



March 15, 2010

MS. JANET ENCARNACION

Head, Disclosure Department
Philippine Stock Exchange, Inc.
4th Floor, Philippine Stock Exchange Centre,
Exchange Road, Ortigas Center,
Pasig City

Re: Clarification to March 15, 2010 the *BusinessMirror* article

Dear Ms. Encarnacion,

This refers to your letter requesting us to confirm the veracity of the information contained in the *BusinessMirror* article dated March 15, 2010 entitled, "AboitizPower 'floating power plants' fully operational since takeover, help ease Mindanao electricity shortfall", a portion of which is quoted hereunder:

"POWER barges PB 117 and 118 have been in full operation from the very first day that Aboitiz Power Corp. assumed their full ownership this year and have been used to help ease the electricity shortfall in Mindanao...AboitizPower took the risk of operating both power barges even without an actual approval from the Energy Regulatory Commission (ERC) of the supply contracts in order to mitigate the supply deficit in Mindanao and lessen the rotating brownouts. Should the ERC not approve these contracts, all the energy delivered from the time of takeover up until the ERC decision may not be billed by AboitizPower to the NGCP."

In reply to your letter, we state the following:

1. Aboitiz Power Corporation ("AP"), through its wholly owned subsidiary, Therma Marine, Inc. ("TMI") assumed ownership of Power Barge 118 (PB 118) and Power Barge 117 (PB 117) on February 6, 2010 and March 1, 2010 respectively. PB 118 is a 100-MW power barge moored at Bgy. San Roque, Maco, in Compostela Valley, Mindanao, while PB 117 is a 100-MW power barge moored at Nasipit, Agusan del Norte, Mindanao. AP acquired both power barges on July 31, 2009 via a successfully concluded negotiated bid with the Power Sector Assets and Liabilities Management Corporation.
2. TMI entered into an Ancillary Services Procurement Agreements ("ASPA") with the National Grid Corporation of the Philippines (NGCP) for a supply by each of PB 117 and PB 118 of 50 MW ancillary services consisting of contingency reserve, dispatchable reserve, reactive power support, and blackstart capacity for the Mindanao Grid. The ASPA for PB 118 was granted a provisional authority by the Energy Regulatory Commission.
3. TMI has been operating the power barges prior to receiving the written provisional authority of the ERC of the ASPAs. ERC approval is required for the ASPA before NGCP can charge customers for the ancillary services. The ERC issued a provisional authority for the PB 118 ASPA on March 8, 2010 and made it retroactive to February 6, 2010 in consideration of the on-going power crisis in Mindanao. Provisional authority for the PB 117 ASPA is still pending before the ERC. PB 117 is operating without a provisional authority from the ERC. However, in its application, it has applied for the retroactive effectivity of its authority so as not to intensify the power situation in Mindanao.

4. The provision of ancillary services is essential to mitigate the major power supply shortage in Mindanao arising from the lack of rainfall widely attributed to the El Niño phenomenon.
5. TMI has been operating PB 117 and PB 118 without any energy supply contracts, other than the ASPAs.

We hope we have sufficiently clarified this matter.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION

By



M. JASMINE S. OPORTO
Corporate Secretary