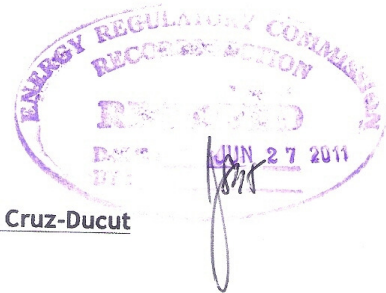




**National Association of Electricity Consumers for Reforms, Inc.**  
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23 June 2011

**THE HONORABLE COMMISSIONERS**  
 Energy Regulatory Commission  
 16<sup>th</sup> 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 Tarlac Electric Inc. (TEI) financial statements showing an over collection of **P402,144,043.00** from 2004 to 2009.

Our finding is based on this Honorable Commission's *Unbundling Decision* dated 03 March 2004 under ERC Case No. 2001-906 granting TEI's annual revenue requirement of **P166,772,974.00** (net of purchased power cost).

To determine if TEI was getting its ERC-approved annual revenue requirement, NASECORE studied TEI'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<br>(A) | Cost of Power<br>(B) | Actual Distribution Revenue<br>(C=A-B) | Approved Revenue-<br>Unbundling<br>(D) | Over/ (under)<br>(E=C-D) |
|--|----------------------|----------------------|--|--|--------------------------|
| 2004   | 1,038,967,590.00     | 818,735,958.00       | 220,231,632.00                         | 166,772,974.00                         | 53,458,658.00            |
| 2005   | 1,370,202,156.00     | 1,124,490,798.00     | 245,711,358.00                         | 166,772,974.00                         | 78,938,384.00            |
| 2007   | 1,518,687,205.00     | 1,289,453,898.00     | 229,233,307.00                         | 166,772,974.00                         | 62,460,333.00            |
| 2008   | 1,397,050,358.00     | 1,089,199,250.00     | 307,851,108.00                         | 166,772,974.00                         | 141,078,134.00           |
| 2009   | 1,357,844,154.00     | 1,124,862,646.00     | 232,981,508.00                         | 166,772,974.00                         | 66,208,534.00            |
| Sources: 2006 to 2008 TEI's Audited Financial Statement submitted to ERC and Unbundling Decision |                      |                      |  | <b>Total Over/(Under)</b>              | <b>402,144,043.00</b>    |

The table above clearly shows that TEI has an over-collection in the amount of **P402,144,043.00** (net of purchased power cost).

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

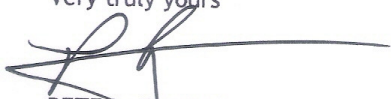
Further, this ERC failure lamentably renders its approved annual revenues for TEI, the result of its exhaustive study to ensure the viable operations of the electric utility, inutile as it failed to use this to serve as its way of ensuring that the TEI rates are just and reasonable.

In this regard, we urge ERC to immediately conduct a regulatory audit of TEI 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, Ateng Koop Party List  
Hon. Susan Yap, Tarlac 2<sup>nd</sup> District Representative  
Hon. Victor A. Yap., Tarlac Governor  
Hon. Roman M. Gelacio, Tarlac City Mayor