

SCHEDULE G.1.1 ANNUAL O&M EXPENDITURE FORECASTS (REAL PESO)

Opex Category and Sub-category		2007 Calendar Year	Forecast (real value for regulatory year)				
			2007	2008	2009	2010	2011
Distribution							
Operation	Operation supervision & engineering	4,936,380	4,583,852	5,012,858	5,095,513	5,170,795	5,170,393
	Load dispatching	1,772,904	1,448,835	1,877,969	1,848,890	1,748,213	1,761,045
	Substation	1,877,192	1,534,060	1,988,438	1,957,648	1,851,049	1,864,636
	Overhead line - demand	-	-	-	-	-	-
	Overhead line - customer	2,707,245	2,169,642	2,843,354	2,855,741	2,751,305	2,735,847
	Streetlighting (non-roadway)	208,577	170,451	220,938	217,516	205,672	207,182
	Streetlighting (roadway)	12,248	9,937	12,633	13,113	13,350	13,418
	Metering	3,602,911	3,689,711	3,699,183	3,839,255	3,941,653	4,067,565
	Consumer installation expenses	7,624,435	6,944,132	7,853,634	8,067,456	8,125,061	8,351,322
	Rents	-	-	-	-	-	-
	Information technology	1,479,182	1,171,789	1,724,066	2,053,787	2,212,448	2,357,155
	Miscellaneous	1,510,402	1,226,722	1,592,217	1,580,829	1,509,335	1,514,244
Maintenance	Maintenance supervision & engineering	5,108,442	4,357,373	5,202,004	5,273,337	5,299,530	5,283,596
	Structures	3,292,509	2,600,101	3,428,988	3,509,028	3,441,322	3,386,395
	Substations	509,901	413,442	534,710	536,687	518,504	517,897
	Overhead line - demand	-	-	-	-	-	-
	Overhead line - customer	5,925,141	4,686,318	6,150,251	6,353,237	6,278,460	6,156,890
	Streetlighting (non-roadway)	-	-	-	-	-	-
	Streetlighting (roadway)	708,581	682,558	740,547	773,765	785,640	809,307
	Line transformers	3,511,697	2,754,301	3,588,207	3,655,849	3,649,139	3,653,714
	Information technology	796,482	630,963	928,343	1,105,885	1,191,318	1,269,238
	Metering	3,609,816	1,568,061	4,568,223	4,858,691	5,099,000	5,318,102
	Miscellaneous	-	-	-	-	-	-
	Sub-total Distribution	49,194,045	40,642,248	51,966,563	53,596,230	53,791,794	54,437,946
Consumer accounts							
	Supervision	4,503,280	4,019,285	4,584,578	4,671,859	4,738,444	4,808,789
	Meter reading	3,713,429	3,714,725	3,847,864	4,032,063	4,138,456	4,212,305
	Information technology	3,071,036	2,155,836	3,540,209	3,152,264	3,244,168	2,566,161
	Consumer records & collection	20,955,001	19,396,947	21,793,835	22,752,680	23,565,023	24,291,650
	Uncollectible accounts	6,721,855	6,721,855	6,721,855	6,721,855	6,721,855	6,721,855
	Informational and instructional advertising	5,070,031	4,463,726	5,436,719	5,854,709	6,182,709	6,778,709
	Miscellaneous	-	-	-	-	-	-
	Consumer prompt payment discount	-	-	-	-	-	-
	Sub-total Consumer accounts expenses	44,034,631	40,472,374	45,925,061	47,185,430	48,590,655	49,379,469

SCHEDULE G.1.1 ANNUAL O&M EXPENDITURE FORECASTS (REAL PESO)

Opex Category and Sub-category	2007 Calendar Year	Forecast (real value for regulatory year)				
		2007	2008	2009	2010	2011
Administrative & general						
Admin & general salaries	38,171,436	32,870,023	40,062,916	41,855,236	43,448,371	45,283,125
Office supplies & expenses	17,889,932	17,439,004	17,490,872	17,300,489	16,058,265	13,663,654
Information technology	2,412,956	1,693,871	2,781,593	2,476,779	2,548,989	2,016,269
Outside services employed	13,387,032	10,517,370	14,197,754	14,603,303	16,491,461	16,382,664
Property insurance	2,091,993	1,775,624	2,282,783	2,514,149	2,797,067	2,904,734
Injuries & damages	-	750	-	-	-	-
Employee pension & benefits	66,880,415	53,581,823	71,675,856	77,193,215	75,611,721	79,836,603
Rents	2,119,705	1,061,496	2,312,712	2,348,085	2,375,553	2,404,012
Maintenance of office & general plant	1,127,740	1,391,939	1,132,738	1,339,884	1,804,358	2,209,316
Officers allowance & benefits	4,966,200	6,782,271	7,909,000	8,606,000	8,709,000	8,878,000
Travel	4,568,917	2,973,567	4,748,767	4,809,097	4,875,042	4,947,702
Training	3,442,551	2,506,988	1,871,126	1,852,709	2,051,484	2,228,825
Bad debt	-	-	-	-	-	-
Regulatory liaison & compliance	5,725,078	5,271,625	5,725,078	6,297,586	6,927,344	6,927,344
Foreign exchange losses or gains	-	-	-	-	-	-
Other	8,252,662	7,384,949	8,460,800	8,716,123	8,843,383	9,140,665
Sub-total Administration & general	171,036,616	145,251,301	180,651,994	189,912,654	192,542,039	196,822,913
WESM compliance						
Registration fees		-	-	-	-	-
Metering fees		-	-	-	-	-
Billing & settlement fees		-	-	-	-	-
Administration fees		-	-	-	-	-
PEM board, committees & working groups		-	-	-	-	-
Market management software & upgrades		-	-	-	-	-
Provision of security		-	-	-	-	-
Other		-	-	-	-	-
Sub-total WESM compliance		-	-	-	-	-
Total Operating & Maintenance Expenditure	264,265,292	226,365,923	278,543,618	290,694,314	294,924,487	300,640,327

SCHEDULE G.1.1 ANNUAL O&M EXPENDITURE FORECASTS (REAL DOLLAR)

Opex Category and Sub-category		Forecast (real value for regulatory year)				
		2007	2008	2009	2010	2011
Distribution						
Operation	Operation supervision & engineering	-	-	-	-	-
	Load dispatching	-	-	-	-	-
	Substation	-	-	-	-	-
	Overhead line - demand	-	-	-	-	-
	Overhead line - customer	-	-	-	-	-
	Streetlighting (non-roadway)	-	-	-	-	-
	Streetlighting (roadway)	-	-	-	-	-
	Metering	-	-	-	-	-
	Consumer installation expenses	-	-	-	-	-
	Rents	-	-	-	-	-
	Information technology	-	-	-	-	-
	Miscellaneous	-	-	-	-	-
Maintenance	Maintenance supervision & engineering	-	-	-	-	-
	Structures	-	-	-	-	-
	Substations	-	-	-	-	-
	Overhead line - demand	-	-	-	-	-
	Overhead line - customer	-	-	-	-	-
	Streetlighting (non-roadway)	-	-	-	-	-
	Streetlighting (roadway)	-	-	-	-	-
	Line transformers	-	-	-	-	-
	Information technology	-	-	-	-	-
	Metering	-	-	-	-	-
	Miscellaneous	-	-	-	-	-
	Sub-total Distribution	-	-	-	-	-
Consumer accounts						
	Supervision	-	-	-	-	-
	Meter reading	-	-	-	-	-
	Information technology	-	-	-	-	-
	Consumer records & collection	-	-	-	-	-
	Uncollectible accounts	-	-	-	-	-
	Informational and instructional advertising	-	-	-	-	-
	Miscellaneous	-	-	-	-	-
	Consumer prompt payment discount	-	-	-	-	-
	Sub-total Consumer accounts expenses	-	-	-	-	-

SCHEDULE G.1.1 ANNUAL O&M EXPENDITURE FORECASTS (REAL DOLLAR)

Opex Category and Sub-category		Forecast (real value for regulatory year)				2011
		2007	2008	2009	2010	
Administrative & general						
	Admin & general salaries	-	-	-	-	-
	Office supplies & expenses	-	-	-	-	-
	Information technology	-	-	-	-	-
	Outside services employed	-	-	-	-	-
	Property insurance	-	-	-	-	-
	Injuries & damages	-	-	-	-	-
	Employee pension & benefits	-	-	-	-	-
	Rents	-	-	-	-	-
	Maintenance of office & general plant	-	-	-	-	-
	Officers allowance & benefits	-	-	-	-	-
	Travel	-	-	-	-	-
	Training	-	-	-	-	-
	Bad debt	-	-	-	-	-
	Regulatory liaison & compliance	-	-	-	-	-
	Foreign exchange losses or gains	-	-	-	-	-
	Other	-	-	-	-	-
	Sub-total Administration & general	-	-	-	-	-
WESM compliance						
	Registration fees	-	-	-	-	-
	Metering fees	-	-	-	-	-
	Billing & settlement fees	-	-	-	-	-
	Administration fees	-	-	-	-	-
	PEM board, committees & working groups	-	-	-	-	-
	Market management software & upgrades	-	-	-	-	-
	Provision of security	-	-	-	-	-
	Other	-	-	-	-	-
	Sub-total WESM compliance	-	-	-	-	-
Total Operating & Maintenance Expenditure		-	-	-	-	-

SCHEDULE G.1.2 ANNUAL O&M EXPENDITURE FORECASTS (TOTAL NOMINAL PESO)

Opex Category and Sub-category		2007 Calendar Year	Forecast (nominal value for regulatory year)				
			2007	2008	2009	2010	2011
Distribution							
Operation	Operation supervision & engineering	5,402,373	4,896,929	5,612,897	5,947,993	6,283,550	6,553,474
	Load dispatching	1,939,555	1,547,790	2,102,762	2,158,209	2,124,428	2,232,124
	Substation	2,053,647	1,638,836	2,226,454	2,285,163	2,249,395	2,363,426
	Overhead line - demand	-	-	-	-	-	-
	Overhead line - customer	2,961,989	2,317,829	3,183,704	3,333,507	3,343,385	3,467,686
	Streetlighting (non-roadway)	228,183	182,093	247,384	253,907	249,933	262,603
	Streetlighting (roadway)	13,400	10,616	14,145	15,307	16,222	17,007
	Metering	3,941,039	3,941,719	4,141,975	4,481,562	4,789,896	5,155,638
	Consumer installation expenses	8,340,674	7,418,416	8,793,714	9,417,142	9,873,574	10,585,301
	Rents	-	-	-	-	-	-
	Information technology	1,621,389	1,251,822	1,930,437	2,397,385	2,688,567	2,987,695
	Miscellaneous	1,652,421	1,310,507	1,782,806	1,845,302	1,834,144	1,919,304
Maintenance	Maintenance supervision & engineering	5,589,928	4,654,982	5,824,684	6,155,566	6,439,989	6,696,957
	Structures	3,602,588	2,777,687	3,839,438	4,096,088	4,181,895	4,292,256
	Substations	557,859	441,680	598,715	626,475	630,086	656,435
	Overhead line - demand	-	-	-	-	-	-
	Overhead line - customer	6,483,463	5,006,394	6,886,436	7,416,133	7,629,585	7,803,858
	Streetlighting (non-roadway)	-	-	-	-	-	-
	Streetlighting (roadway)	775,217	729,176	829,190	903,216	954,710	1,025,797
	Line transformers	3,842,136	2,942,420	4,017,716	4,267,473	4,434,434	4,631,082
	Information technology	873,055	674,058	1,039,466	1,290,900	1,447,690	1,608,759
	Metering	3,969,630	1,675,159	5,115,040	5,671,550	6,196,305	6,740,695
	Miscellaneous	-	-	-	-	-	-
	Sub-total Distribution	53,848,546	43,418,113	58,186,963	62,562,878	65,367,788	69,000,097
Consumer accounts							
	Supervision	4,926,537	4,293,802	5,133,352	5,453,461	5,758,157	6,095,140
	Meter reading	4,062,365	3,968,441	4,308,453	4,706,627	5,029,051	5,339,096
	Information technology	3,348,041	2,303,080	3,963,973	3,679,638	3,942,313	3,252,609
	Consumer records & collection	22,924,321	20,721,758	24,402,557	26,559,204	28,636,216	30,789,667
	Uncollectible accounts	7,353,709	7,180,958	7,526,461	7,846,421	8,168,398	8,519,951
	Informational and instructional advertising	5,552,578	4,768,598	6,087,494	6,834,202	7,513,228	8,592,014
	Miscellaneous	-	-	-	-	-	-
	Consumer prompt payment discount	-	-	-	-	-	-
	Sub-total Consumer accounts expenses	48,167,551	43,236,637	51,422,290	55,079,553	59,047,363	62,588,477

SCHEDULE G.1.2 ANNUAL O&M EXPENDITURE FORECASTS (TOTAL NOMINAL PESO)

Opex Category and Sub-category	2007 Calendar Year	Forecast (nominal value for regulatory year)				
		2007	2008	2009	2010	2011
Administrative & general						
Admin & general salaries	41,780,867	35,115,045	44,858,447	48,857,618	52,798,461	57,396,360
Office supplies & expenses	19,577,647	18,630,088	19,584,529	20,194,861	19,514,003	17,318,682
Information technology	2,630,604	1,809,562	3,114,550	2,891,144	3,097,532	2,555,621
Outside services employed	14,693,144	11,235,707	15,897,225	17,046,436	20,040,424	20,765,026
Property insurance	2,287,434	1,896,900	2,556,032	2,934,766	3,398,996	3,681,750
Injuries & damages	-	801	-	-	-	-
Employee pension & benefits	73,390,632	57,241,462	80,255,456	90,107,640	91,883,363	101,192,894
Rents	2,323,559	1,133,996	2,589,544	2,740,920	2,886,772	3,047,085
Maintenance of office & general plant	1,230,869	1,487,009	1,268,326	1,564,046	2,192,655	2,800,307
Officers allowance & benefits	5,514,728	7,245,500	8,855,707	10,045,784	10,583,177	11,252,865
Travel	4,992,702	3,176,662	5,317,194	5,613,659	5,924,151	6,271,212
Training	3,725,765	2,678,215	2,095,100	2,162,667	2,492,963	2,825,036
Bad debt	-	-	-	-	-	-
Regulatory liaison & compliance	6,410,370	5,631,677	6,410,370	7,351,172	8,418,109	8,780,409
Foreign exchange losses or gains	-	-	-	-	-	-
Other	9,030,095	7,889,341	9,473,558	10,174,330	10,746,479	11,585,793
Sub-total Administration & general	187,588,416	155,171,965	202,276,038	221,685,043	233,977,085	249,473,040
WESM compliance						
Registration fees		-	-	-	-	-
Metering fees		-	-	-	-	-
Billing & settlement fees		-	-	-	-	-
Administration fees		-	-	-	-	-
PEM board, committees & working groups		-	-	-	-	-
Market management software & upgrades		-	-	-	-	-
Provision of security		-	-	-	-	-
Other		-	-	-	-	-
Sub-total WESM compliance		-	-	-	-	-
Total Operating & Maintenance Expenditure	289,604,513	241,826,715	311,885,291	339,327,474	358,392,236	381,061,614
Philippine Consumer Price Index change assumption (%pa over regulatory year). Please see details in Schedule B.1.1		6.83%	4.81%	4.25%	4.10%	4.30%
- Inflation factor to convert Real to Nominal		1.0683	1.1197	1.1673	1.2152	1.2675

SCHEDULE G.1.2 ANNUAL O&M EXPENDITURE FORECASTS (NOMINAL DOLLAR)

Opex Category and Sub-category		2007 Calendar Year	Forecast (nominal value for regulatory year)				
			2007	2008	2009	2010	2011
Distribution							
Operation	Operation supervision & engineering		-	-	-	-	-
	Load dispatching		-	-	-	-	-
	Substation		-	-	-	-	-
	Overhead line - demand		-	-	-	-	-
	Overhead line - customer		-	-	-	-	-
	Streetlighting (non-roadway)		-	-	-	-	-
	Streetlighting (roadway)		-	-	-	-	-
	Metering		-	-	-	-	-
	Consumer installation expenses		-	-	-	-	-
	Rents		-	-	-	-	-
	Information technology		-	-	-	-	-
	Miscellaneous		-	-	-	-	-
Maintenance	Maintenance supervision & engineering		-	-	-	-	-
	Structures		-	-	-	-	-
	Substations		-	-	-	-	-
	Overhead line - demand		-	-	-	-	-
	Overhead line - customer		-	-	-	-	-
	Streetlighting (non-roadway)		-	-	-	-	-
	Streetlighting (roadway)		-	-	-	-	-
	Line transformers		-	-	-	-	-
	Information technology		-	-	-	-	-
	Metering		-	-	-	-	-
	Miscellaneous		-	-	-	-	-
	Sub-total Distribution		-	-	-	-	-
Consumer accounts							
	Supervision		-	-	-	-	-
	Meter reading		-	-	-	-	-
	Information technology		-	-	-	-	-
	Consumer records & collection		-	-	-	-	-
	Uncollectible accounts		-	-	-	-	-
	Informational and instructional advertising		-	-	-	-	-
	Miscellaneous		-	-	-	-	-
	Consumer prompt payment discount		-	-	-	-	-
	Sub-total Consumer accounts expenses		-	-	-	-	-

SCHEDULE G.1.2 ANNUAL O&M EXPENDITURE FORECASTS (NOMINAL DOLLAR)

Opex Category and Sub-category	2007 Calendar Year	Forecast (nominal value for regulatory year)				
		2007	2008	2009	2010	2011
Administrative & general						
Admin & general salaries		-	-	-	-	-
Office supplies & expenses		-	-	-	-	-
Information technology		-	-	-	-	-
Outside services employed		-	-	-	-	-
Property insurance		-	-	-	-	-
Injuries & damages		-	-	-	-	-
Employee pension & benefits		-	-	-	-	-
Rents		-	-	-	-	-
Maintenance of office & general plant		-	-	-	-	-
Officers allowance & benefits		-	-	-	-	-
Travel		-	-	-	-	-
Training		-	-	-	-	-
Bad debt		-	-	-	-	-
Regulatory liaison & compliance		-	-	-	-	-
Foreign exchange losses or gains		-	-	-	-	-
Other		-	-	-	-	-
Sub-total Administration & general		-	-	-	-	-
WESM compliance						
Registration fees		-	-	-	-	-
Metering fees		-	-	-	-	-
Billing & settlement fees		-	-	-	-	-
Administration fees		-	-	-	-	-
PEM board, committees & working groups		-	-	-	-	-
Market management software & upgrades		-	-	-	-	-
Provision of security		-	-	-	-	-
Other		-	-	-	-	-
Sub-total WESM compliance		-	-	-	-	-
Total Operating & Maintenance Expenditure		-	-	-	-	-
Philippine Consumer Price Index change assumption (%pa over regulatory year). Please see details in Schedule B.1.1		6.83%	4.81%	4.25%	4.10%	4.30%
- Inflation factor to convert Real to Nominal		1.0683	1.1197	1.1673	1.2152	1.2675

SCHEDULE G.1.3 ANNUAL O&M EXPENDITURE FORECASTS (TOTAL ANNUAL NOMINAL PESO)

Opex Category and Sub-category		2007 Calendar Year	Forecast (nominal value for regulatory year)				
			2007	2008	2009	2010	2011
Distribution							
Operation	Operation supervision & engineering	5,402,373	4,896,929	5,612,897	5,947,993	6,283,550	6,553,474
	Load dispatching	1,939,555	1,547,790	2,102,762	2,158,209	2,124,428	2,232,124
	Substation	2,053,647	1,638,836	2,226,454	2,285,163	2,249,395	2,363,426
	Overhead line - demand	-	-	-	-	-	-
	Overhead line - customer	2,961,989	2,317,829	3,183,704	3,333,507	3,343,385	3,467,686
	Streetlighting (non-roadway)	228,183	182,093	247,384	253,907	249,933	262,603
	Streetlighting (roadway)	13,400	10,616	14,145	15,307	16,222	17,007
	Metering	3,941,039	3,941,719	4,141,975	4,481,562	4,789,896	5,155,638
	Consumer installation expenses	8,340,674	7,418,416	8,793,714	9,417,142	9,873,574	10,585,301
	Rents	-	-	-	-	-	-
	Information technology	1,621,389	1,251,822	1,930,437	2,397,385	2,688,567	2,987,695
	Miscellaneous	1,652,421	1,310,507	1,782,806	1,845,302	1,834,144	1,919,304
Maintenance	Maintenance supervision & engineering	5,589,928	4,654,982	5,824,684	6,155,566	6,439,989	6,696,957
	Structures	3,602,588	2,777,687	3,839,438	4,096,088	4,181,895	4,292,256
	Substations	557,859	441,680	598,715	626,475	630,086	656,435
	Overhead line - demand	-	-	-	-	-	-
	Overhead line - customer	6,483,463	5,006,394	6,886,436	7,416,133	7,629,585	7,803,858
	Streetlighting (non-roadway)	-	-	-	-	-	-
	Streetlighting (roadway)	775,217	729,176	829,190	903,216	954,710	1,025,797
	Line transformers	3,842,136	2,942,420	4,017,716	4,267,473	4,434,434	4,631,082
	Information technology	873,055	674,058	1,039,466	1,290,900	1,447,690	1,608,759
	Metering	3,969,630	1,675,159	5,115,040	5,671,550	6,196,305	6,740,695
	Miscellaneous	-	-	-	-	-	-
	Sub-total Distribution	53,848,546	43,418,113	58,186,963	62,562,878	65,367,788	69,000,097
Consumer accounts							
	Supervision	4,926,537	4,293,802	5,133,352	5,453,461	5,758,157	6,095,140
	Meter reading	4,062,365	3,968,441	4,308,453	4,706,627	5,029,051	5,339,096
	Information technology	3,348,041	2,303,080	3,963,973	3,679,638	3,942,313	3,252,609
	Consumer records & collection	22,924,321	20,721,758	24,402,557	26,559,204	28,636,216	30,789,667
	Uncollectible accounts	7,353,709	7,180,958	7,526,461	7,846,421	8,168,398	8,519,951
	Informational and instructional advertising	5,552,578	4,768,598	6,087,494	6,834,202	7,513,228	8,592,014
	Miscellaneous	-	-	-	-	-	-
	Consumer prompt payment discount	-	-	-	-	-	-
	Sub-total Consumer accounts expenses	48,167,551	43,236,637	51,422,290	55,079,553	59,047,363	62,588,477

SCHEDULE G.1.3 ANNUAL O&M EXPENDITURE FORECASTS (TOTAL ANNUAL NOMINAL PESO)

Opex Category and Sub-category	2007 Calendar Year	Forecast (nominal value for regulatory year)				
		2007	2008	2009	2010	2011
Administrative & general						
Admin & general salaries	41,780,867	35,115,045	44,858,447	48,857,618	52,798,461	57,396,360
Office supplies & expenses	19,577,647	18,630,088	19,584,529	20,194,861	19,514,003	17,318,682
Information technology	2,630,604	1,809,562	3,114,550	2,891,144	3,097,532	2,555,621
Outside services employed	14,693,144	11,235,707	15,897,225	17,046,436	20,040,424	20,765,026
Property insurance	2,287,434	1,896,900	2,556,032	2,934,766	3,398,996	3,681,750
Injuries & damages	-	801	-	-	-	-
Employee pension & benefits	73,390,632	57,241,462	80,255,456	90,107,640	91,883,363	101,192,894
Rents	2,323,559	1,133,996	2,589,544	2,740,920	2,886,772	3,047,085
Maintenance of office & general plant	1,230,869	1,487,009	1,268,326	1,564,046	2,192,655	2,800,307
Officers allowance & benefits	5,514,728	7,245,500	8,855,707	10,045,784	10,583,177	11,252,865
Travel	4,992,702	3,176,662	5,317,194	5,613,659	5,924,151	6,271,212
Training	3,725,765	2,678,215	2,095,100	2,162,667	2,492,963	2,825,036
Bad debt	-	-	-	-	-	-
Regulatory liaison & compliance	6,410,370	5,631,677	6,410,370	7,351,172	8,418,109	8,780,409
Foreign exchange losses or gains	-	-	-	-	-	-
Other	9,030,095	7,889,341	9,473,558	10,174,330	10,746,479	11,585,793
Sub-total Administration & general	187,588,416	155,171,965	202,276,038	221,685,043	233,977,085	249,473,040
WESM compliance						
Registration fees		-	-	-	-	-
Metering fees		-	-	-	-	-
Billing & settlement fees		-	-	-	-	-
Administration fees		-	-	-	-	-
PEM board, committees & working groups		-	-	-	-	-
Market management software & upgrades		-	-	-	-	-
Provision of security		-	-	-	-	-
Other		-	-	-	-	-
Sub-total WESM compliance		-	-	-	-	-
Total Operating & Maintenance Expenditure	289,604,513	241,826,715	311,885,291	339,327,474	358,392,236	381,061,614
Philippine Consumer Price Index change assumption (%pa over regulatory year). Please see details in Schedule B.1.1		6.83%	4.81%	4.25%	4.10%	4.30%
- Inflation factor to convert Real to Nominal		1.0683	1.1197	1.1673	1.2152	1.2675

Schedule G1.4

Justification for Operating and Maintenance Expenditure Forecast

For purposes of the Performance Based Regulation Rate (PBR) Application for the second regulatory period, CEPALCO in consideration to the company's objective and goals for the next five years arrived at its operating and maintenance expenditure forecasts for 2nd regulatory period 2007-2011.

I. OPERATING AND MAINTENANCE EXPENDITURE FORECAST

I.1 Shown below is CEPALCO's proposed operating and maintenance expenditure in millions in nominal terms for PBR second regulatory period:

Opex Category	2007	2008	2009	2010	2011	Total
Distribution	43.4	58.2	62.5	65.4	69.0	298.5
Consumer Accounts	43.2	51.4	55.1	59.0	62.6	271.3
Admin. & General	155.2	202.3	221.7	234.0	249.5	1,062.7
Total	241.8	311.9	339.3	358.4	381.1	1,632.5

Figures shown in table above were arrived taking into consideration as key drivers, the company's objective and goals for the second regulatory period:

A. Meet the demands of expected load growth and maintain existing service reliability.

- These are expenses related to the company's aim to maintain or improve existing reliability of service given the expected load growth over the next five years.

B. Targeted Performance Level

- Expenses related to the company's aim to meet its targeted performance level especially those committed under its PBR rate filing application.

C. Code Compliance

- Expenses related to the company's programs or projects for compliance to regulatory requirements.

I. DISTRIBUTION EXPENSES

Distribution	2006	2007	2008	2009	2010	2011	Average
Forecast	31.8	43.4	58.2	62.5	65.4	69.0	
Annual Increase:							
- Amount		11.6	14.8	4.4	2.8	3.6	7.4
- in Percent		37%	34%	8%	4%	6%	18%

CEPALCO's proposed Operating and Maintenance expenditures under Distribution expenses are increased from current levels by an annual average of 7.4 million or at an average rate of 18% per annum of which, 2.9 million or 6% annual increase is due to projected inflation during the period and 4.5 million or 12% annual increase is mainly due to load growth and compliance to regulatory requirements.

The highest expenditure increase in 2007 and 2008 at 11.6 million and 14.8 million or 37 and 34 percent increase respectively are mainly due to several projects that will be started in 2007-2008 as part of the utility's preparation to meet the expected load growth in the coming years and the full implementation of the Meter Change-out Program in compliance to the mandate of RA 7832 or the Anti-Electricity Pilferage Act.

1.1 Load Growth

Increase expenditure due to load growth are incidental to the projects and programs necessary for the utility to carry its obligation to provide reliable and efficient service to its growing number of customers. These projects include among others, the following: Distribution System Upgrading (additional substations, renewal and upgrading of substations, construction, reconductoring and revision of distribution lines), augmentation of distribution line maintenance work, and establishment of service centers.

1.2 Compliance

Increase expenditures due to compliance are brought about by the utility's compliance to regulatory requirements. This includes compliance plan to the Philippine Distribution and Grid Code (PDC- PGC), Meter Change-Out Program as mandated under the Republic Act (RA) 7832 or the Anti-Electricity Pilferage Act and the creation of a call center as encouraged under the PBR Price Incentive Scheme.

Aside from being compliance to the regulatory requirements, these projects are also necessary for the utility to provide reliable electric service and at the same time attain its targeted performance level. Benefits that can be derived from this compliance projects includes maintaining/reducing system's loss and deterrence of pilferage.

II. CONSUMER ACCOUNTS

Consumer Accounts	2006	2007	2008	2009	2010	2011	Average
Forecast	38.6	43.2	51.4	55.1	59.1	62.6	
Annual Increase: - Amount - in Percent		4.6 12%	8.2 19%	3.7 7%	4.0 7%	3.5 6%	4.8 10%

CEPALCO's proposed Operating and Maintenance expenditures under Consumer Accounts expenses are increased from current levels by an annual average of 4.8 or at an average rate of 10% per annum of which, 2.6 million or 5% annual increase is due to projected inflation during the period and 2.2 million or 5% annual increase is mainly due to load growth and compliance to regulatory requirements.

The aforementioned measures is necessary for the utility to be able to maintain or improve the quality of service to its customers especially the targeted service performance measures specified under its application under the PBR Price Incentive Scheme given the forecasted load growth in the succeeding years.

The highest expenditure increase in 2007 and 2008 at 4.6 million and 8.2 million or 12 and 19 % increase respectively are mainly due to measures undertaken to ensure that the company is well prepared to maintain or improve its customer service performance especially those committed under the PBR Performance Incentive Scheme considering the expected increase in number of customers. These measures include establishment of new service

centers and augmentation of personnel resources to meet the forecasted load growth, code compliance and carrying out of customer education campaigns.

II. ADMINISTRATIVE AND GENERAL

Admin & General	2006	2007	2008	2009	2010	2011	Average
Forecast	125.6	155.2	202.3	221.7	234.0	249.5	
Annual Increase: - Amount - in Percent		29.5 24%	47.1 30%	19.4 10%	12.3 6%	15.5 7%	24.8 15%

CEPALCO's proposed Operating and Maintenance expenditures under Administrative and General expenses are increased from current levels by an annual average of 24.8 million or at an average rate of 15% per annum of which, 10.5 million or 5% annual increase is due to projected inflation during the period and 14.2 million or 10% annual increase are incremental increases of the expenses categorized under Distribution and Consumer Accounts. These expenses are mainly driven by maintaining/improving service reliability, meeting service and performance targets and ensuring compliance with regulatory requirements.

SCHEDULE G.2. HISTORICAL OPERATING & MAINTENANCE EXPENDITURE

Opex Category and Sub-category		Actual (peso, nominal in peso of historical year)				2006
		2002	2003	2004	2005	
Distribution						
Operation	Operation supervision & engineering	4,298,650	4,611,080	4,241,368	4,398,407	4,308,090
	Load dispatching	976,898	887,730	962,827	973,370	1,128,911
	Substation	1,034,362	939,949	1,019,464	1,030,627	1,195,318
	Overhead line - demand	-	-	-	-	-
	Overhead line - customer	1,281,141	1,147,643	1,306,486	1,323,880	1,649,375
	Streetlighting (non-roadway)	114,929	104,439	113,274	114,514	132,813
	Streetlighting (roadway)	4,454	3,986	4,940	5,186	7,678
	Metering	1,849,161	2,115,385	2,451,135	3,169,000	2,567,489
	Consumer installation expenses	4,155,177	4,410,877	4,912,098	5,729,965	5,873,282
	Rents	-	-	-	-	-
	Information technology	813,845	1,030,884	527,748	846,746	903,254
	Miscellaneous	812,982	1,038,903	1,133,889	1,441,443	1,091,197
Maintenance	Maintenance supervision & engineering	3,782,329	4,016,362	3,427,974	3,350,110	3,658,851
	Structures	1,314,935	1,150,686	1,400,146	1,433,177	1,939,197
	Substations	238,827	211,550	247,021	255,040	319,100
	Overhead line - demand	-	-	-	-	-
	Overhead line - customer	2,338,566	2,121,387	2,515,951	2,624,982	3,519,962
	Streetlighting (non-roadway)	-	-	-	-	-
	Streetlighting (roadway)	514,204	557,239	609,613	698,723	658,044
	Line transformers	1,073,506	1,001,473	1,823,446	1,839,815	2,021,938
	Information technology	438,224	555,091	284,172	455,940	486,368
	Metering	236,553	255,455	273,350	318,804	323,929
	Miscellaneous	-	-	-	-	-
Sub-total Distribution		25,278,743	26,160,118	27,254,901	30,009,730	31,784,796
Consumer accounts						
	Supervision	2,544,210	2,510,959	2,687,053	2,913,868	3,236,525
	Meter reading	1,808,748	1,942,006	2,336,223	2,852,388	2,477,794
	Information technology	273,044	315,012	454,739	823,223	786,480
	Consumer records & collection expenses	10,838,363	15,361,120	16,873,857	18,212,953	21,464,466
	Uncollectible accounts	5,855,547	7,999,253	8,280,883	10,214,165	6,721,855
	Informational and instructional advertising expenses	1,134,115	1,359,365	2,238,884	2,464,759	3,912,358
	Miscellaneous	-	-	-	-	-
	Consumer prompt payment discount	-	-	-	-	-
Sub-total Consumer accounts expenses		22,454,027	29,487,714	32,871,640	37,481,356	38,599,477

SCHEDULE G.2. HISTORICAL OPERATING & MAINTENANCE EXPENDITURE

Opex Category and Sub-category	Actual (peso, nominal in peso of historical year)				2006
	2002	2003	2004	2005	
Administrative & general					
Admin & general salaries	19,499,652	18,892,159	20,822,835	21,209,052	27,924,906
Office supplies & expenses	3,130,697	2,558,885	3,055,217	6,531,539	17,125,797
Information technology	214,535	247,509	357,295	646,818	617,948
Outside services employed	7,688,702	8,839,020	10,401,773	9,230,417	9,504,959
Property insurance	1,546,874	1,708,397	1,573,539	1,545,216	1,412,301
Injuries & damages	251,394	91,758	109,356	373,834	65,107
Employee pension & benefits	33,422,363	36,116,084	40,694,631	41,330,155	50,837,550
Rents	391,340	394,956	278,803	302,273	182,328
Maintenance of office & general plant	2,124,182	1,818,668	1,696,767	1,640,219	1,553,707
Officers allowance & benefits	4,482,244	4,494,854	4,635,448	3,721,086	5,108,805
Travel	1,007,298	1,028,861	1,519,383	2,256,768	1,156,699
Training	271,939	283,326	507,763	842,882	992,260
Bad debt	-	-	-	-	-
Regulatory liaison & compliance	2,354,092	6,320,268	5,204,616	5,204,616	5,338,634
Foreign exchange losses or gains	4,760,038	5,837,898	14,312,987	1,211,923	-
Other	4,783,051	4,294,038	5,878,108	8,106,179	3,803,356
Sub-total Administration & general	85,928,401	92,926,683	111,048,520	104,152,977	125,624,358
Total Operating & Maintenance Expenditure	133,661,171	148,574,515	171,175,061	171,644,063	196,008,632

**SCHEDULE G.3.1 ANNUAL EXPENDITURE ON TAXES (OTHER CORPORATE INCOME TAX),
DUTIES AND LEVIES FORECASTS (REAL PESO)**

Opex Category and Sub-category	Budget (calendar)	Budget (peso, real)	Forecast (peso, real in peso of regulatory year)			
	2007	2007	2008	2009	2010	2011
Levies						
Regulatory Reset Expert Service			2,386,693		2,365,336	
Sub-total Levies	-	-	2,386,693	-	2,365,336	-
Duties						
Real Property Taxes	1,296,539	1,296,539	1,291,539	1,291,539	1,291,539	1,631,342
Sub-total Duties	1,296,539	1,296,539	1,291,539	1,291,539	1,291,539	1,631,342
Other taxes						
Franchise Tax						
BIR	980,166	980,166	980,166	50,000	50,000	50,000
City/Province	27,955,482	26,924,160	28,986,803	30,605,977	33,159,369	35,507,062
Business Permit	50,435	50,435	50,435	50,435	50,435	52,250
Corporate Community Tax	10,500	10,500	10,500	10,500	10,500	10,500
Sub-total Other Taxes	28,996,583	27,965,261	30,027,904	30,716,912	33,270,304	35,619,812
Total Levies, Duties & other Taxes Expenditure	30,293,122	29,261,800	33,706,136	32,008,451	36,927,179	37,251,154

**SCHEDULE G.3.2 ANNUAL EXPENDITURE ON TAXES (OTHER CORPORATE INCOME TAX),
DUTIES AND LEVIES FORECASTS (NOMINAL PESO)**

Opex Category and Sub-category	Budget (calendar)	Budget (peso, nominal)	Forecast (peso, nominal in peso of regulatory year)			
	2007	2007	2008	2009	2010	2011
Levies						
Regulatory Reset Expert's Service			2,672,381		2,874,356	
Sub-total Levies	-	-	2,672,381	-	2,874,356	-
Duties						
Real Property Taxes	1,385,093	1,385,093	1,446,137	1,507,614	1,569,479	2,067,727
Sub-total Duties	1,385,093	1,385,093	1,446,137	1,507,614	1,569,479	2,067,727
Other taxes						
Franchise Tax						
BIR	1,047,111	1,047,111	1,097,492	58,365	60,760	63,375
City/Province	29,864,842	28,763,080	32,456,523	35,726,357	40,295,265	45,005,201
Business Permit	53,880	53,880	56,472	58,873	61,289	66,227
Corporate Community Tax	11,217	11,217	11,757	12,257	12,760	13,309
Sub-total Other Taxes	30,977,050	29,875,288	33,622,244	35,855,851	40,430,073	45,148,112
Total Levies, Duties & other Taxes Expenditure	32,362,143	31,260,381	37,740,761	37,363,465	44,873,908	47,215,838
Philippines Consumer Price Index Assumption (%pa over yr)	1.0683	1.0683	1.1197	1.1673	1.2152	1.2675

**SCHEDULE G.3.4 HISTORICAL TAXES (OTHER CORPORATE INCOME TAX), DUTIES AND LEVIES
EXPENDITURE**

Opex Category and Sub-category	Actual (peso, nominal in peso of historical year)				
	2002	2003	2004	2005	2006
Levies					
Regulatory Reset Expert's Service					
Sub-total Levies	-	-	-	-	-
Duties					
Real Property Taxes	-	564,510	785,305	652,091	1,051,091
Sub-total Duties	-	564,510	785,305	652,091	1,051,091
Other taxes					
Franchise Tax					
BIR	36,480,226	38,133,787	27,119,905	41,175,292	878,343
City/Province	10,591,299	10,027,442	12,040,949	9,303,258	20,977,925
Business Permit	17,801	15,740	21,730	37,476	85,489
Corporate Community Tax	10,500	10,500	10,500	10,500	10,500
Sub-total Other Taxes	47,099,826	48,187,469	39,193,084	50,526,526	21,952,257
Total Levies, Duties & other Taxes Expenditure	47,099,826	48,751,979	39,978,389	51,178,617	23,003,348