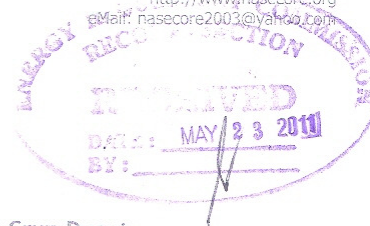




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20 May 2011

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 Cebu I Electric Cooperative, Inc. (CEBECO I) financial statements showing an over collection of P114,677,890.00 from 2006 to 2009.

Our finding is based on this Honorable Commission's *Unbundling Decision* dated 28 March 2002 under ERC Case No. 2001-959 granting CEBECO I's annual revenue requirement of P57,017,000.00 (net of purchased power cost).

To determine if CEBECO I was getting its ERC-approved annual revenue requirement, NASECORE studied CEBECO I's 2006-2009 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)
2005	422,019,109.00	380,359,682.00	41,659,427.00	57,017,000.00	(15,357,573.00)
2006	464,112,097.00	419,277,997.00	44,834,100.00	57,017,000.00	(12,182,900.00)
2007	513,110,006.00	413,214,852.00	99,895,154.00	57,017,000.00	42,878,154.00
2008	509,395,830.00	416,063,941.00	93,331,889.00	57,017,000.00	36,314,889.00
2009	629,021,311.00	524,336,564.00	104,684,747.00	57,017,000.00	47,667,747.00
				<b>Total Over/(Under)</b>	<b>114,677,890.00</b>

The table above clearly shows that CEBECO I has an over-collection in the amount P114,677,890.00 (net of purchased power cost) from 2006-2009. We still need to look into

the 2004, 2005, 2007 and 2010 annual reports of CEBECO I to find out if there are also over collections in these years.

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

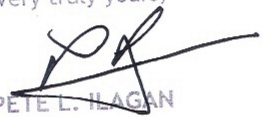
Further, this ERC failure lamentably renders its approved annual revenues for CEBECO I ( the result of its exhaustive study to ensure the viable operations of the electric utility) inutile as it failed to use this to serve as its way of ensuring that the CEBECO I rates it granted are just and reasonable.

In this regard, we urge ERC to immediately conduct a regulatory audit of CEBECO I 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. Gwendolin Garcia, Governor of Cebu  
Hon. Michael P. Bell, Mayor-Toledo City  
Hon. Pablo John Garcia, Representative-3<sup>rd</sup> District, Cebu  
Hon. Jose Rene Almendras, DOE Secretary  
Hon. Sergio R. Osmena III, Chair-Committee on Energy, Senate of the Philippines  
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