December 7, 2022

MS. ALEXANDRA D. TOM WONG
Officer-in-Charge, Disclosure Department
Philippine Stock Exchange, Inc.
6/F PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

ATTY. MARIE ROSE M. MAGALLEN-LIRIO
Head – Issuer Compliance and Disclosure Department
PHILIPPINE DEALING & EXCHANGE CORP.
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

Gentlemen:

We reply to your letter dated December 7, 2022 (received thru EDGE Submission System at 9:17 a.m. today) requiring us to clarify and/or confirm the information contained in the news article entitled "Meralco reviews SMC offer" posted in Malaya Business Insight (Online Edition) on December 7, 2022. The article reported in part that:

> "The Manila Electric Co. (Meralco) is reviewing San Miguel Corp.'s (SMC) offer to make the full capacity of the 1,200 megawatts (MW) Ilijan natural gas-fired power plant available for the power distributor.
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> But Meralco said an agreement must first be forged with SMC and First Gen Corp. for the reallocation of power which will need approval by the Department of Energy (DOE) and the Energy Regulatory Commission.
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> . . . .
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> 'They relayed that (offer) to us last Friday and I said I can't commit because I have to do the rate simulation, the rate impact and up to now we are still running the numbers and the impact on prices to consumers,' said Jose Ronald Valles, Meralco first vice president and head of regulatory management, in a round table discussion in Pasig city on Monday.

Valles added under SMC's offer, Meralco will look for the fuel supply of the Ilijan plant which may be secured if the DOE and First Gen would agree to re-allocate the latter's current natural gas supply.

First Gen's natural gas-fired power plants can run on alternate liquid fuel but is more expensive than traditional natural gas.

'As I understand from (DOE) Secretary Raphael Lotilla, he wants that 1,200 MW to remain operational in the grid so the only way to do it is to source fuel for it. So, you'll need to divert the fuel of First Gen to Ilijan. Ilijan will run using natural gas and First Gen plants will run on liquid fuel but the liquid fuel has to be a pass-through cost. To us, that could be the mechanics,' Valles said.

Valles added they are 'trying to find a way… to facilitate completion of everything' and are optimistic a written agreement may be completed within the week.

In a separate statement, SMC said its subsidiary, San Miguel Global Power (SMGP), notified Meralco it is ceasing supply on its 670 MW power supply agreement effective today, December 7.

. . . ."

We would like to confirm the statements in the news article attributed to our Atty. Jose Ronald V. Valles, First Vice President and Head, Regulatory Management Office, that the parties are evaluating the best available options for the benefit of the consumers. It is further clarified that any agreement reached with the suppliers will have to be cleared and approved by the Department of Energy and the Energy Regulatory Commission.

Thank you.

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