



February 12, 2003

ENERGY REGULATORY COMMISSION
 Pacific Center
 San Miguel Avenue, Ortigas, Pasig City

Attention : Atty. Marina C. Bugayong
 Regulatory Operations Service

Subject : In the Matter of Adoption of the Deferred Energy Cost Recovery (DECOR) and Deferred Incremental Currency Exchange Recovery (DICER) per ERC Case No. 2003-44

We respectfully submit our comments on the proposed implementing rules on DECOR and DICER, as follows:

1. Recovery Period – Minimum of 3 Years for DECOR and Maximum of 3 Years for DICER

If DAA is computed at least annually, with a recovery period of 3 years, based on the balance in the Deferred Account as of the test period, the deferred amount will continually increase and result to higher power rates in the long run.

2. Deferred Charges Passed On to Future Consumption

Deferment of charges and a longer recovery lag will result to unwarranted passing on of charges to prospective consumers or on future consumption. Recovery of deferred charges may be made not from actual customers during the period the incremental costs were incurred and at volumes inconsistent to that incurred during the said period.

In the case of large industrial customers, deferment of charges will result to inaccurate power cost, and consequently misleading cost of production. It will particularly have an effect in the pricing of goods of export companies operating within our franchise area.

3. Carrying Charge at 91-day T-bill rates

Borrowing or commercial interest rates are much higher than investment rates. With the need to finance additional cash requirements due to deferment of charges, the utility may have to borrow at said higher rates. The 91-day T-bill rate may not be sufficient to cover actual interest expense incurred by the utility.

4. Test Period

The duration of the test period should be specified in the implementing rules (one year period ending adjustment date or what?).

5. Administrative Costs

A utility shall file an application setting generation rates not later than one year from its last filing, or whenever there is a significant change of 5% in the P/kwh in the cost of fuel and purchase power from its last filing, whichever comes first.


Administrative requirement of filing at least every year and submission of monthly reports as required in the implementing rules will mean unnecessary costs to both the utility and ERC.

6. Needless Approval before Implementation

An automatic recovery mechanism will be more relevant. It provides for an automatic adjustment so that charges, including interest, will not accumulate.

To reduce recovery lag and maintain rates closest to actual cost, why not implement an automatic recovery clause, subject to confirmation by the ERC, just like the existing recovery mechanisms in place (PCA, PPA,...)?

For your consideration.


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