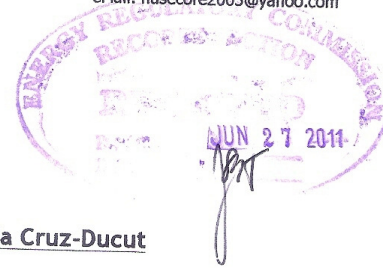




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23 June 2011

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 Cabanatuan Electric Light System (CELCOR) financial statements showing an over collection of P74,568,409.83 from 2007 to 2009.

Our finding is based on this Honorable Commission's *Unbundling Decision* dated 21 January 2004 under ERC Case No. 2001-896 granting CELCOR's annual revenue requirement of P166,480,474.00 (net of purchased power cost).

To determine if CELCOR was getting its ERC-approved annual revenue requirement, NASECORE studied CELCOR'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)
2007	1,189,335,183.78	1,038,860,923.47	150,474,260.31	166,480,474.00	(16,006,213.69)
2008	1,176,310,447.99	975,313,935.76	200,996,512.23	166,480,474.00	34,516,038.23
2009	1,312,168,159.20	1,089,629,099.91	222,539,059.29	166,480,474.00	56,058,585.29
*net of purchased cost Sources: 2007 to 2009 CELCOR's Audited Financial Statement submitted to ERC and Unbundling Decision				Total Over/(Under)	74,568,409.83

The table above clearly shows that CELCOR has an over-collection in the amount of P74,568,409.83 (net of purchased power cost).

We find these over-collections alarming because we take this as an abuse of market power when CELCOR decided to deliberately keep to itself these over-collections instead of disclosing this by way of a petition to reduce its current rates but maintaining its approved annual revenues. 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 these CELCOR over-collections show that the Honorable Commission blatantly failed to closely monitor and review the operations of CELCOR to determine whether the annual revenue it granted CELCOR 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 CELCOR, it would have easily discovered these over-collections 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 CELCOR, 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 CELCOR rates are just and reasonable.

In this regard, we urge ERC to immediately conduct a regulatory audit of CELCOR and reduce its rates so as to stop these over-collections and to immediately direct a refund of these over-collections.

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, Senator and Chair-Committee on Energy, Senate of the Philippines
Hon. Juan Miguel Zubiri, Senator and Chair-Senate Committee on Cooperatives Development
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. Czarina D. Umali, Nueva Ecija 3rd District Representative
Hon. Aurelio M. Umali., Nueva Ecija Governor
Hon. Julius Cesar V. Vergara, Cabanatuan City Mayor