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January 4, 2021

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Gentlemen:

We reply to your letter dated January 4, 2021 (received thru EDGE Submission System at 10:19 a.m. today) requiring us to clarify and/or confirm the information contained in the news article entitled "ERC tells Meralco to refund P1.4 billion in over collections" posted in BusinessMirror (Online Edition) on December 30, 2020. The article reported in part that:

"THE Energy Regulatory Commission (ERC) has directed the Manila Electric Company (Meralco) to refund to consumers its over collections in the following pass-through charges: Transmission Rate (TR), System Loss Rate (SLR), Lifeline Subsidy Rate (LSR), and Senior Citizen Subsidy Rate (SrCSR).

The ERC, upon review of Meralco's submitted data for the period from January 2017 to December 2019, validated the over recoveries of P1.4 billion in the said pass-on charges.

It was also confirmed, however, that Meralco likewise incurred under recoveries of P2.38 billion in the Generation Rate (GR).

'The Commission's initial evaluation of the documents submitted by Meralco revealed that it [Meralco] incurred a total over collection amounting to P1.4 billion in the Transmission, System Loss, Lifeline Subsidy and Senior Citizen Discount Rates, but also incurred a total of P2.38 billion under collection in the Generation Rate,' ERC Chairman and CEO Agnes VST Devanadera explained in the recently issued order.

The ERC directed the utility to implement its over and under-recoveries, by way of refunding and collecting the same, subject to the final evaluation by the Commission. ERC ordered Meralco to refund the over-recoveries at an average rate of P0.1331/kWh, for a period of approximately three months until fully refunded, and to collect the computed under-recovery in the Generation Rate, with an equivalent rate of P0.0395/kWh, for approximately 24 months until fully collected starting on the next billing cycle upon receipt of the ERC's subject Order. The longer period for Meralco to collect the under charges is meant to protect consumers by mitigating the impact of such under-recovery collection, ERC said.

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We would like to confirm the statements attributed to the Energy Regulatory Commission (ERC) in the news article on the total over collection amounting to P1.4 billion in the Transmission, System Loss, Lifeline Subsidy and Senior Citizen Discount Rates and the total of P2.38 billion under collection in the Generation Rate for the period Jan. 2017- Dec. 2019 which the Company filed in the ordinary course of its business and in accordance with the ERC rules and regulation.

Thank you.


WILLIAM S. PAMINTUAN
Senior Vice President
Assistant Corporate Secretary &
Information Disclosure Officer