



SAN MIGUEL CORPORATION

August 30, 2013

The Philippine Stock Exchange, Inc.
Disclosure Department
3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. Janet A. Encarnacion**
Head - Disclosure Department

Gentlemen:

We reply with respect to the news article entitled, "Meralco seeking refund from suppliers" posted in the Manila Bulletin (Internet Edition) on August 30, 2013. The article reported in part that:

Distribution utility giant Manila Electric Company (Meralco) has been directed to file petitions with the Energy Regulatory Commission (ERC) against four power generation companies to press them for a refund P4.663 billion worth of line loss charges to its customers.

These are the successor generation companies (SGCs) to the privatized assets of the Power Sector Assets and Liabilities Management Corporation (PSALM) which had been established in the ERC ruling to be in charge of roughly half of the refund due to line loss rentals arising from the transition supply contract (TSC) of then National Power Corporation and Meralco. PSALM is NPC's transferee-company.

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Two of the country's biggest power generators – Aboitiz and San Miguel Energy Groups – will be petitioned to refund aggregate P3.532 billion, which account for line loss charges attributed to their sold volumes, including those channeled through the Wholesale Electricity Spot Market.

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San Miguel, on one hand, was enforced heftier refunds of P1.853 billion for line loss rentals due to its subsidiary South Premiere Power Corporation, the independent power producer administrator (IPPA) for the 1,200-megawatt Ilijan natural gas-fired power facility.

Payback to Meralco customers amounting to P337.685 million had also been enforced against San Miguel Energy Corporation (SMEC), the IPPA of the 1,000MW Sual coal-fired plant in Pangasinan.

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For the dispute resolution propounded for SMC subsidiary SPPC, the ERC noted that the initial refund hovered at P705.952 million, but additional invoices escalated the amount by additional P1.147 billion; hence, the turning total had been placed at P1.853 billion.

We confirm that the directive of the Energy Regulatory Commission (ERC), relating to the claims for refunds by the Manila Electric Company vis-a-vis the South Premier Power Corporation ("SPPC") and San Miguel Energy Corporation ("SMEC"), respectively, as reported in the aforequoted article, is accurate. SPPC and SMEC shall prepare and submit to the ERC the appropriate response(s) to address such claims.

Very truly yours,



FERDINAND K. CONSTANTINO
Corporate Information Officer