

May 6, 2008

ARESON R. I. CUEVAS

Listings Analyst
 Issuer Regulation Division
 The Philippine Stock Exchange, Inc.
 4/F PSE Centre, Exchange Road
 Ortigas Center, Pasig City

Dear Mr. Cuevas,

This is in reply to your email dated April 28, 2008 requiring Aboitiz Power Corporation (AP) to submit a discussion on the actual disbursements of AP's IPO proceeds as of March 31, 2008 as compared with the estimated use allocations indicated in AP's Prospectus.

Table 1 below shows a summary of the projected use against the actual disbursements of the IPO proceeds.

Table 1: Summary of Projected Use vs. Actual Use of IPO Proceeds

	Projected Use	Actual Use*	Variance	
Improvement to existing power generation facilities	175,000,000	-	175,000,000	
Improvement to existing power distribution facilities	250,000,000	-	250,000,000	
Investment in capacity expansion, including potential acquisitions of power generation facilities	4,450,000,000	4,433,779,015	16,220,985	Note 1
Development of Greenfield projects	4,640,000,000	736,214,237	3,903,785,763	Note 2
Purchase of additional equity in existing power distribution utilities	0	270,241,800	(270,241,800)	Note 3
General corporate requirements, including working capital requirements	125,000,000	66,854,981	58,145,019	Note 4
Total	9,640,000,000	5,507,090,033	4,132,909,967	

*Note: See Table 2 for details of actual use of IPO proceeds

As of March 31, 2008, AP spent approximately P5.507 billion of the proceeds, with the bulk so far used up for acquisitions. The nature of the actual disbursements is explained below:

Note 1 – Investment in Acquisitions of Power Generation Facilities

This item includes the acquisition of the 34% stake in STEAG State Power, Inc. for US\$ 101 million. The total acquisition cost in Philippine peso was P4.405 billion. Also part of this item were expenses incurred in relation to AP's bid for PNOC-EDC, Palinpinon, Tongonan and Ambuklao-Binga which amounted to P28.9 million.

Note 2 – Development of Greenfield Projects

Approximately P4.640 billion was projected for use in Greenfield projects.

As of this reporting, about P736 million had been spent, of which P484 million was expended for the Cebu Coal project which broke ground in January 2008. The Hedcor Sibulan hydro project accounted for the balance of P252 million.

Note 3 – Purchase of Additional Equity in Existing Distribution Utilities

AP purchased the remaining 20% stake in Subic Enerzone Corporation (SEZC) for P92 million. This was paid in January 2008. Further to that, it also acquired the remaining 40% in Balamban Enerzone Corporation (BEZC) for approximately P178 million in March 2008. The two acquisitions resulted to AP's 100% ownership in both SEZC and BEZC as of March 31, 2008.

Note 4 – General Corporate Requirements

AP allocated P125 million for general corporate requirements and about P67 million had been spent for that purpose as of March 31, 2008. Of the amount spent, P29 million represented the listing fee paid to the Philippine Stock Exchange in connection with the AP listing, close to P26 million represented professional fees paid to Skadden, Arps, Slate, Meagher & Flom, LLP for IPO related professional services rendered from January 15, 2007 to August 13, 2007, and the balance of P12 million were various expenses associated with the IPO exercise.

The details of the actual use of IPO proceeds are presented in Table 2 below.

Table 2: Summary of Actual Use of IPO Proceeds

Period Spent	Description	As of March 31, 2008	Reported in January 31, 2008
Nov07-Jan08	Purchase of 34% stake in STEAG	P 4,405,162,467	P 4,405,162,467
Oct07-Mar08	Disbursements for Hedcor Sibulan Project	251,700,000	115,000,000
Dec07-Jan08	Purchase of additional 20% of Subic Enerzone Corp	92,000,000	92,000,000
Jan08-Feb08	Recapitalization for Cebu Coal Project (Abovant Holdings)	484,514,237	343,859,239
Sep07-Mar08	Expenses related to bidding activities for PNOC-EDC, Palinpinon, Tongonan, Ambuklao and Tiwi-Makban	28,616,548	15,720,242
Jul07-Oct07	General IPO related expenses	66,854,981	66,854,981
Feb08-Mar08	Spending for the Subic Coal Project (Redondo Peninsula Energy, Inc.)	294,136	0
Mar08	Purchase of 40% equity in Balamban Enerzone Corporation	177,947,664	0
	Total	P 5,507,090,033	P 5,038,596,930

We hope we have sufficiently addressed your concerns.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION

By



IKER M. ABOITIZ
First Vice President/Chief Financial Officer/
Chief Information Officer