

August 30, 2013

MS. JANET ENCARNACION

Head, Disclosure Department
Philippine Stock Exchange, Inc.
3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Re: Clarification to the August 30, 2013 *Manila Bulletin (Internet Edition)* News Article

Dear Ms. Encarnacion:

This refers to your letter requesting us to confirm the veracity of the information contained in the *Manila Bulletin (Internet Edition)* article dated August 30, 2013, entitled, "Meralco seeking refund from suppliers", a portion of which is quoted hereunder:

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Distribution utility giant Manila Electric Company (Meralco) has been directed to file petitions with Energy Regulatory Commission (ERC) against four power generation companies to press them for a refund P4.663 billion worth of line loss charges to its customers.

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Two of the country's biggest power generators – Aboitiz and San Miguel Energy Groups – will be petitioned to refund aggregate P3.532 billion, which account for line loss charges attributed to their sold volumes, including those channelled through the Wholesale Electricity Spot Market.

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For the Aboitiz group, its calculated refunds will be coming from AP Renewables Inc. (APRI) at P404.426 million; and Therma Luzon Inc. for the Pagbilao plant at P936.733 million.

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We would like to clarify that the directive issued by the Energy Regulatory Commission (ERC) to Manila Electric Company (Meralco) to file petitions for refund against four power generation companies, including Aboitiz Power Corporation's (AboitizPower) affiliates, AP Renewables, Inc. (APRI) and Therma Luzon, Inc. (TLI) for the Pagbilao plant as successor generating companies (SGCs), is an offshoot of a Petition for Dispute Resolution filed by Meralco with the ERC against the Philippine Electricity Market Corporation (PEMC), the National Transmission Corporation (TRANSCO), the National Power Corporation (NPC), and the Power Sector Assets and Liabilities Management Corporation (PSALM) back in 2008, docketed as ERC Case No. 2008-083 MC. Meralco's Petition for Dispute Resolution sought, among others, for the refund by NPC and PSALM of the transmission line loss components of the line rentals associated with NPC/PSALM bilateral transactions from the start of the Wholesale Electricity Spot Market (WESM) operations and the Transition Supply Contract implementation in November 2006.

While a Decision has been rendered with respect to PSALM, the SGCs, including APRI and TLI, were not a party to that case, and it is the opinion of our affiliate SGCs that the circumstances of their relationship with Meralco are not the same as that of the case of PSALM, and as such, are not liable for the refunds claimed by Meralco.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION

By



M. JASMINE S. OPORTO
Corporate Secretary