

North Extensions:  
Mandaue  
Talamban  
Consolacion  
Liloan

ESTABLISHED 1905

South Extensions:  
Talisay  
Minglanilla  
Naga  
San Fernando

# VISAYAN ELECTRIC CO., INC.

ELECTRIC LIGHT, HEAT & POWER

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Telefax No. 254-4828 (ECONOMIC ANALYSIS AND PLANNING STAFF)

February 12, 2003

## ENERGY REGULATORY COMMISSION

15<sup>th</sup> Floor, Pacific Center Building  
San Miguel Avenue, Pasig City  
Metro Manila

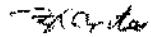


Gentlemen:

We are submitting herewith our comments on the Implementing Rules of the Deferred Energy Cost Recovery (DÉCOR). We would also manifest our intention to participate in any consultations and hearings that may be made in this regard. We will be sending Engr. Oscar T. Rodriguez to the public consultation on February 17, 2003.

Thank you.

Very truly yours,

  
ZOILO M. CORTES  
Chief, Economic Analysis and  
Planning Staff

## Comments on DICER:

1. DICER does not address the increase in the cost of system loss with the increase in power rates.
2. The formula shown under Section 6. Calculation of Generation Rate on page 6 is confusing. Different formulas can be made to cater the various situations of the different utilities.
3. There is a need to increase permanent working capital. A 91-day treasury bill rate is less than the cost of borrowing. An additional 6% on a 91-day treasury bill as risk premium, similar to the TRANSCO's WACC calculations maybe a reasonable carrying charge.
4. Recovery period of 3 years is too long. New customer will pay for the cost incurred before they got service connections.