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27 January 2011

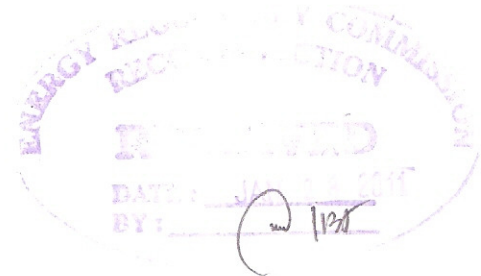
THE HONORABLE ERC COMMISSIONERS

Energy Regulatory Commission

Pacific Center Building

San Miguel Avenue, Ortigas Center

Pasig City



Attention: Zenaida C. Ducut, Chairperson

Dear ERC Commissioners,

Greetings!

This is to reiterate for the nth time our request for the Commission's files and records on MERALCO's and other Distribution Utilities' reports, including the pertinent annexes, on their Generation Rates and the monthly adjustments thereof since July 2007 up to the present.

Generation Costs are pass-through charges that must simply pass the hands of Utilities to the consumers (and vice-versa) with no addition or diminution, thus the ERC in its Guidelines issued on 13 October 2004 institutionalized the Monthly Reporting system, requiring on the 20th day of each month the submission by Utilities of the invoices and official receipts from their power suppliers as well as the sample bills to their customers, for review by the Commission within six (6) months.

As utility rate-payers and captive customers, it is to our interest that the Generation Costs MERALCO and the other Utilities charge us are proper according to their existing supply contracts and accurate based on invoiced off-takes, with the corresponding official receipts as proof of timely and regular settlement of the accounts we are billed for.

Thus, on 26 April 2010, or eight (8) months ago, NASECORE filed with the Commission our first request for copies of the submissions by MERALCO and other Utilities on their claimed Generation Costs as charged to us. Given the reportorial system instituted under the Commission's own Guidelines, we were confident that the reports would be on file and open. Up to now, however, not a single report for any Utility, MERALCO included, has been provided/shared by the Commission.

After a long series of follow-up letters and on November 24, 2010, we requested anew for copies of the now much sought-after filings of MERALCO and other Distribution Utilities but we received instead on 06 December 2010 a letter from the ERC Executive Director, informing that under Res. No. 23, Series of 2009 (Issued 12 October 2009) the Commission **deferred** the filing of the consolidated applications of the Distribution Utilities (DUs) **until further notice**, adding that Res. No. 21, Series of 2010 (Issued 18 October 2010) or **one year after the deferment**, set the schedule for the annual filing on March, 2011, and every succeeding year thereafter. Note is made that the automatic adjustments was restored on July 2007.

We are now made to understand that the two afore cited resolutions, taken together with Res. No. 16, S. 2009, requiring the conduct of confirmatory hearings on pass-through charges, would supplant and supersede the reportorial requirements and post verification process for Generation Charges as set in the ERC Guidelines of 2004.

The belated notice of a shift in the verification protocol for generation rate adjustments from monthly to annual (to none-at-all), especially in the wake of the Commission's dismal failure to show any shred of evidence that it had done any verification at all, is unacceptable, patently irregular and grossly disadvantageous to the consumers.

For one, the continued failure of the Commission to provide NASECORE records of any filing by any Utility on their generation rate raises serious doubts as to any adequate compliance with the ERC Guidelines or the amendatory resolutions. Are we not given the reports because they do not exist or is the Commission afraid of what we will find there?

Second, has the Commission ever done any verification at all, whether under Res. No. 16, S.2009 or the 2004 Guidelines, particularly in light of the latter's Post Verification provision directing that *"At least every six (6) months the ERC shall verify the recovery of generation costs by comparing the actual allowable costs incurred for the period with the actual revenues for the same period generated by the Generation Rates"* If indeed the Commission has these reports, why are we denied access to them?

Third, the generation component in our power bills can be anywhere from 50% to 60% of the total thus any distortion in generation will materially increase the effective rates we pay. Failure on the part of the Commission to rein in increases in generation costs either by willful neglect to procure the reports or by default in their verification is tantamount to an abdication of its regulatory function, abandonment of consumer protection and a virtual coddling of Utilities that will exploit regulatory lapses.

Our concern over possible overcharges in generation rate adjustments has firm basis.

The Commission on Audit in its review of MERALCO's operations as directed by the Supreme Court reported to the Commission in December 2009, or more than one (1)

year ago, that MERALCO had over charged its generation costs by over P2.0 Billion in 2007. That Report has not been acted upon by the Commission despite NASECORE's vigorous efforts to have the COA findings adopted; COA's admonition that those findings be considered by ERC in future actions on power rates have been ignored.

Over the last eight (8) months, NASECORE has persistently pursued the Commission's support and cooperation in NASECORE's efforts to check and confirm the generation costs consumers are bound to bear. As many as 10 letters and notices have been made to the Commission, requesting forms and information that would enable us to check for ourselves and other consumers the justness, propriety and reasonableness of the generation rates exacted from us.

We had asked for copies of supply contracts, especially between MERALCO and its three (3) IPP's, for us to appreciate even more the blending of rates from mixed sources. We requested copies of forms and reports, so we could verify for ourselves whether we were being billed correctly or bilked blind.

Unfortunately, the Commission thwarted our efforts every step of the way.

Attached are the earlier letter-requests we filed with the Commission. We hope the matters covered therein can be given due course, this time.

Should the Commission continue to ignore and disregard our valid request for information and fail to address our concerns on the generation charges of MERALCO and other Utilities, we will take this to mean as an abandonment of its mandate to promote and protect consumer interest, and will bring this matter and our other concerns to the other government agencies.

Thank you.

Very truly yours,



PETE ILAGAN
President

cc: His Excellency Benigno C. Aquino III, President of the Philippines
Hon. Paquito Ochoa, Executive Secretary
Hon. Juan Ponce Enrile, Senate President
Hon. Feliciano Belmonte, Speaker of the House of Representatives
Hon. Jose Rene D. Almendras, DOE Secretary
Hon. Sergio Osmena, Chair- Senate Committee on Energy
Hon. Henedina Abad, Chair - House of Representatives Committee on Energy
JCPC Members