

July 8, 2008

**ATTY. PETE M. MALABANAN**

Head, Disclosure Department  
The Philippine Stock Exchange, Inc.  
4/F PSE Centre, Exchange Road  
Ortigas Center, Pasig City

Dear Atty. Malabanan,

We are pleased to submit to you a discussion on the actual disbursements of AP's IPO proceeds as of June 30, 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	5,460,293,374	(1,010,293,374)	Note 1
Development of Greenfield projects	4,640,000,000	876,014,237	3,673,985,763	Note 2
Purchase of additional equity in existing power distribution utilities	0	269,947,664	(269,947,664)	Note 3
General corporate requirements, including working capital requirements	125,000,000	66,854,981	58,145,019	Note 4
<b>Total</b>	<b>P 9,640,000,000</b>	<b>P 6,673,110,256</b>	<b>P 3,236,837,408</b>	

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

As of June 30, 2008, AP spent approximately P6.673 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***

To date, IPO proceeds for this item were for 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, Ambuklao-Binga and Tiwi-Makban which amounted to P45.5 million.

***Note 2 – Development of Greenfield Projects***

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

As of this reporting, about P876 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 P391.5 million.

**Note 3 – Purchase of Additional Equity in Existing Distribution Utilities**

As previously reported, AP purchased the remaining 20% stake in Subic Enerzone Corporation (SEZC) for P92 million and the acquisition of 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 the first quarter of 2008.

**Note 4 – General Corporate Requirements**

In the first quarter report, we disclosed P67 million in IPO related expenses out of the projected P125 million projected use for general corporate requirements.

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 June 30, 2008	Reported in March 31, 2008
Nov07-Jan08	Purchase of 34% stake in STEAG	P 4,405,162,467	P 4,405,162,467
Oct07-Jun08	Disbursements for Hedcor Sibulan Project	391,500,000	251,700,000
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	484,514,237
Sep07-Jun08	Expenses related to bidding activities for PNOC-EDC, Palinpinon, Tongonan, Ambuklao and Tiwi-Makban	45,532,646	28,616,548
Jul07-Oct07	General IPO related expenses	66,854,981	66,854,981
Feb08-Jun08	Spending for the Subic Coal Project (Redondo Peninsula Energy, Inc.)	272,839,136	294,136
Mar08	Purchase of 40% equity in Balamban Enerzone Corporation	177,947,664	177,947,664
	Total	P 6,673,110,256	P 5,507,090,033

Thank you.

Very truly yours,

**ABOITIZ POWER CORPORATION**

By



M. JASMINE S. OPORTO  
Corporate Secretary