

CEPALCO EXPERIENCE on OPEX FORECASTING

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The logo for CEPALCO, featuring the word "CEPALCO" in a bold, red, sans-serif font. A black triangle is positioned below the letter "A".

Cagayan Electric Power
& Light Co., Inc.



CHALLENGES

- **CONVERSION: CY to Regulatory Year**
- **CATEGORIZATION**
match existing accounts with the RDWR-prescribed opex categories
- **ALLOCATION**
for opex categories jointly lodged under one account (i.e. Salaries/opex of a unit joint to Distribution and Consumer Accounts)



CHALLENGES

- Relating OPEX forecast with cost drivers
 - Load growth
 - Number of customer
 - Asset size
- Justifications for special non-recurring programs (i.e. decentralized service centers; regulatory compliance, etc)



CHALLENGES

THE NEED TO BALANCE :

1. Rate impact
2. Objectives/Targets
 - Operational/Eng'g Objectives
 - Financial Targets
 - System/Service Targets
3. Customers' rate threshold.
 - This entailed series of CAPEX forecast changes, prioritization, and re-runs.



GREATEST CHALLENGE

- Justify, secure sponsorship, and approval by:
 1. Operations Team
(prioritization consensus)
 2. Top Management - Board
 3. PBA - ERC



MOVING FORWARD

- Need to enhance **PROJECT & ASSET MANAGEMENT SKILLS**
- **BUDGETING** strictly hinged on ERC-approved capex and opex



MOVING FORWARD

- **INTERNALIZATION** by operating team
the consequences if . . .
 - Projects are not implemented on schedule
 - Actual costs exceeds approved levels
 - Projects are inefficiently undertaken
 - PIS targets not achieved (penalties)



2008 BUDGETING RULES

Should be part of and within the ERC-approved OPEX/CAPEX

OTHERWISE, should satisfy the ff:

1. Basic and Necessary to core business.
2. Leads to attainment of Corporate KRAs and Objectives for 2008
3. Financially Viable.



Opex Trends

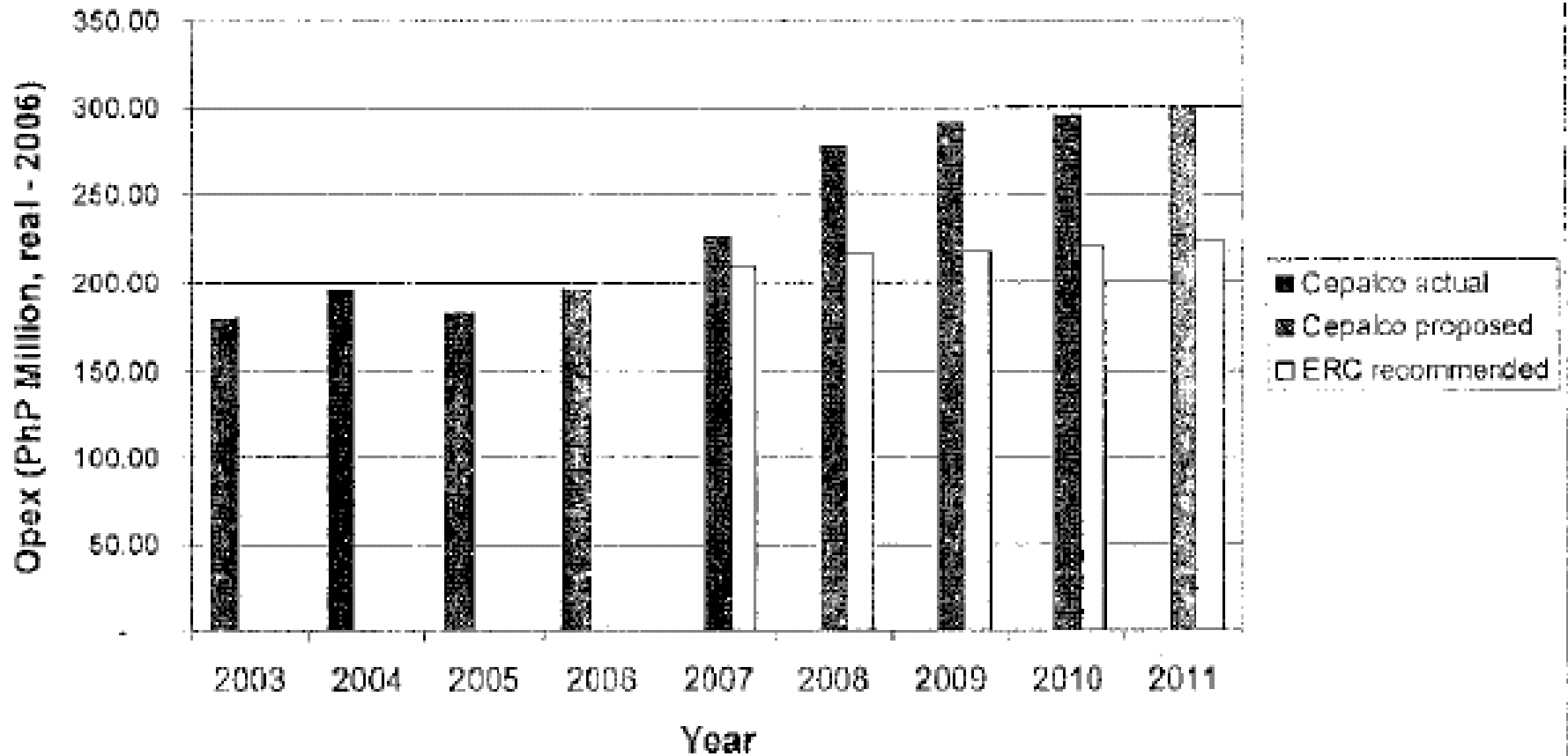


Figure 5.6 : Historical and forecast trends – operating and maintenance expenditure



THANK YOU!

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Cagayan Electric Power & Light Company, Inc.

We power progress.

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WORKING COMMITTEES

1. Historical OPEX-CAPEX (*gathering, categorization, and allocation*)
2. Fixed Asset Register and Asset Valuation
3. Load/CAPEX forecast and PIS targets
4. OPEX and non-network capex forecast
5. Over-all Coordination and Integration

