

# 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

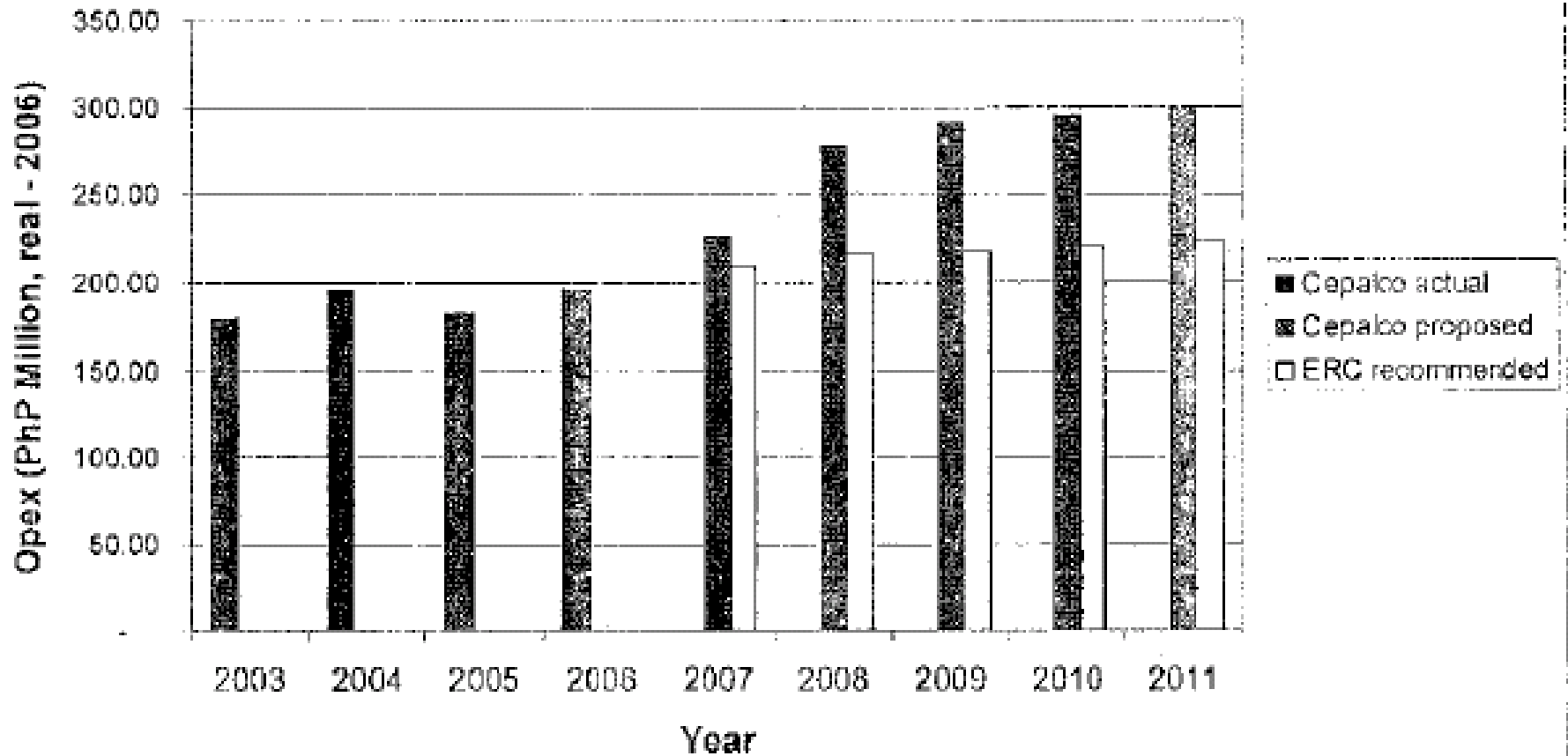


Figure 5.6 : Historical and forecast trends – operating and maintenance expenditure



# THANK YOU!

# CEPALCO

**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

