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June 5, 2017

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Gentlemen:

We reply to your letter dated June 5, 2017 (received thru EDGE Submission System at 9:06 a.m. today) requiring us to clarify and/or confirm the information contained in the news article entitled “Meralco allocates P18b for capex” posted in [manilastandard.net](http://manilastandard.net) on June 4, 2017. The article reported in part that:

“Power retailer Manila Electric Co. is seeking approval of the Energy Regulatory Commission to implement an P18-billion capital expenditure program for fiscal year July 2017 to June 2018.

The company said the 2018 capex program was geared towards providing reliable service to customers.

Meralco said it lined up projects to ensure the safety, reliability and efficiency of the distribution system, while providing for the forecasted load growth within its franchise area.

Meralco said its 2018 capex program was driven by several factors such as adequate infrastructure to meet growth in peak demand and customer connections; refurbishment projects to ensure sustained network efficiency, power quality and reliability; compliance to statutory and regulatory requirements and support for the public-private partnership projects,

These projects include the expansion of Balibago substation (P183 million), expansion of Santolan substation (P181.9 million), development of Eton Centris substation (P461 million), development of Bridgetown substation (P552 million), development of Carmona substation (P518.7 million) and development of McKinley Hills substation (P440 million).

Meralco's residual capex projects included distribution transformers, poles and towers distribution, information technology equipment and distribution transformers.

'In light of the resulting benefits of Meralco's 2018 capex program in the overall service to the electricity consumers, Meralco respectfully submits that the building block component, particularly the return of capital and return on capital associated herewith, should be considered, as a deferred amount to be included in the calculation of Meralco's next reset rates, from the time the capex is put in service and considered used and useful,' it said.

....

It said that if Meralco would have no approved capex starting July 1, 'this will severely hamper its operations and affect its ability to deliver electricity service to its customers.'

'It is imperative for Meralco to undertake expansion and rehabilitation of its network facilities through acquisition of new assets to ensure continuous compliance with with safety, performance and other statutory/regulatory requirements, and to address the growing needs of its more than six million customers,' it said.

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With reference to the said news article, we would like to confirm the statements attributed to the Company regarding the proposed Php18 billion Capex application for Regulatory Year 2018 (July 1, 2017 to June 30, 2018) which was lifted from its Application filed and pending with the Energy Regulatory Commission (ERC) and docketed as ERC Case No. 2017-027 RC.

We further clarify that the Company received provisional approval for Php8.757 Billion for its RY 2017 CAPEX Application and is still awaiting the final approval of the ERC for the rest of its RY2017 CAPEX program.

We trust that you will find the foregoing clarification in order.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'J. Altamira', with a stylized flourish extending to the right.

**Jocelyn C. Villar-Altamira**  
Assistant Vice President & Head  
Corporate Governance and Compliance