

**SCHEDULE B: FINANCIAL INDICES FORECASTS FOR THE SECOND REGULATORY PERIOD**

CEPALCO proposed to adopt the Philippine and US CPI and PhP/US\$ exchange rate forecasts approved by the ERC in its Final Determination dated June 13, 2006 in ERC Case #2005-041RC for application by the National Transmission Corporation (TransCo) for the Regulatory Period 2006-2010. The said forecasts were based on the forecasts made by the Economic Intelligence Unit (EIU), hence it is consistent with CEPALCO's suggestion in the Transco Draft Determination to use consistent data set for the economic forecast coming from a competent and independent macro-economic forecasting specialist.

Since the Transco forecasts are until Year 2010 only, CEPALCO proposed to adopt the 2010 figures for application in the Year 2011. Hence, for the Second Regulatory Period, CEPALCO proposed to adopt the following forecasts:

	2006	2007	2008	2009	2010	2011
Phil CPI (% change pa, ave.)	7.30%	5.60%	4.60%	3.90%	4.30%	4.30%
US CPI (% change pa, ave)	3.70%	2.80%	2.70%	2.70%	2.70%	2.70%
PhP/US\$ Exchange Rate (EOY data)	53.70	52.80	52.50	52.50	53.00	53.00

To conform to the requirements of the RDWR, the above annual percent (%) CPI change will be used to derive the monthly forecasts CPI using the following procedure:

1. Determine the average CPI for each year by adjusting the actual data for the Base Year (Year 2005) with the above forecasted annual percent (%) change.
2. Based on monthly CPI data from 2002 to 2005, derive the historical monthly index by dividing the actual monthly CPI with the sum of the monthly CPI for the 12-month period.
3. The forecasted monthly CPI will then be determined by applying the historical monthly index on the average forecasted CPI per year.

Same procedure will be followed for the conversion of the forecasted End-of-Year (EOY) P/US\$ exchange rate data into monthly forecasts.

Based on the foregoing, the following are the forecasted Philippine and US CPI and PhP/US\$ exchange rate for each Regulatory Year. Data on the 180-day Manila Reference Rate are also provided below.

Details of all computation are found in Schedules B.1.1, B.2.1 and B.3.1.

**B.1 Forecasted Philippine CPI**

Quarter Ending	2006	2007	2008	2009	2010	2011
31-Mar	136.70	144.55	151.20	157.10	163.85	170.90
30-Jun	138.10	146.88	153.63	159.63	166.49	173.65
30-Sep	142.15	148.85	155.70	161.77	168.72	
31-Dec	143.65	150.57	157.49	163.63	170.67	
Base index : 100				Base index year :		2000
Data source	Derived from ERC Final Determination for Transco (Please see Schedule B.1.1 for details)					

## B.2 Forecasted United States CPI

Quarter ending	2006	2007	2008	2009	2010	2011
31-Mar	199.80	207.01	212.59	218.33	224.23	230.28
30-Jun	202.90	208.14	213.76	219.53	225.45	231.54
30-Sep	206.79	210.08	215.75	221.58	227.56	
31-Dec	204.71	209.37	215.03	220.83	226.79	
Base index : 100				Base index year :		1982-84
Data source	Derived from ERC Final Determination for Transco (Please see Schedule B.1.1 for details)					

## B.3 PhP/US\$ Quarterly Exchange Rate

Quarter ending	2006	2007	2008	2009	2010	2011
31-Mar	51.219	52.451	52.153	52.153	52.650	52.650
30-Jun	53.157	52.715	52.416	52.416	52.915	52.915
30-Sep	52.135	53.378	53.075	53.075	53.581	
31-Dec	51.747	52.982	52.681	52.681	53.182	
Data source	Derived from ERC Final Determination for Transco (Please see Schedule B.1.1 for details)					

## B.4 180-Day Manila Reference Rate (source: Bangko Sentral ng Pilipinas)

Year	Manila Reference Rate, 180-Day
2001	9.6
2002	7.9
2003	8.7
2004	10.4
2005	11.8
2006	
Jan	9.7
Feb	9.6
Mar	9.8
Apr	9.6
May	9.7
Jun	9.4
Jul	9.3

**Schedule B.1.1. Derivation of Monthly CPI based on ERC's Final Determination for Transco**

Historical Data

Year	Jan.	Feb	March	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Sum	Average
2002	165.1	164.8	165.2	165.5	165.9	166.3	166.7	167.6	167.9	167.8	167.9	168.6	1,999.3	166.6
Monthly Index =>	8.26%	8.24%	8.26%	8.28%	8.30%	8.32%	8.34%	8.38%	8.40%	8.39%	8.40%	8.43%		
2003	169.2	169.6	169.7	170.0	170.2	171.7	172.0	172.4	172.5	172.7	173.1	173.6	2,056.7	171.4
Monthly Index =>	8.23%	8.25%	8.25%	8.27%	8.28%	8.35%	8.36%	8.38%	8.39%	8.40%	8.42%	8.44%		
2004	116.5	116.7	117.1	117.7	118.3	120.3	121.8	122.3	123.0	123.5	124.5	125.4	1,447.1	120.6
Monthly Index =>	8.05%	8.06%	8.09%	8.13%	8.17%	8.31%	8.42%	8.45%	8.50%	8.53%	8.60%	8.67%		
2005	126.3	126.6	127	127.7	128.3	129.4	130.5	131.1	131.6	132.2	133.3	133.7	1,557.7	129.8
Monthly Index =>	8.11%	8.13%	8.15%	8.20%	8.24%	8.31%	8.38%	8.42%	8.45%	8.49%	8.56%	8.58%		

<b>Ave. Monthly Index *</b>	8.16%	8.17%	8.19%	8.22%	8.25%	8.32%	8.37%	8.41%	8.43%	8.45%	8.49%	8.53%		
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\* Percent to total

FORECAST	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Sum	Average	Inflation (Transco)
2006	134.8	136.2	136.7	136.8	137.1	138.1	138.8	141.8	142.1	142.4	143.1	143.7	1,671.4	139.3	7.30%
2007	144.0	144.2	144.6	145.1	145.5	146.9	147.8	148.4	148.8	149.2	149.9	150.6	1,765.0	147.1	5.60%
2008	150.7	150.8	151.2	151.7	152.2	153.6	154.6	155.2	155.7	156.1	156.8	157.5	1,846.2	153.9	4.60%
2009	156.5	156.7	157.1	157.7	158.2	159.6	160.6	161.3	161.8	162.1	162.9	163.6	1,918.2	159.9	3.90%
2010	163.3	163.5	163.9	164.4	165.0	166.5	167.5	168.2	168.7	169.1	169.9	170.7	2,000.7	166.7	4.30%
2011	170.3	170.5	170.9	171.5	172.1	173.6	174.7	175.5	176.0	176.4	177.2	178.0	2,086.7	173.9	4.30%

Period	Reg Yr	Ave CPI	Inflation	Factor
July 05 - June 06	2006	134.3		
July 06-June 07	2007	143.5	6.83%	1.0683
July 07 - June 08	2008	150.4	4.81%	1.1197
July 08 - June 09	2009	156.8	4.25%	1.1673
July 09 - June 10	2010	163.2	4.10%	1.2152
July 10 - June 11	2011	170.3	4.30%	1.2675

**Schedule B.2.1. Derivation of Quarterly US CPI based on ERC's Final Determination for Transco**

**Historical Data gathered from US Bureau of Labor Statistics website**

Year	Jan.	Feb	March	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Average	% Inc
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181	181.3	181.3	180.9	179.9	
Monthly Index =>	8.20%	8.24%	8.28%	8.33%	8.33%	8.33%	8.34%	8.37%	8.39%	8.40%	8.40%	8.38%		
2003	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185	184.5	184.3	184.0	2.27%
Monthly Index =>	8.23%	8.29%	8.34%	8.33%	8.31%	8.32%	8.33%	8.36%	8.39%	8.38%	8.36%	8.35%		
2004	185.2	186.2	187.4	188	189.1	189.7	189.4	189.5	189.9	190.9	191	190.3	188.9	2.68%
Monthly Index =>	8.17%	8.21%	8.27%	8.29%	8.34%	8.37%	8.36%	8.36%	8.38%	8.42%	8.43%	8.40%		
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	195.3	3.39%
Monthly Index =>	8.14%	8.18%	8.25%	8.30%	8.30%	8.30%	8.34%	8.38%	8.48%	8.50%	8.43%	8.40%		

Ave. Monthly Index	8.19%	8.23%	8.29%	8.31%	8.32%	8.33%	8.34%	8.37%	8.41%	8.43%	8.40%	8.38%
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**FORECAST DATA**

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average	%Inc
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.3	204.3	206.8	207.2	205.5	204.7	202.5	3.70%
2007	204.5	205.7	207.0	207.7	207.9	208.1	208.4	209.1	210.1	210.5	210.0	209.4	208.2	2.80%
2008	210.0	211.2	212.6	213.3	213.5	213.8	214.0	214.7	215.8	216.2	215.6	215.0	213.8	2.70%
2009	215.7	216.9	218.3	219.1	219.2	219.5	219.8	220.5	221.6	222.0	221.4	220.8	219.6	2.70%
2010	221.5	222.8	224.2	225.0	225.2	225.5	225.7	226.5	227.6	228.0	227.4	226.8	225.5	2.70%
2011	227.5	228.8	230.3	231.0	231.2	231.5	231.8	232.6	233.7	234.2	233.6	232.9	231.6	2.70%

Period	Reg Yr	Ave CPI	Inflation	Index
July 05 - June 06	2006	199.0		
July 06-June 07	2007	206.1	3.55%	1.0355
July 07 - June 08	2008	211.0	2.39%	1.0605
July 08 - June 09	2009	216.7	2.70%	1.0891
July 09 - June 10	2010	222.5	2.70%	1.1185
July 10 - June 11	2011	228.5	2.70%	1.1487

Schedule B.3.1. Derivation of Quarterly PhP/US\$ Exchange Rate based on ERC's Final Determination for Transco

Month	ACTUAL From BSP Website					FORECAST					Historical Ave	Index
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		
Jan	51.263	53.701	55.854	55.112	52.617	52.660	52.361	52.361	52.860	52.860	53.710	8.31%
Feb	51.330	54.329	56.252	54.717	51.817	52.640	52.341	52.341	52.840	52.840	53.689	8.31%
Mar	51.136	53.948	56.386	54.793	51.219	52.451	52.153	52.153	52.650	52.650	53.496	8.28%
Apr	50.863	52.805	55.707	54.318	51.360	51.975	51.680	51.680	52.172	52.172	53.011	8.20%
May	50.145	52.942	55.917	54.470	52.127	52.082	51.787	51.787	52.280	52.280	53.120	8.22%
Jun	50.350	53.471	56.142	55.707	53.157	52.715	52.416	52.416	52.915	52.915	53.765	8.32%
Jul	51.069	54.357	56.041	55.886	52.398	52.896	52.596	52.596	53.097	53.097	53.950	8.35%
Aug	52.101	55.305	56.078	56.044	51.459	53.139	52.837	52.837	53.340	53.340	54.197	8.39%
Sep	52.431	55.043	56.383	56.217	52.135	53.378	53.075	53.075	53.581	53.581	54.442	8.42%
Oct	53.089	55.360	56.334	55.292	52.135	53.379	53.075	53.075	53.581	53.581	54.442	8.42%
Nov	53.667	55.530	56.279	54.280	52.060	53.301	52.998	52.998	53.503	53.503	54.363	8.41%
Dec	53.541	55.459	56.167	53.270	51.747	52.982	52.681	52.681	53.182	53.182	54.037	8.36%
Ave	51.749	54.354	56.128	55.009	52.019	52.800	52.500	52.500	53.000	53.000	646.222	100.00%

Period	Reg Yr	End of Reg Yr FOREX
July 05 - June 06	2006	53.16
July 06-June 07	2007	52.72
July 07 - June 08	2008	52.42
July 08 - June 09	2009	52.42
July 09 - June 10	2010	52.91
July 10 - June 11	2011	52.91