

January 15, 2009



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,

We are pleased to submit to you a discussion on the actual disbursements of AP's IPO proceeds as of December 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	8,330,593,779	(3,880,593,779)	Note 1
Development of Greenfield projects	4,640,000,000	972,056,034	3,667,943,636	Note 2
Purchase of additional equity in existing power distribution utilities/Investment in a Retail Energy Services Company	0	270,494,876	(270,494,876)	Note 3
General corporate requirements, including working capital requirements	125,000,000	66,854,981	58,145,019	Note 4
Total	P 9,640,000,000	P 9,640,000,000	0	

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

As of December 31, 2008, AP has spent all of the IPO proceeds with a significant portion going to investments in capacity expansion, mostly through acquisitions. The details as to the nature of the actual disbursements is explained below:

Note 1 – Investment in Acquisitions of Power Generation Facilities

To date, 86% of the IPO proceeds was disbursed towards investments via acquisition of existing power generation facilities. Out of this total, 53% was spent in 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. In June 2008 AP, through SN Aboitiz Power-Benguet, Inc., also successfully won the bidding for the 175 MW Ambuklao-Binga hydropower complex, which accounts for 43% of this item.

In 2008 AP pursued its plans for further expansion by participating in the bidding for the government's power assets through the government's privatization program. AP exceeded its initial projections on this item's spending as borne out by the actual investments made during the year and the expenses incurred in its bid participation or efforts leading to planned participations in PNOC-EDC, Palinpinon and Tongonan, and its successful bid for Ambuklao-Binga and Tiwi- Makban geothermal facilities.

Note 2 – Development of Greenfield Projects

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

As of the end of 2008, about P 1.271 billion has been spent, of which P880 million was expended for the 3x82 MW Cebu Coal project which broke ground in January 2008. The remaining P391.5 million was invested into the 42.5 MW hydropower project of Hedcor Sibulan, Inc.

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.

In September 2008 AP made an investment in Mazzaraty Energy Corporation, a retail energy services company.

Note 4 – General Corporate Requirements

In the third quarter report, we disclosed a P67 million IPO related expenses out of the projected P125 million projected use for general corporate requirements. There have been no additional disbursements for this type of expenses in the fourth quarter.

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

Table 2: Summary of Actual Use of IPO Proceeds

Period Spent	Description	As of December 31, 2008	Reported in September 30, 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	391,500,000
Dec07– Jan08	Purchase of additional 20% of Subic Enerzone Corp	92,000,000	92,000,000
Jan08– Dec08	Recapitalization for Cebu Coal Project (Abovant Holdings)	580,556,364	553,154,237
Sep07–Dec 08	Expenses related to bidding activities for PNOC-EDC, Palinpinon, Tongonan, Ambuklao-Binga and Tiwi-Makban	91,556,631	82,360,052
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	272,839,136
Mar08	Purchase of 40% equity in Balamban Enerzone Corporation	177,947,664	177,947,664
Sept 08	Investment in a retail energy services company	547,212	547,212
June –Sept 08	Acquisition of Ambuklao-Binga	3,561,035,544	3,561,035,544
	Total	P 9,640,000,000	P 9,603,401,294

We hope you will find everything in order.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION

By



M. JASMINE S. OPORTO

Corporate Secretary