



TARLAC ELECTRIC INCORPORATED
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TARLAC ELECTRIC, INC.

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February 20, 2003

ENERGY REGULATORY COMMISSION
15th Floor, Pacific Center Building
San Miguel Avenue, Ortigas Center
Pasig City

Attention: Atty. Marina C. Bugayong
Regulatory Operations Service



Gentlemen:

In reference to ERC Case 2003-46, "In the Matter of the Adoption of the Business Separation Guidelines Providing for the Framework and Rules for the Structural and Functional Unbundling of Business Activities of Electric Industry Participants Pursuant to Section 36 of Republic Act No. 9136", we are submitting herewith our initial comments and questions on the proposed guidelines.

We respectfully ask the Honorable Commission to give us more time to study the said guidelines and reserve the right to make additional comments when necessary.

Thank you.

Very truly yours,


FLORIZA S. DELA CRUZ
Corporate Accountant

TARLAC ELECTRIC, INCORPORATED

Comments on BSUP Guidelines

1. The IRR provides that these business activities (generation, transmission, distribution and supply) may be further unbundled, but would there be ways/means to group these business segments to minimize the possible difficulties a distribution utility may encounter during the process, without prejudicing its purpose?
2. Distribution Business Segments:
 - Six (6) business segments have been identified, i.e. separating distribution services from distribution connection services, will there be any significant effect in the Company's reporting if these be considered as one?
 - Section 22 of RA 9136 provides that the Distribution Sector shall be a regulated common carrier business, why does it include a business segment which is "*non-regulated*" (i.e. Non-Regulated Services Business Segment)? Furthermore, the provision of Section 4.4.22 of this Guideline (also pertains to Non-Regulated Services Business Segments) is deemed inconsistent with the provision of Section 4.4.22 (while both pertains to the same business segment), i.e. "... to provide the regulated services referred to in Section 4.4.22..." whereas the said services, as the name suggest are "non-regulated". In addition, the first paragraph of the Rule 10 of the IRR provides for the clear separation of accounts between regulated and non-regulated business activities, doesn't the inclusion of this business segment create confusion? (Underscoring supplied.)
3. The Commission is planning to set a new uniform system of accounts, and in our opinion this will affect the preparation of the utilities' Accounting Separation Statements, does this mean we still have to wait for the resolution of this uniform system of accounts before we could possibly comply with this guideline?