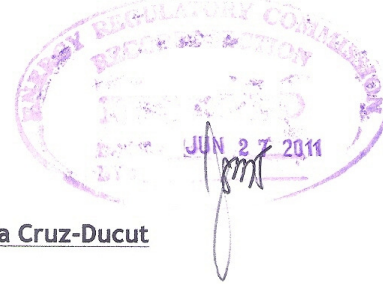




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23 June 2011

**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 Zambales II Electric Cooperative, Inc (ZAMECO II) financial statements showing an over collection of P61,085,480.00 from 2006 to 2009.

Our finding is based on this Honorable Commission's *Unbundling Decision* dated 07 March 2005 under ERC Case No. 2001-990 granting ZAMECO II's annual revenue requirement of P71,988,783.00 (net of purchased power cost).

To determine if ZAMECO II was getting its ERC-approved annual revenue requirement, NASECORE studied ZAMECO II's 2007-2009 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	Cost of Power	Actual Distribution Revenue	Approved Revenue-Unbundling	Over/ (under)
	(A)	(B)	(C=A-B)	(D)	(E=C-D)
2006	550,609,380.00	472,596,041.00	78,013,339.00	71,988,783.00	6,024,556.00
2007	587,923,712.00	487,997,846.00	99,925,866.00	71,988,783.00	27,937,083.00
2008	544,273,289.00	447,325,181.00	96,948,108.00	71,988,783.00	24,959,325.00
2009	572,028,750.00	497,875,451.00	74,153,299.00	71,988,783.00	2,164,516.00
				<b>Total Over/(Under)</b>	<b>61,085,480.00</b>

The table above clearly shows that ZAMECO II realized an accumulated over-collection in the amount of P61,085,480.00 (net of purchased power cost) from 2006-2009. We still need to look into the 2010 annual report of ZAMECO II to find out if there is also an over collections in the said year.

We find these over-collections alarming because we take this as an abuse of market power when ZAMECO II decided to deliberately keep to itself these over-collections instead of disclosing these by way of a petition to reduce its current rates but maintaining its

approved annual revenues, especially that ZAMECO 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 these ZAMECO II over-collections show that the Honorable Commission blatantly failed to closely monitor and review the operations of ZAMECO II to determine whether the annual revenue it granted ZAMECO 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 ZAMECO II, 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 ZAMECO II (the result of its exhaustive study to ensure the viable operations of the electric utility) inutile as it failed to use these to serve as its way of ensuring that the ZAMECO II rates it granted are just and reasonable.

In this regard, we urge ERC to immediately conduct a regulatory audit of ZAMECO 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, 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. Ma. Milagros H. Magsaysay, Zambales 1<sup>st</sup> District Representative  
Hon. Hermogenes E. Ebdane, Jr., Zambales Governor  
Hon. Jose Angelo M. Dominguez, Castillejos Mayor