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ESTABLISHED 1905

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February 20, 2003

Energy Regulatory Commission
17th Floor, Pacific Center Building
San Miguel Avenue
Pasig City

Gentlemen:



Hereunder are our comments on the proposed BSUP Master Plan.

The proposed requirement by ERC for an electric power industry to unbundle their business activities into seven business segments with corresponding separation of books and records entail complicated measures to put things into their proper perspectives to be able to comply the requirements.

At the onset of this implementation, it is deemed appropriate that the utility business activities be unbundled into four major business segments instead of the required seven segments. Initial concentration on putting these four major segments to their proper perspective would enable a utility (us) to familiarize every details and aspects of these just starting out recording activities.

The required seven business segments as illustrated are the following:

1. Distribution Services
2. Distribution Connecting Services
3. Metering Services
4. Regulated Customer Services
5. Supply
6. Related Businesses
7. Non-regulated Retail Services

The proposed four major business segments are the following:

1. Distribution (combining 1 & 2)
2. Metering Services
3. Supply for regulated customers (regulated customer services will be recorded as miscellaneous income) (combining 4 & 5)
4. Non-regulated retail services and related businesses (combining 6 & 7)

Each of the respective combined business segments has more or less related functions that give reason for consolidated recording of activities. However, if future necessity really

demands details recording of activities according to identified segments, the familiarity thereat as presumed to have possessed later could cope up to the situations.

Unbundling demands that each business segments must have its own separate books and records coupled with individual sets of financial reporting for regular submission to ERC. But in order to get to recording, proper recognition of assets identified to the corresponding business segment have to be established. Going along with this course is the causation of cost and revenue allocated to the activity that rises therein. This basic requirement is attainable but still the needs to get familiar to the new setting require a space of time.

Hoping for your consideration, we remain

Very truly yours,

VISAYAN ELECTRIC COMPANY, INC.


for: PEDRITO G. POLO
Head, Finance Department