.58
Mar-07	4,610,596	0.1676	772,735.89
Apr-07	4,830,592	0.1676	809,607.22
May-07	4,953,092	0.1676	830,138.22
Jun-07	5,468,761	0.1676	916,564.34
Jul-07	5,121,022	0.1676	858,283.29
Aug-07	5,307,233	0.1676	889,492.25
Sep-07	5,218,341	0.1676	874,593.95
Oct-07	5,411,038	0.1676	906,889.97
Nov-07	5,009,575	0.1676	839,604.77
Dec-07	5,531,895	0.1676	927,145.60
Jan-08	5,073,743	0.1676	850,359.33
Feb-08	4,830,275	0.1676	809,554.09
Mar-08	4,272,792	0.1676	716,119.94
Apr-08	5,368,401	0.1676	899,744.01
May-08	5,200,554	0.1676	871,612.85
Jun-08	5,287,715	0.1676	886,221.03
Jul-08	5,133,714	0.1676	860,410.47
Aug-08	5,449,750	0.0838	456,689.05
Sept-08	5,343,259	0.0838	447,765.10
Oct-08	5,261,743	0.0838	440,934.06
Nov-08	5,201,968	0.0838	435,924.92
Dec-08	5,183,990	0.0838	434,418.36
<b>TOTAL COLLECTIONS from RESIDENTIAL CUSTOMERS</b>			<b>Php27,043,411.86</b>

<sup>1</sup> Source: Leyeco 2 Monthly Financial and Statistical Report from January 2006 to July 2008 attached as Annex "A"

**Table 3. Total Collections from Commercial, Industrial, Public Buildings and Streetlights Customers for the SUPPLY CHARGE Increase**

<b>Month and Year</b>	<b>No. of Commercial, Public Bldgs, and Streetlights Customers <sup>2</sup> (A)</b>	<b>Php Increase in Supply Charge Per Customer Per Month ( B )</b>	<b>Collected Amount (C = A x B)</b>
Feb-06	5,245*	21.02	110,249.90
Mar-06	5,559	21.02	116,850.18
Apr-06	5,487	21.58	118,409.46
May-06	5,547	21.58	119,704.26
Jun-06	5,624	21.58	121,365.92
Jul-06	5,642	21.58	121,754.36
Aug-06	5,690	21.58	122,790.20
Sep-06	5,674	21.58	122,444.92
Oct-06	5,650	21.58	121,927.00
Nov-06	5,676	21.58	122,488.08
Dec-06	5,309	21.58	114,568.22
Jan-07	4,565	21.58	98,512.70
Feb-07	5,574	21.58	120,286.92
Mar-07	5,562	21.58	120,027.96
Apr-07	5,644	21.58	121,797.52
May-07	5,600	21.58	120,848.00
Jun-07	5,659	21.58	122,121.22
Jul-07	5,649	21.58	121,905.42
Aug-07	5,691	21.58	122,811.78
Sep-07	5,636	21.58	121,624.88
Oct-07	5,642	21.58	121,754.36
Nov-07	5,664	21.58	122,229.12
Dec-07	5,641	21.58	121,732.78
Jan-08	5,692	21.58	122,833.36
Feb-08	5,654	21.58	122,013.32
Mar-08	5,691	21.58	122,811.78
Apr-08	5,733	21.58	123,718.14
May-08	5,406	21.58	116,661.48
Jun-08	5,732	21.58	123,696.56
Jul-08	5,801	21.58	125,185.58
Aug-08	5832	10.79	62,927.28
Sept-08	5782	10.79	62,387.78
Oct-08	5783	10.79	62,398.57
Nov-08	5828	10.79	62,884.12
Dec-08	5798	10.79	62,560.42
<b>Total Collections from Commercial, Industrial, Public Buildings &amp; Streetlights</b>			<b>Php3,918,283.55</b>

<sup>2</sup> Source: Leyeco 2 Monthly Financial and Statistical Report from January 2006 to July 2008 attached as Annex "A"

\* prepaid customers not yet included

Further, using Leyeco II's monthly sales for residential customers and number of customers from commercial and other class of customer starting January 2006, NASECORE found out that **Four Million, Two Hundred Sixty Nine, One Hundred Seventy Nine Pesos and Fifty Centavos (P4,269,179.50)** or 50% of P8,538,359.00 was already fully recovered six (6) months after the implementation of the PPD reinstatement or in June 2006.

In fact, Leyeco 2 had already collected an amount of **Four Million, Seven Hundred Fifty Thousand, Four Hundred Ninty Seven Pesos and Twenty Five Centavos (P4,750,497.25)**. (See Table 4 Below) .

*Table 4. Recovery of P4,269,179.50 or 50% of P8,538,359.00*

Month and Year	RESIDENTIAL kWh Sales <sup>1</sup> (A)	Php Increase in Supply Charge per kWh (B)	Collected Amount (C= AxB)	TOTAL
Jan-06	4,274,828	0.0838	358,230.59	
Feb-06	4,353,398	0.1633	710,909.89	
Mar-06	4,192,616	0.1633	684,654.19	
Apr-06	4,767,372	0.1676	799,011.55	
May-06	4,689,116	0.1676	785,895.84	
Jun-06	4,923,720	0.1676	825,215.47	<b>Php4,163,917.53</b>
Month and Year	No. of Commercial, Public Bldgs, and Streetlights Customers <sup>1</sup> (A)	Php Increase in Supply Charge Per Customer Per Month ( B )	Collected Amount (C = A x B)	
Feb-06	5,245*	21.02	110,249.90	
Mar-06	5,559	21.02	116,850.18	
Apr-06	5,487	21.58	118,409.46	
May-06	5,547	21.58	119,704.26	
Jun-06	5,624	21.58	121,365.92	<b>586,365.72</b>
<b>January - June 2006 TOTAL ACTUAL COLLECTIONS</b>				<b>Php4,750,497.25</b>

<sup>1</sup> Source: Leyeco 2 Monthly Financial and Statistical Report from January 2006 to July 2008 attached as Annex "A"

Leyeco 2, despite its full recovery in June 2006, extended the collection of the increases in supply charge until to date.

In its most recent study, NASECORE discovered that LEYECO II has over collected from its customers through its continued collection of the PPD reinstatement. In July 2008 monthly billing it stopped charging as to the first adjustment only, it can be seen that this PPD is still part of and charged in the supply charge item of the Leyeco II monthly electric bill to its captive customers.

This has resulted to an over collection in the amount of **Php26,792,005.28** to the prejudice of LEYECO II's captive customers as of December 2008 as shown in the computation below.

Collections from Residential Customers	Php 27,043,411.86
Collections from Commercial and other Cust	<u>3,918,283.55</u>
Total Collections January 2006 - July 2008	Php 30,961,695.41
Less: 50% PPD (50% of P8,538,359.00)	<u>4,269,179.50</u>
<b>Over Collection</b>	<b><u>Php26,692,515.91</u></b>

NASECORE believes that the amount of **Php26,692,515.91** representing over-collections by Leyeco 2 from its customers, through the supply charge, must immediately **be refunded with legal interest in CASH** to its customers.

In this regard, NASECORE, , humbly seeks for the prompt investigation by this Honorable Commission of the above complaint and if its findings confirms our discovery of overcharging, to direct LEYECO II to **refund in CASH with interest** the amount of **Php26,692,515.91** representing its over-collections from its customers in the supply charge and to impose the corresponding penalty Board of Directors in their personal capacity for violation of EPIRA pursuant to Section 46 which provides, thus:

*“SEC. 46. Fines and Penalties. - The fines and penalties that shall be imposed by the ERC for any violation of or non-compliance with this Act or the IRR shall range from a minimum of Fifty thousand pesos (P50,000.00) to a maximum of Fifty million pesos (P50,000,000.00).”*

We hope the Honorable Commission will give merit to our sustained efforts of protecting electricity consumers from the abuses of power utilities which translates to higher rates.

Thank you and God bless.

Very truly yours,

**PETE L. ILAGAN**  
*President*

# ANNEX “A”

Monthly Financial and Statistical Report  
January 2006 to July 2008  
(Submitted by LEYECO 2 to NEA)