



National Association of Electricity Consumers for Reforms, Inc. (NASECORE)

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HON. EDITA S. BUENO

Administrator, National Electrification Administration
NIA Road, Government Center
Diliman, Quezon City

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Dear Administrator Bueno,

Greetings!

With the passage of the Electric Power Industry Reform Act (EPIRA) in 2001, all the financial obligations of the electric cooperatives with NEA and other government agencies (**NORSAMELCO** included) were effectively condoned with the provision:

“Sec. 60. Debts of Electric Cooperatives. - Upon the effectivity of this Act, all outstanding financial obligations of electric cooperatives to NEA and other government agencies incurred for the purpose of financing the rural electrification program shall be assumed by the PSALM Corporation in accordance with the program approved by the President of the Philippines within one (1) year from the effectivity of this Act which shall be implemented and completed within three (3) years from the effectivity of this Act. The ERC shall ensure a reduction in the rates of electric cooperatives commensurate with the resulting savings due to the removal of the amortization payments of their loans. Within five (5) years from the condonation of the debt, any electric cooperative which shall transfer ownership or control of its assets, franchise or operations shall repay PSALM Corp. the total debts including accrued interest thereon.” (Underscoring supplied);

In compliance with the above-cited provision and Executive Order No. 119 (Restructuring Program for Electric Cooperatives) issued on 28 August 2002, ERC directed all electric cooperatives to file their respective application for the approval of a reduction in rates and loan condonation.

On 10 July 2003, Northern Samar Electric Cooperative, Inc. (NORSAMELCO) filed its application for the approval of a reduction in rates and loan condonation and this was docketed under ERC Case No. 2003-364.

On 05 August 2003, ERC issued a provisional Order which showed that NORSAMELCO has an outstanding loan balance of **P126,623,591.01**, apparently for the year ending 2001 based on NEA's submission. (photocopy attached).

In the 2004 Audited Financial Statement -Cash Flow, it showed that the Donated Capital increased by **P131,344,483.00** from its previous balance of P75,032,457. This explains that this is the total loan assumed and condoned by PSALM.

It is understandable that pending resolution of the said application, NORSAMELCO had to continue its collections of the loan amortization component of their rates and remitted the same to NEA as shown by the declining loan balance in its annual reports.

In 20 September 2006, the ERC issued an Order granting the final rate reduction for implementation of the NORSAMELCO loan condonation effective the next billing cycle, thus effectively stopping any remittance to NEA on its financial obligation (related to the rural electrification program of the government) incurred prior to the passage of the EPIRA.

In this regard, may we know if this has been implemented already and the total amount remitted by NORSAMELCO to NEA for the loan amortization from July 2001 to September 2006?

Further, may we know if NEA have refunded the same to NORSAMELCO? If yes, may we be furnished proof of its transmittal of the amount to NORSAMELCO with the covering letter within fifteen (15) days from receipt of this letter?

If it had not, then, we are urging NEA to immediately refund these collections within thirty (30) days with an annual 12% interest or we will be constrained to seek legal remedies in order to protect consumer interests. NEA's failure to refund this NORSAMELCO payment will constitute a violation of the law.

We look forward to your utmost attention on this matter.

Thank you.

Very truly yours,



PETE L. ILAGAN
President

cc: Hon. Zenaida C. Ducut, ERC Chairperson
Hon. Rene D. Almendras, DOE Secretary
Hon. Juan Ponce Enrile, Senate President
Hon. Feliciano R. Belmonte, Jr., Speaker of the House
NASECORE Chapter Presidents