

CAPEX FORECASTING

CEPALCO EXPERIENCE

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Cagayan Electric Power
& Light Co., Inc.



OUTLINE

- Organizational preparation and management
- Challenges
- Lessons Learned



How did we do it?

1. Conducted PBR Briefing for the Managerial Team (What, Why, How, When, roles, and responsibilities)
2. Organized PBR Working Committees
 - ✓ Identified members
 - ✓ Designated Chair and Vice Chair
 - ✓ Specified deliverables and timetable
3. Conducted Medium-term Planning (6 sessions over 4 months, March-June 2006)
4. Regularly Monitored Status vs Timelines



5 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



CAPEX FORECASTING

DELIVERABLES:

1. Load Forecast
 - ✓ kW,
 - ✓ kWh, and
 - ✓ # of customers
2. T&D System Plan
3. System/Service Performance and Targets
4. T&D System CAPEX Forecast



BASIS: NETWORK CAPEX

GENERAL BASIS: MEDIUM-TERM OBJECTIVES

SPECIFIC BASES:

1. Load Forecasts
2. T&D System Planning Criteria
 - Capacity planning criteria vs existing system and requirements
 - System reliability criteria ex. N-1 at S/S down to feeder level.
3. Regulatory compliance
4. System and Service Performance Targets



NON-NETWORK CAPEX

- Existing system status and projected requirements to support operations
- ICT infrastructure and systems
 - Hardware
 - Software and system applications development
 - People ware: competence build-up
- T&D instruments, equipment, tools, etc.
- Vehicle, office equipment, etc.
- Buildings



CHALLENGES

- **Conversion** of forecast by Regulatory Year (covering July to June) vs CY
- **Classification/Categorization**
 - Major Projects
 - Residual Projects
 - Load growth
 - Renewal
 - Refurbishment



CHALLENGES

- **SEGREGATION**
 - Peso and US\$/Imported capex
- **CONVERSION**
 - from Real to Nominal

NOTE:

The **CAPEX TEMPLATES** provided by ERC helped.

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



LESSONS LEARNED

- Wide and deep involvement by the entire managerial team
 - Conceptualization
 - Medium-term plans formulation
 - Performance Target Setting
 - Forecasting
 - Project Implementation

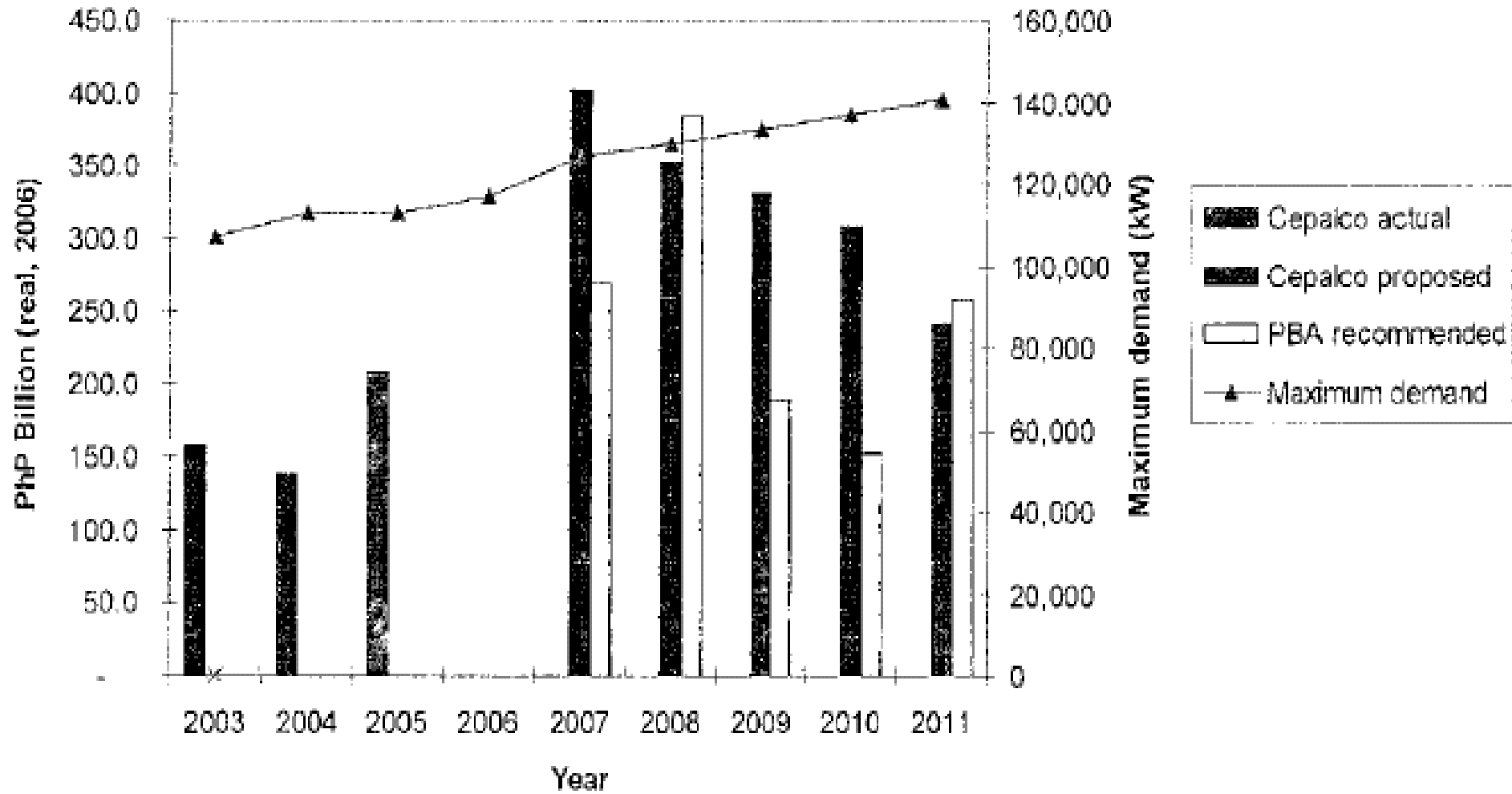


LESSONS LEARNED

- Clear understanding by all on deliverables
 - clear answer **what, how, why, and when?**)
- At least **1 or 2 in-house experts** on RDWR and related issuances **to resolve confusion**, if any.
- Keep communication line with the ERC-PBR Team open for immediate clarification/direction
- **Full Management Support**



Capex trends



THANK YOU!

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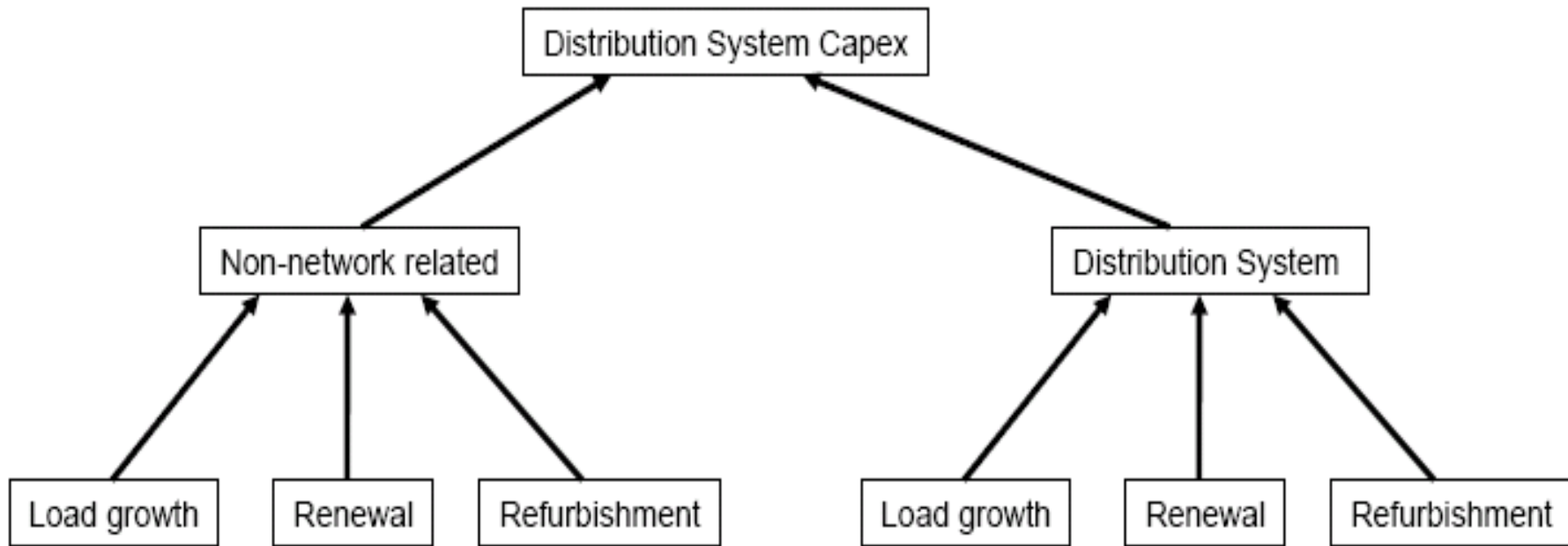
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We power progress.

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Categories

Xxx
Xxx
Xxx
Xxx
Xxx

Asset categories

Xxx
Xxx
Xxx
Xxx
Xxx



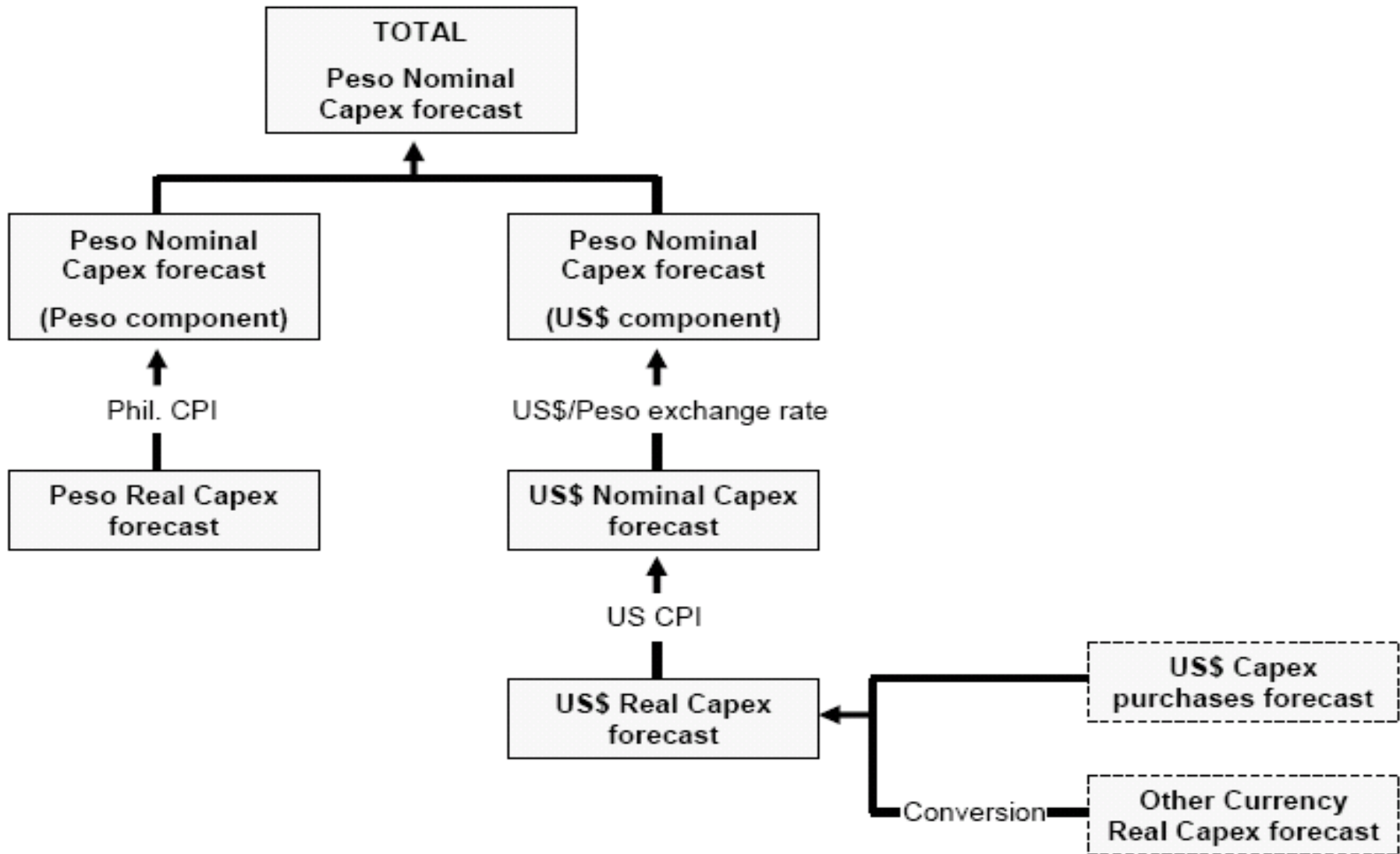


Figure 8: Preparation of nominal PhP Capex forecast

