



CABANATUAN ELECTRIC CORPORATION
 Regy. Office, Maharlika Highway, Cabanatuan City 3100
 Telephone 463-0505, 463-0408 & 463-0811
 Fax 463-1052



March 1, 2003

ATTY. MARINA C. BUGAYONG
 Regulatory Operations Service
 Energy Regulatory Commission

Dear Ma'am:

We thank you for giving us the opportunity to comment on the 'Draft Business Separation and Unbundling Plan Filing Package' and the "Draft Business Separation and Unbundling Plan Guidelines".

General Comments:

It appears that each major business segment (generation, transmission, distribution & supply) is designed in such a way that "each major segment can stand or do business on its own." We understand that this is the reason why a non-regulated retail services business sub-segment (Section 4.4.22-sale of electricity to the contestable market) is included under a regulated Distribution Business Segment as well as in the Supply Business Segment. Besides, an EPIP has the option to separate its business activities under one juridical entity or to create another juridical entity to undertake some of its business activities. Frankly, the smaller utilities like us (who cannot afford to hire the services of consultants) will find it truly hard to comply with all of these technical filing requirements. We fervently suggest that the Commission takes the necessary steps to assist these utilities in the form of technical assistance, if so requested by these utilities.

Business separation is a foremost undertaking and, as such, EPIPs should be given longer time to thoroughly study and accomplish the voluminous paperwork involved in the preparation and submission of its individual Plan.

Specific Comments:

1. **ACAM:** The Commission should provide a general sample or model of the ACAM that it considers appropriate to support the Accounting Separation Statements to ensure uniformity of the underlying principles behind the most basic statements. This will also help the Commission in making realistic comparisons between various EPIPs.
2. As provided under Article II of the Business Separation Guideline, the Chief Executive Officer is the one responsible for signing vital documents like Management Responsibility Statement, General Information Sheet and Compliance Report accompanying each Accounting Separation Statement. Aside from the CEO, who else is authorized to sign these aforesaid documents?

3. **Cash Flow Statement** – Is the cashflow statement to be prepared as a whole for each major business segment (generation, transmission, distribution, supply)? Refer to Transmission and Distribution Cashflow Statements on pages 53 and 60 respectively.
4. **Use of Uniform Chart of Accounts** – The Commission should immediately come up with its proposed uniform chart of accounts that will be used by the different EPIPs in time with the implementation of their respective business separation plans.
5. **Further clarification of Article 5.6 of the Guideline (common directors, officers and employees)**. A more detailed explanation will enable us to fully comprehend the impact of this specific article in our separation task.
6. **Administrative support services (HR, Finance, Legal)** – How do we allocate these costs to the different business segments? Can the Commission give us a clear-cut guideline on how to treat these kind of indirect costs?
7. **Distribution related businesses** – Section no. 26 of the EPIRA states that 50% of the net income derived from such related undertaking utilizing the same distribution assets shall be used to reduce the distribution wheeling charges as determined by ERC. In relation to Section of 4.4.14 of the Business Separation Guideline, how do we present the revenue that will accrue from this specific activity in Appendix E to be found in page 57? Do we add half of this revenue to the distribution services and keep the other half for the related business segment? Or do we just record this revenue fully as a related business segment income?

We look forward to participating in this public consultation on March 5, 2003 hoping that this will help us gain a deeper understanding what BSUP is all about.

Sincerely,


Ellen-Nita S. Tadiaman
Corporate Accountant

FAXED
10:36 AM

Mar. 4, 2003