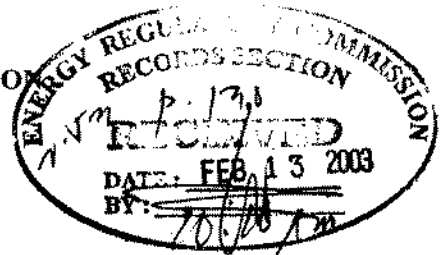




Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



IN THE MATTER OF THE ADOPTION
OF THE DEFERRED ENERGY COST
RECOVERY (DÉCOR) AND DEFERRED
INCREMENTAL CURRENCY EXCHANGE
RECOVERY (DICER)

ERC CASE NO. 2003-44

**SMALL POWER UTILITIES GROUP (SPUG)-
NATIONAL POWER CORPORATION (NPC),
Petitioner.**

X-----X

COMPLIANCE

COMES NOW, the Small Power Utilities Group (SPUG) of the National Power Corporation (NPC) through the undersigned counsels most respectfully avers:

1. On January 29, 2003, this Honorable Commission issued an Order requiring all interested parties to submit on or before February 12, 2003 their written comments to the proposed "Implementing Rules for the Deferred Accounting Procedures for Recovery of Fuel and Independent Power Producer Costs: Deferred Energy Cost Recovery (DÉCOR) and Deferred Incremental Currency Exchange Recovery (DICER);

2. In compliance with the said Order, NPC-SPUG hereby submits the following comments to the said proposed implementing rules:

2.1. With regard to Generation Costs, it is respectfully suggested that the Honorable Commission include/provide in the Implementing Rules specific criteria/s and firm up the definition of Generation Costs, particularly those that are considered as "prudently incurred, reasonable and eligible for recovery" considering that NPC-SPUG has to perform Missionary Electrification.

2.2. NPC-SPUG, believes that there is a need to clarify/specify the conditions/criteria for exception from the Regulation as provided in Section 11 thereof. NPC-SPUG also believes that its current situation should fall among the exceptions.

3. Nevertheless, NPC-SPUG would like to appeal to this Honorable Commission to exempt it (SPUG) in the deferment of FCA and FOREX in its effective rates.

4. It must be noted that based on the newly approved basic rates, the revenue from sales of SPUG is projected at P1,933.1 million, while revenue from the Universal Charge is estimated to reach P542.63 million (starting May 2003). The basis of said amount is the study/research conducted by the National Transmission Corporation (TRANSCO) wherein it projected the Philippine energy sales of 48,449 GWh. In view thereof, SPUG is expecting a deficit of P1,080.60 million, that is, based on the estimated OPEX of P3,556.33 million in the year 2003.

5. The expected deficit will further worsen to a maximum of P3,813.49 million (inclusive of purchase power) if this Honorable Commission decides not to finally include CAPEX in the computation of the Universal Charge. If that happens, SPUG-NPC will source its funds only from the internal cash generation and the expected shares from the Universal Charge that is P0.0168/kWh estimated as follows:

Area	Projected Sales (kWh)	Unbundled Rates (P/kWh)	Universal Charge Rate (P/kWh)	Projected Revenue (In Thousand Pesos)
Total Phils	47,945,999,640			
Luzon	396,088,780	3.7064	0.0168	1,895,177,912.39
Visayas	31,095,170	5.6404	0.0168	208,920,054.99
Mindanao	76,030,410	4.8024	0.0168	447,114,321.46
Total	48,449,214,000			2,551,212,288.84

6. SPUG would like to emphasize to the Honorable Commission that it does not have any means to finance the said expected budget deficit because of the implementation of the Unbundled Rates. Attached as Annex "A" is the projected results of operation based on the provisionally approved unbundling rates and Universal Charge. In fact, it (SPUG) has already been charging its customers a much higher rate than the provisionally approved unbundled rates (Annex "B").

7. For the information of the Honorable Commission, under the FCA and FOREX, the collection efficiency of SPUG based on CY 2002 is 93% for the current collection to current receivables (Annex "C") but only 17% compared to the total collection to total receivables.

8. SPUG also understand that in the computation of its Universal Charge, the Honorable Commission is considering whether to include the CAPEX

(which may be funded from other sources as prescribed by RA 9136) or allow only the cost of debt and depreciation expense based on the reasonable expected life of each project. It is the SPUG's belief that the second option is not feasible at this period since it would take a minimum of two (2) years to conclude a commercial or an ODA loan. Besides, SPUG will formulate the necessary policy to expedite the privatization of major island grids. Based on the CY2003 projected expenses, thirteen (13) major island grids account for 69% of OPEX and 29% of CAPEX respectively.

9. NPC-SPUG therefore needs all the funds it can immediately secure to sustain its operations in providing power generation. In this regard, it has to recover immediately all the possible cost adjustments that will come from Fuel and FOREX fluctuation. The Honorable Commission should likewise take note that NPC-SPUG is focusing its mission on areas of the country, which is classified or considered as most unviable.

WHEREFORE, PREMISES CONSIDERED, it is most respectfully prayed of this Honorable Commission that the above-mentioned comments be admitted and considered in the proposed Implementing Rules for the Deferred Accounting Procedures for Recovery of Fuel and Independent Power Producer Costs and NPC's requests for exemption from the deferment of FCA and FOREX in its effective rates be immediately granted.

Other reliefs just and equitable under the premises are likewise prayed for.

Respectfully submitted. Quezon City for the City of Pasig, February 11, 2003.

FOR THE SOLICITOR GENERAL



RAINIER B. BUTALID

Vice-President/General Counsel
Special Attorney-OSG
IBP No. 563678/01.09.03/ Masbate
PTR No. 39224643/01.09.03/Q. C.

COMIE P. DOROMAL
Deputy General Counsel
Special Attorney-OSG

IBP No. 107688/01.15.02/Quezon City
PTR No. 2084639



WILFREDO J. COLLADO

Department Manager
Special Attorney-OSG
IBP No. 566681,1/14/03, Quezon City
PTR No.37988019,1/14/03, Q. C.



MELCHOR I. RIDULME

Corporate Attorney A
Special Attorney-OSG
IBP Lifetime No. 01748
Roll No. 37784



RONALD DYLAN P. CONCEPCION

Corporate Attorney A
IBP No. 571042, 01.02.03, Rizal
PTR No. 241089, 01.02.03, Mdaluyong
Roll No. 40065



GORDON SY MONTOJO

Corporate Attorney B
Special Attorney-OSG
IBP No. 563776, 1/9/03, Quezon City
PTR No. 38310063, 1/9/03, Q. C.
Roll No. 44910

Counsels for the Petitioner
National Power Corporation
Corners Quezon Avenue & BIR Road
Diliman, Quezon City

Small Power Utilities Group
Projected Results of Operations
(Based on Provisionally Approved Unbundled Rates)
CY 2003

	Total SPUG	In Thousand Pesos		
		Luzon	Visayas	Mindanao
Gross Generation, MWH	581,203.92	454,850.72	37,758.42	88,594.78
Energy Sales, MWH	503,214.36	396,088.78	31,095.17	76,030.41
Net Utility Revenue	1,933,098.94	1,408,650.14	170,724.92	353,723.88
Basic Rate	2,008,581.09	1,468,063.45	175,389.20	365,128.44
FCA	0.00	0.00	0.00	0.00
FOREX	0.00	0.00	0.00	0.00
Power Rate Reduction	(75,482.15)	(59,413.32)	(4,664.28)	(11,404.56)
Variable Cost	2,725,847.80	1,981,988.92	244,476.51	499,382.36
Fuel Cost	2,154,391.26	1,442,050.33	235,633.24	476,707.68
Lube Cost	99,341.85	67,823.90	8,843.27	22,674.68
Purchased Power Cost	472,114.69	472,114.69		
Gross Contribution Margin	(792,748.86)	(573,338.79)	(73,751.59)	(145,658.48)
Fixed Cost	830,482.51	513,997.07	142,359.09	174,126.35
Depreciation	0.00			
Operating Expenses	830,482.51	513,997.07	142,359.09	174,126.35
Personal Services	309,644.70	173,815.10	59,415.02	76,414.58
Maintenance & Other OpEx	316,588.04	180,335.91	69,674.81	66,577.32
H.O. Allocation	204,249.78	159,846.06	13,269.26	31,134.45
Net Contribution Margin	(1,623,231.37)	(1,087,335.86)	(216,110.68)	(319,784.83)
Add: Projected Share from UC	542,628.80	424,661.80	35,252.35	82,714.65
Proj. Income/Loss after Collecting UC	(1,080,602.57)	(662,674.06)	(180,858.33)	(237,070.18)
Less: Capital Outlay	2,732,893.18	2,573,342.39	114,632.80	44,917.99
Work Order	1,602,190.32	1,557,315.33	32,145.00	12,729.99
ROW	392,976.37	392,976.37		
General Plant Equipment	27,357.00	19,111.00	6,058.00	2,188.00
Spares	566,625.93	460,196.13	76,429.80	30,000.00
Capitalized Opex	143,743.56	143,743.56		
Net Income/(Loss)	(3,813,495.75)	(3,236,016.45)	(295,491.13)	(281,988.17)

NOTES TO RESULTS OF OPERATION:

Projected Energy Sales (Phils.)

48,449 GWH

Projected Levy/kWh (Provisionally Approved)

P0.0168/kWh

PS & MOOE - based on CY 2003 Proposed Budget

CAPEX includes proposals of TMS

Small Power Utilities Group
Projected Results of Operations
(Based on Provisionally Approved Unbundled Rates)
CY 2003

	Total SPUG	P/kWh		
		Luzon	Visayas	Mindanao
Gross Generation, MWH				
Energy Sales, MWH				
Net Utility Revenue	3.8415	3.5564	5.4904	4.6524
Basic Rate	3.9915	3.7064	5.6404	4.8024
FCA	-	-	-	-
FOREX	-	-	-	-
Power Rate Reduction	(0.1500)	(0.1500)	(0.1500)	(0.1500)
Variable Cost	5.4169	5.0039	7.8622	6.5682
Fuel Cost	5.4674	5.0261	7.5778	6.2700
Lube Cost	0.2521	0.2364	0.2844	0.2982
Purchased Power Cost	4.3244	4.3244	-	-
Gross Contribution Margin	(1.5754)	(1.4475)	(2.3718)	(1.9158)
Fixed Cost	1.6504	1.2977	4.5782	2.2902
Depreciation	-	-	-	-
Operating Expenses	1.6504	1.2977	4.5782	2.2902
Personal Services	0.6153	0.4388	1.9107	1.0051
Maintenance & Other OpEx	0.6291	0.4553	2.2407	0.8757
H.O. Allocation	0.4059	0.4036	0.4267	0.4095
Net Contribution Margin	(3.2257)	(2.7452)	(6.9500)	(4.2060)
Add: Projected Share from UC	0.0168	0.0168	0.0168	0.0168
Proj. Income/Loss after Collecting UC	(2.1474)	(1.6730)	(5.8163)	(3.1181)
Less: Capital Outlay	5.4309	6.4969	3.6865	0.5908
Work Order	3.1839	3.9317	1.0338	0.1674
ROW	-	-	-	-
General Plant Equipment	0.0544	0.0482	0.1948	0.0288
Spares	1.1260	1.1619	2.4579	0.3946
Capitalized Opex	0.2857	0.3629	-	-
Net Income/(Loss)	(7.5783)	(8.1699)	(9.5028)	(3.7089)

NOTES TO RESULTS OF OPERATION:

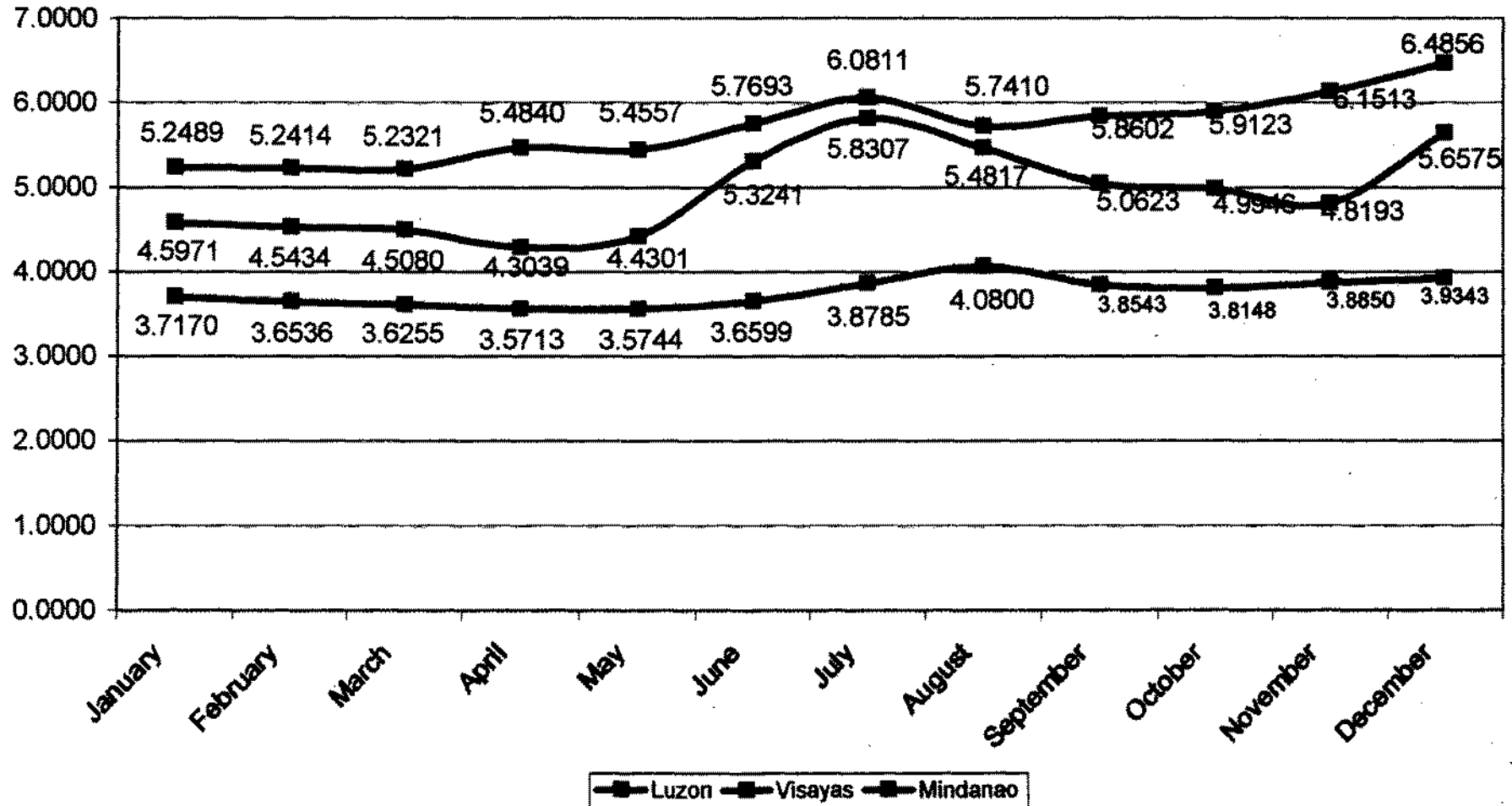
Projected Energy Sales (Phils.)

Projected Levy/kWh (Provisionally Approved)

PS & MOOE - based on CY 2003 Proposed Budget

CAPEX includes proposals of TMS

**EFFECTIVE SELLING RATE
LUZON, VISAYAS & MINDANAO
January to December 2002**



SMALL POWER UTILITIES GROUP

Collection Efficiency Report: Current Payment Vis-à-vis Current Billings

As of December 2002

COOPERATIVE	POWERBILL Dec01-Nov02	ADD'L PAY'T PER SPCL.	TOTAL AMOUNT DUE	PAYMENT as of December	PPD	BALANCE STILL DUE
	11/26/01-11/25/02	AGREEMENT		2002		
	A	B	C	D	E	F
Northern Luzon						
BATANELCO	10,531,260.38	0.00	10,531,260.38	10,215,322.58	315,937.81	-0.01
CAGELCO II	558,290.74	0.00	558,290.74	541,542.02	16,748.72	0.00
AURELCO	5,190,662.70	0.00	5,190,662.70	5,034,942.82	155,719.88	0.00
KAELCO	3,350,107.53	0.00	3,350,107.53	3,256,964.06	93,143.48	0.00
ISELCO	489,250.43	0.00	489,250.43	557,177.22	10,680.34	-78,607.13
	20,119,571.78	0.00	20,119,571.78	19,605,948.70	592,230.24	-78,607.15
Southern Luzon						
ALECO II	2,485,440.42	0.00	2,485,440.42	2,404,657.35	74,584.17	6,218.90
BISELCO	14,585,998.26	0.00	14,585,998.26	14,148,204.00	437,722.94	71.31
LUBELCO	6,765,205.80	0.00	6,765,205.80	6,597,412.36	17,815.77	149,977.67
MARELCO	90,670,145.14	0.00	90,670,145.14	86,973,140.67	2,720,104.35	976,900.12
MASELCO	137,824,891.14	3,300,000.00	141,124,891.14	129,681,079.72	0.00	11,443,811.42
PALECO (Mini)	11,974,484.46	0.00	11,974,484.46	11,615,249.94	359,234.53	-0.01
PALECO (Main)	328,838,252.41	0.00	328,838,252.41	319,037,111.56	9,865,147.57	-64,006.72
FICELCO	78,953,719.29	0.00	78,953,719.29	69,303,524.95	0.00	9,650,194.34
QUEZELCO II	7,651,679.39	0.00	7,651,679.39	7,434,284.41	217,394.98	0.00
ROMELCO	23,475,072.30	0.00	23,475,072.30	23,475,072.31	0.00	-0.01
Mun. of Banton	540,830.42	0.00	540,830.42	407,346.25	0.00	133,484.17
Mun. of Corcuera	1,025,646.03	0.00	1,025,646.03	981,231.13	0.00	44,414.90
TIELCO	42,142,674.93	0.00	42,142,674.93	40,625,945.64	1,264,280.23	252,449.06
TICELCO	9,364,771.10	150,000.00	9,514,771.10	7,651,043.87	0.00	1,863,727.23
BATELEC II	1,237,501.19	0.00	1,237,501.19	1,078,869.30	0.00	158,631.89
Mun. Of Concepcion	773,257.38	0.00	773,257.38	774,091.98	0.00	-834.60
OMECO	134,903,331.82	0.00	134,903,331.82	133,379,412.80	0.00	1,523,919.02
ORMECO	233,399,074.12	0.00	233,399,074.12	226,397,101.90	7,001,972.22	0.00
	1,126,611,975.60	3,450,000.00	1,130,061,975.60	1,081,964,780.15	21,958,236.77	26,138,958.68
Visayas						
BANELCO	57,974,596.86	0.00	57,974,596.86	58,258,875.30	1,723,558.13	-2,007,836.57
CELCO	24,578,417.25	787,531.70	25,365,948.95	26,187,150.38	0.00	-821,201.43
PROSIELCO	41,945,266.20	0.00	41,945,266.20	40,737,737.66	1,258,357.99	-50,829.45
NORSAMELCO	4,029,868.65	0.00	4,029,868.65	4,073,325.42	0.00	-43,456.77
BOHECO II	45,150.97	0.00	45,150.97	50,762.93	0.00	-5,611.96
MECO	589,829.45	0.00	589,829.45	532,335.80	29,220.42	28,273.23
SAMELCO II	2,806,252.08	0.00	2,806,252.08	2,096,539.40	0.00	709,712.68
BILECO	1,292,612.21	0.00	1,292,612.21	1,188,462.68	0.00	104,149.53
ANTECO	990,706.59	0.00	990,706.59	966,889.80	18,951.92	4,864.87
SOLECO	932,043.92	0.00	932,043.92	932,043.92	0.00	0.00
SAMELCO I	1,823,544.69	0.00	1,823,544.69	1,683,091.45	0.00	140,453.24
ILECO III	660,164.35	0.00	660,164.35	640,362.42	19,804.93	-3.00

SMALL POWER UTILITIES GROUP

Collection Efficiency Report: Current Payment Vis-à-vis Current Billings

As of December 2002

COOPERATIVE	POWERBILL Dec01-Nov02	ADD'L PAY'T PER SPCL.	TOTAL AMOUNT DUE	PAYMENT as of December	PPD	BALANCE STILL DUE
	11/26/01-11/25/02	AGREEMENT		2002		
	A	B	C	D	E	F
Northern Luzon						
BATANELCO	10,531,260.38	0.00	10,531,260.38	10,215,322.58	315,937.81	-0.01
CAGELCO II	558,290.74	0.00	558,290.74	541,542.02	16,748.72	0.00
AURELCO	5,190,662.70	0.00	5,190,662.70	5,034,942.82	155,719.88	0.00
Kaelco	3,350,107.53	0.00	3,350,107.53	3,256,964.06	93,143.48	0.00
ISELCO	489,250.43	0.00	489,250.43	557,177.22	10,680.34	-78,607.13
	20,119,571.78	0.00	20,119,571.78	19,605,948.70	592,230.24	-78,607.15
Southern Luzon						
ALECO II	2,485,440.42	0.00	2,485,440.42	2,404,657.35	74,564.17	6,218.90
BISELCO	14,585,998.26	0.00	14,585,998.26	14,148,204.00	437,722.94	71.31
LUBELCO	6,765,205.80	0.00	6,765,205.80	6,597,412.36	17,815.77	149,977.67
MARELCO	90,670,145.14	0.00	90,670,145.14	86,973,140.67	2,720,104.35	976,900.12
MASELCO	137,824,891.14	3,300,000.00	141,124,891.14	129,681,079.72	0.00	11,443,811.42
PALECO (Mini)	11,974,484.46	0.00	11,974,484.46	11,615,249.94	359,234.53	-0.01
PALECO (Main)	328,838,252.41	0.00	328,838,252.41	319,037,111.56	9,865,147.57	-64,006.72
FICELCO	78,953,719.29	0.00	78,953,719.29	69,303,524.95	0.00	9,650,194.34
QUEZELCO II	7,651,679.39	0.00	7,651,679.39	7,434,284.41	217,394.98	0.00
ROMELCO	23,475,072.30	0.00	23,475,072.30	23,475,072.31	0.00	-0.01
Mun. of Banton	540,830.42	0.00	540,830.42	407,346.25	0.00	133,484.17
Mun. of Corcuera	1,025,646.03	0.00	1,025,646.03	981,231.13	0.00	44,414.90
TIELCO	42,142,674.93	0.00	42,142,674.93	40,625,945.64	1,264,280.23	252,449.06
TICELCO	9,364,771.10	150,000.00	9,514,771.10	7,651,043.87	0.00	1,863,727.23
BATELEC II	1,237,501.19	0.00	1,237,501.19	1,078,869.30	0.00	158,631.89
Mun. Of Concepcion	773,257.38	0.00	773,257.38	774,091.98	0.00	-834.60
OMECCO	134,903,331.82	0.00	134,903,331.82	133,379,412.80	0.00	1,523,919.02
ORMECO	233,399,074.12	0.00	233,399,074.12	226,397,101.90	7,001,972.22	0.00
	1,126,611,975.60	3,450,000.00	1,130,061,975.60	1,081,964,780.15	21,958,236.77	26,138,958.68
Visayas						
BANELCO	57,974,596.86	0.00	57,974,596.86	58,258,875.30	1,723,558.13	-2,007,836.57
CELCO	24,578,417.25	787,531.70	25,365,948.95	26,187,150.38	0.00	-821,201.43
PROSIELCO	41,945,266.20	0.00	41,945,266.20	40,737,737.66	1,258,357.99	-50,829.45
NORSAMELCO	4,029,868.65	0.00	4,029,868.65	4,073,325.42	0.00	-43,456.77
BOHECO II	45,150.97	0.00	45,150.97	50,762.93	0.00	-5,611.96
MECO	589,829.45	0.00	589,829.45	532,335.80	29,220.42	28,273.23
SAMELCO II	2,806,252.08	0.00	2,806,252.08	2,096,539.40	0.00	709,712.68
BILECO	1,292,612.21	0.00	1,292,612.21	1,188,462.68	0.00	104,149.53
ANTECO	990,706.59	0.00	990,706.59	966,889.80	18,951.92	4,864.87
SOLECO	932,043.92	0.00	932,043.92	932,043.92	0.00	0.00
SAMELCO I	1,823,544.69	0.00	1,823,544.69	1,683,091.45	0.00	140,453.24
ILECO III	660,164.35	0.00	660,164.35	640,362.42	19,804.93	-3.00