Operations Report
FY 2014
2014 FY Operating Highlights

- **3.2%↑** Growing Energy Sales
- **3.9%↑** Expanding Customer Base
- **3.3%↑** Rising Peak Demand
- **2.5%↑** Higher Net System Input

- **56.7% Generation**
  - AVE. Customer Bill Flat Y-O-Y
- **17.1% Distribution**
  - **↓1%**
- **9.7% Transmission**
  - **↑7%**

- **75.7% IPPs/PSAs**
- **2.9% WESM**
- **18.5% RESs**

- **46.8% Gas**
- **38.9% Coal**

**“REWARDS”**
- Operational excellence in Distribution System & Customer Service Performance

**OTHER BUSINESS HIGHLIGHTS**
- Business Updates & Events of Interest
Details
Growing Energy Sales: 2014FY

- Energy sales Up 3.2% vs. 2013 (+1,076 GWh)
- Net of impact of Typhoon ‘Glenda’ (in July), Total Sales is 3.8% up

Movers* for 2014:

- INDUSTRIAL
  - Food & Beverages: 3.9%
  - Basic Metals: 3.2%
  - Rubber & Plastics: 4.2%

- COMMERCIAL
  - Real Estate: 39.3%
  - Private Services: 30.9%
  - Trade: 29.5%

- RESIDENTIAL
  - New customer accounts: 1.3%

Sales volume for Flat Streetlights (131 GWh) account for 0.4%

*Applies to GP customers under Industrial and Commercial segments.
Expanding Customer Base: 2014 FY

- Up 3.9% vs. 2013 (+207,056 new customers)
- Highest YE growth since 2004 (10 years ago)

Segment share for 2014:

- 91.4% RESIDENTIAL
  - 5.1 million Customers
- 8.3% COMMERCIAL
  - 0.464 million Customers
- 2.4% INDUSTRIAL
  - 9,824 Customers
- 1.2% Flat Strt
  - 4,501 Customers

In million customers:

- 2010: 4.85
- 2011: 5.03
- 2012: 5.19
- 2013: 5.37
- 2014: 5.57

CONSOLIDATED
Rising Peak Demand: 2014 FY

Meralco Peak Demand, MW:

- 2010: 5,374 (1.7% down)
- 2011: 5,283
- 2012: 5,633 (6.6% up)
- 2013: 5,928 (3.3% up)
- 2014: 6,121 * (occurred on May 21, 2014)

Meralco Peak Demand is up 3.3% vs. 2013 (+193 MW).

Luzon Peak Demand, MW:

- 2010: 7,656 (1.4% down)
- 2011: 7,552
- 2012: 7,889 (4.5% up)
- 2013: 8,305 (5.0% up)
- 2014: 8,717 *

Luzon Peak Demand is up 5.0% compared to 2013 (+306 MW).

*occurred on May 21, 2014
Clark Electric (CEDC) - Fast Growing: 2014 FY

Strong growth in Energy Sales and NSI vs. 2013

Energy Sales, GWh

<table>
<thead>
<tr>
<th>Year</th>
<th>Energy Sales, GWh</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>379.5</td>
<td>15.1%</td>
</tr>
<tr>
<td>2014</td>
<td>436.7</td>
<td></td>
</tr>
</tbody>
</table>

Customer Count

<table>
<thead>
<tr>
<th>Year</th>
<th>Customer Count</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,819</td>
<td>2.1%</td>
</tr>
<tr>
<td>2014</td>
<td>1,858</td>
<td></td>
</tr>
</tbody>
</table>

NSI, GWh

<table>
<thead>
<tr>
<th>Year</th>
<th>NSI, GWh</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>402.0</td>
<td>15.4%</td>
</tr>
<tr>
<td>2014</td>
<td>464.0</td>
<td></td>
</tr>
</tbody>
</table>

2014 Sales, Share, Count, Share

<table>
<thead>
<tr>
<th>Category</th>
<th>Sales, Share</th>
<th>Count, Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>38.6%</td>
<td>57.9%</td>
</tr>
<tr>
<td>Industrial</td>
<td>60.2%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Residential</td>
<td>0.9%</td>
<td>32.2%</td>
</tr>
</tbody>
</table>

Flat Streetlights' sales and count shares account for 0.3% and 3.2%, respectively.
Power Sources: 2014 FY

- Contracted Supply 76.7% of NSI; WESM 2.9%; RESs 18.5% of NSI

Diagram:

- 2013:
  - 7.4% RES***
  - 1.9% PSA*
  - 5.3% IPP
  - 35.7% Special Con.**
  - 49.7% Contracted Supply

- 2014:
  - 2.5% RES***
  - 1.9% PSA*
  - 2.9% IPP
  - 18.5% Special Con.**
  - 42.5% Contracted Supply

Note: WESM purchase at 3.7% for Captive volume

*Includes volumes from Montalban Methane Power Corp., Bacavalley Energy Inc., Pangea and Net Mtrg; plus CEDC, IPSAs aside from TMO and REs
**Includes volumes for Cavite Economic Zone (CEZ), Sunpower and Cocochem Agro-Industrial Park (CAIP)
***Includes volumes for MPower and Other Retail Electricity Suppliers

CONсолIDATED
Power Fuel Mix: 2014 FY

- **46.8%** of NSI from Nat. Gas-fired plants, **38.9%** from Coal-fired and **14.3%** from hydro, geothermal as well as coal

<table>
<thead>
<tr>
<th>Year</th>
<th>Natural Gas</th>
<th>Coal</th>
<th>Multi-fuel*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>16,538.7</td>
<td>14,826.2</td>
<td>5,307.7</td>
<td>36,672.6</td>
</tr>
<tr>
<td>2014</td>
<td>17,579.4</td>
<td>14,618.2</td>
<td>5,380.4</td>
<td>37,578.0</td>
</tr>
</tbody>
</table>

*Coal, Hydro, Biomasss, Geothermal, et. al.; includes also WESM, CAIP, Other RESs

CONSOLIDATED
Average Retail Rate: 2014 FY

- Average Customer Bill 0.3% lower than 2013 (-3¢/kWh)
- Generation Charge, largest component in customer’s bill, 56.7%; Meralco 17.1%; NGCP 9.7%
- Generation, Distribution and System Loss Charge lower by 1%, 3% and 4%, respectively vs. 2013

<table>
<thead>
<tr>
<th></th>
<th>2013 Overall</th>
<th>2014 Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>P9.45/kWh</td>
<td>5.39</td>
<td>P9.42/kWh</td>
</tr>
<tr>
<td>11.4%</td>
<td>1.08</td>
<td>1.11</td>
</tr>
<tr>
<td>17.5%</td>
<td>1.66</td>
<td>1.61</td>
</tr>
<tr>
<td>4.9%</td>
<td>0.46</td>
<td>0.44</td>
</tr>
<tr>
<td>9.1%</td>
<td>0.86</td>
<td>0.92</td>
</tr>
<tr>
<td>57.1%</td>
<td>5.39</td>
<td>5.34</td>
</tr>
<tr>
<td>Taxes, Univ Charge</td>
<td>0.3%↓</td>
<td>3%↑</td>
</tr>
<tr>
<td>Distribution Charge</td>
<td>1.66</td>
<td>1.61</td>
</tr>
<tr>
<td>System Loss Charge</td>
<td>0.46</td>
<td>0.44</td>
</tr>
<tr>
<td>Transmission Charge</td>
<td>0.86</td>
<td>0.92</td>
</tr>
<tr>
<td>Generation Charge</td>
<td>5.39</td>
<td>5.34</td>
</tr>
</tbody>
</table>

- *Generation Retail Rate (applies to captive customers only)
- **Other Charges are based on total captive and contestable customers in Meralco Franchise Area
Operational Excellence - System Loss Performance: 2014FY

- 12-MMA ending December 2014 at 6.49%
  - Record best
  - Improved by 0.43%pts vs. 2013’s 6.92%

SAVINGS TO CUSTOMER

- 2008: P0.37 Bn
- 2009: 1.37
- 2010: 1.14
- 2011: 2.40
- 2012: 3.44
- 2013: 3.53*
- 2014: 4.56 (13 ¢/kWh)

Total: P16.81 Bn (or equivalent to 7.86¢/kWh)

*For 2013, the pricing used for Nov and Dec was based on the regulated WESM prices in accordance with the ERC Order in Case No. 2014-021 MC dated March 3, 2014.
Operational Excellence - S Factor Performance: 2014

- All indicators well within rewards* range; vs. last 4 years, 6/8 all indicators at “all-time” best

### Key Performance Indicators

- **SAIFI, Forced & PAI (Times)**

- **CAIDI-Forced & PAI (Mins.)**
  - 2010: 141.27, 2012: 94.09, 2014: [value]

- **SAIDI, PAI (Mins)**
  - 2010: 93.81, 2012: 59.65, 2014: [value]

- **Prob. of Voltage Violations (% not falling w/in limits)**
  - 2010: 0.50, 2012: 0.00, 2014: [value]

- **Ave. Time to Process App. (Days)**
  - 2010: 5.94, 2012: 4.34, 2014: [value]
Operational Excellence – S Factor Performance: 2014 FY

- All indicators well within rewards* range; vs. last 4 years, 6/8 all indicators at “all-time” best

Ave. Time to Connect (Days)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2012</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>3.38</td>
<td>2.52</td>
<td></td>
</tr>
</tbody>
</table>

Call Center Performance (Secs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2012</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>24.55</td>
<td>5.64</td>
<td></td>
</tr>
</tbody>
</table>
## Performing Under Adverse Condition: Typhoons ‘Glenda’, ‘Mario’ & ‘Ruby’

<table>
<thead>
<tr>
<th>SUMMARY OF IMPACT OF MAJOR WEATHER DISTURBANCES TO MERALCO</th>
<th>Typhoon ‘GLENDA’</th>
<th>Typhoon ‘MARIO’</th>
<th>Storm ‘RUBY’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inclusive Dates (including completion of restoration)</td>
<td>July 15-20, 2014</td>
<td>September 19 only</td>
<td>December 9, 2014</td>
</tr>
<tr>
<td>Circuits Affected during height of weather disturbance</td>
<td>627 (89.44% of 701 circuits)</td>
<td>91 (12.98% of 701 circuits)</td>
<td>12 (1.77% of 701 circuits)</td>
</tr>
<tr>
<td>Sustained Interruption Events</td>
<td>616</td>
<td>37</td>
<td>4</td>
</tr>
<tr>
<td>Momentary Interruption Events</td>
<td>11</td>
<td>54</td>
<td>10</td>
</tr>
<tr>
<td>Customers Affected during height of weather disturbance</td>
<td>4,640,000 (87.5% of total number of customers)</td>
<td>397,714 (7.49% of total number of customers)</td>
<td>2,692 (87.5% of total number of customers)</td>
</tr>
<tr>
<td>Unrealized Sales (GWh)</td>
<td>230</td>
<td>33</td>
<td>24</td>
</tr>
<tr>
<td>Total Damage to Facilities in PhP (Poles, wires, DTs)</td>
<td>399,456,850.78</td>
<td>934,000.00</td>
<td>732,848</td>
</tr>
</tbody>
</table>
Performing Under Adverse Condition: Power Supply Volatility

- Inadequate power plant capacity
- Insufficiency of required reserves
- Worsening weather disturbances
- Increased reliance on expensive oil-fired plants.

**YELLOW & RED ALERTS**
83 FORCED OUTAGES*
52 SCHEDULED OUTAGES

*including 27 due to “Ruby” and ‘Glenda’
## Higher Productivity Performance: 2014FY

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Employee Count</td>
<td>6,203</td>
<td>6,071</td>
<td>5,960</td>
<td>5,898</td>
<td>5,766</td>
<td>-2.2%</td>
<td>-7.0%</td>
</tr>
<tr>
<td>Sales Per Employee (GWh/Employee)</td>
<td>4.83</td>
<td>4.99</td>
<td>5.45</td>
<td>5.71</td>
<td>6.02</td>
<td>5.4%</td>
<td>24.6%</td>
</tr>
<tr>
<td>Customer Per Employee</td>
<td>781</td>
<td>828</td>
<td>870</td>
<td>910</td>
<td>967</td>
<td>6.2%</td>
<td>23.7%</td>
</tr>
</tbody>
</table>
Other Business Highlights
Increasing Capital Expenditures: 2014 FY

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Expenditures (PhP Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>9,053</td>
</tr>
<tr>
<td>2011</td>
<td>8,748</td>
</tr>
<tr>
<td>2012</td>
<td>10,321</td>
</tr>
<tr>
<td>2013</td>
<td>10,187</td>
</tr>
<tr>
<td>2014</td>
<td>12,350</td>
</tr>
</tbody>
</table>

21.2% increase from 2013 to 2014.
Completed Electric Capital Projects

- Araneta-Cubao-Kamuning 115 kV Line
- Caliraya-Botocan 115 kV Line Restoration
- Therma Mobile, Inc. (TMO) Connection
- CPIP Substation
- Batangas City-Bolbok-Simlong 69 kV Line (on-going until 2015)
- PAGCOR Substation (on-going until 2015)
- 83 MVA Transformer at Tegen S/S
- Valencia (QC) GIS Substation
- Tayabas 2nd 115 kV Line in Tayabas, Quezon
- Facilities relocation for NAIA Project (on-going until 2015)
Business Updates: 2014 4Q
Confronting Thinning Power Supply

New IPSAs / PSA (~524 MW)
ILP ADVOCACY (~617.2 MW*)
ENERGY SAVING MEASURES

*617.2 MW signed out of the committed 901.0 MW
Business Updates: 2014 4Q
Customer-driven Technology & Innovation Initiatives

- PRES / Kuryente Load Campaign
- Power Lab
- Meralco Advisory
- New Business Center Look
- Ateneo eV Shuttle Leasing
- Net Lima eV Charging Station
- Comet eJeep Deployment
- Energy Efficiency & Savings Programs
Business Updates: 2014 4Q
Making a Difference in Society and Communities

MERALCO AWARDED FOR CORPORATE SOCIALLY RESPONSIBILITY IN ASIA

- During the inaugural Asia Corporate Excellence and Sustainability (ACES) Awards 2014 in Singapore.

OMF President Jeffrey O. Tarayao receives award on behalf of Meralco from jury members Dr. Jayanthi Desan, Managing Dir. of Synergio Consulting SDN BHD and Andrew Bryant, Author of Self Leadership

12 public elementary and high schools in the municipalities of Rodriguez and Tanay, Rizal now enjoy the benefits of electricity after the installation of solar photo voltaic (PV) systems in their schools.

Assistance beyond Meralco’s borders
Regulatory Updates
FY 2014
Regulatory Updates - Outline

- WESM Primary Offer Cap and Secondary Price Cap
- FIT Updates
- Updates on Emergency Powers
## Primary Offer Cap

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Jun 9, 2006</strong></td>
<td>ERC, DOE and PEMC issued Joint Res 2, S. 2006, setting the primary offer price cap to P62,000/MWh for 90 days</td>
</tr>
<tr>
<td><strong>Dec 27, 2013</strong></td>
<td>ERC, DOE and PEMC issued Joint Res 2, S. 2013, setting the primary offer price cap to P32,000/MWh for 90 days</td>
</tr>
<tr>
<td><strong>Mar 26, 2014</strong></td>
<td>Extended primary offer cap for 60 days (Joint Res 1, S. 2014)</td>
</tr>
<tr>
<td><strong>Jun 16, 2014</strong></td>
<td>WESM Tripartite Committee conducted a public consultation</td>
</tr>
</tbody>
</table>

“The WESM Tripartite Committee further recognizes that the appropriate level of the WESM Offer Cap should complement and be consistent with the permanent preemptive measure in the WESM to be issued by ERC.”
WESM prices capped at P6.245/kWh upon breach of threshold

Secondary Price Cap


Jun 16, 2014 – Extended secondary cap for 45 days (ERC Res 13, S. 2014)

Jul 23, 2014 – ERC conducted a public consultation

Aug 5, 2014 – Extended secondary cap for 120 days (ERC Res 14, S. 2014)

Sep 29, 2014 – ERC conducted a public consultation

Dec 15, 2014 – Permanent preemptive mitigating measure (ERC Res 20, S. 2014)

Dec 24, 2014 – ERC published the Resolution in the Daily Tribune

Jan 9, 2015 – Effectivity of the new secondary cap
ERC sets final secondary price cap in the WESM

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Final Price Cap (P/MWh)</td>
<td>Interim Price Cap (P/MWh)</td>
</tr>
<tr>
<td></td>
<td>Average LWAP, No. of Hours, Price Threshold</td>
<td>Average LWAP, Price Threshold</td>
</tr>
<tr>
<td>1st Off-Peak</td>
<td>8,2,756.00, 22,048.00, 2,675.01, 21,400.08</td>
<td>8,1,660.00, 81,660.00, 7,895.76, 78,957.60</td>
</tr>
<tr>
<td>Peak</td>
<td>10,8,1,666.00, 81,660.00, 7,895.76, 78,957.60</td>
<td></td>
</tr>
<tr>
<td>Price Spike</td>
<td>3,32,000.00, 96,000.00, 27,000.00, 81,000.00</td>
<td></td>
</tr>
<tr>
<td>2nd Off-Peak</td>
<td>3,5,432.00, 16,296.00, 5,042.63, 15,127.89</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>24,216,004.00, 196,485.57</td>
<td></td>
</tr>
<tr>
<td>Price threshold within rolling period</td>
<td>1,512,028.00, 589,456.71</td>
<td></td>
</tr>
</tbody>
</table>

**a. Rolling Average Threshold:**
Php9,000/MWh, based on historical summer prices from April, May and June 2010-2014 and allowance for 3 intervals in a day with price at Php32,000/MWh.

**b. Price Cap:** Php6,245/MWh, based on LWAP in the WESM from January to September 2013.

**c. Lifting of Price Cap:** Evaluation of rolling average shall be by the hour once price cap is imposed.

Source: ERC Discussion Paper on Preemptive Measure in WESM
Feed-in-Tariff (FIT) Implementation

- 1st Batch of Installation Targets set by the DOE

<table>
<thead>
<tr>
<th>RE Technology</th>
<th>FIT Rates* (Php/kWh)</th>
<th>Installation Targets** (MW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROR- Hydro</td>
<td>5.90</td>
<td>250</td>
</tr>
<tr>
<td>Biomass</td>
<td>6.63</td>
<td>250</td>
</tr>
<tr>
<td>Wind</td>
<td>8.53</td>
<td>200</td>
</tr>
<tr>
<td>Solar</td>
<td>9.68</td>
<td>50</td>
</tr>
<tr>
<td>OTEC</td>
<td>Deferred</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>750MW</strong></td>
</tr>
</tbody>
</table>

*FIT Rates approved by the ERC in July 2012
**Installation Targets set by the DOE in June 2011

- The DOE has, so far, endorsed 14 RE projects for FIT, with an aggregate capacity of 304MW.
DOE formally transmitted to the ERC a certification adjusting the solar installation target to 500 MW under the FIT System (26 May)

ERC PUBLIC CONSULTATION
- Meralco said the add’l 450MW should consider --
  - Readiness of DU networks to accommodate the additional capacity
  - Impact to the electricity rates
- Meralco suggested to implement the original 750 MW target first, before adding capacity under FIT
- FEF (Mr. E. Leung) opposed the expanded installation target because of its impact on rates.

ERC released for comments the proposed amendments to Res #10, Series of 2012 (FIT Rates)

ERC PUBLIC HEARING
- Hearing was for the appropriate FIT rate for the additional 450 MW
- NREB/DOE’s proposed rate is Php9.10/kWh which is degressed rate of Php 9.68/kWh
- News articles later mentioned a rate of Php8.95/kWh as another proposal
New bill component: FIT-All (Renewable)

ERC Order dated 10 October 2014 “…the Commission hereby PROVISIONALLY APPROVES the Feed-in-Tariff Allowance (FIT-All) of Php 0.0406/kWh.”

Collection Agents i.e. Meralco, Mpower, MEP, CEDC, PELCO II, implemented starting February 2015 bills to customers.
Meralco’s Info Campaign to Customers and Employees

Bill Advisory
Appeared on all February bills to customers

What is the new FIT-All charge?

*Fit-all is a new addition to your bill, as mandated by the government. This is to promote the use of sustainable sources of energy and will go to renewable energy developers. Distribution utilities nationwide (like Meralco) collect it but do not earn from this charge.

*Feed-in-Tariff Allowance

For more information, visit http://www.transco.ph/feed-in-tariff
“Very soon, we will formally ask Congress for a joint resolution, that will authorize the national government to contract an additional generating capacity to address the 300-megawatt projected deficit, and, on top of that, to have sufficient regulating reserves equivalent to four percent of peak demand, for another 300 megawatts.”

- President Aquino’s speech at the launching of the 420 MW Pagbilao III Power Plant project on 11 September 2014
Updates on Emergency Powers

☑ Sep 25, 2014 : House Resolution No. 1533 “Directing The Committee On Energy To Conduct An Inquiry, In Aid Of Legislation, To Determine Government Options To Alleviate Power Shortage In 2015” was filed by Speaker Belmonte and Majority Floor Leader Neptali Gonzales Jr.

☑ Nov 18, 2014 : The House Committee on Energy approved House Joint Resolution 21
  : 19 voted in favor, 1 not in favor and 1 abstained

☑ Nov 26, 2014 : Committee Report recommending approval of HJR 21

☑ Nov 27, 2014 : Letter certifying as urgent HJR 21 signed by Exec. Sec. Paquito Ochoa transmitted to the office of Speaker Belmonte Jr. on Dec. 1

☑ Dec 02, 2014 : Sponsorship Speech of Cong. Reynaldo Umali

☑ Dec 10, 2014 : The House successively approved on Second and Third Reading House Joint Resolution No. 21

☑ The leadership of the House is targeting the First Quarter of 2015 to enact Joint Resolution into a law.
Updates on Emergency Powers

SALIENT FEATURES OF HOUSE JOINT RESOLUTION NO. 21:

• Additional generating capacity shall be sourced from:
  (1) the Interruptible Load Program (ILP)
  (2) fast tracking of new committed projects, and plants for interconnection and rehabilitation; and
  (3) adoption and execution of energy efficiency and conservation measures shall be pursued vigorously in both public and private sectors.

• The authority granted to the President shall be valid from the effectivity of this Joint Resolution until 31 July 2015 to cover additional generating capacity required for the period of the critical power shortage.

• During the effectivity of this Joint Resolution, the following shall be undertaken:
  (1) All national government agencies and local government units are hereby authorized to suspend the operability of pertinent laws, rules and regulations including but not limited to WESM Rules; Biofuels Act; Clean Air Act; Philippine Grid Code and the Philippine Distribution Code.
  (2) All entities with self-generating facilities (SGFs) shall participate in the ILP on or before 31 January 2015: Provided, That the government shall reimburse the owners of SGFs of backup generators for fuel expenses and reasonable recovery for their use in accordance with the ERC rules including the VAT. For this purpose, the President is hereby authorized to source from Malampaya funds.
  (3) Upon submission of the energy efficiency and conservation program, as certified by the DOE, all government offices and institutions are authorized to retrofit their offices and buildings.
  (4) Within 30 days from the approval of the Joint Resolution, the Secretary of Energy Shall, in coordination with the industry stakeholders, promulgate rules and regulations.
  (5) The President shall submit a monthly report to Congress.
Updates on Emergency Powers

☑ Sep 25, 2014: Senate Committee on Energy Consultative Meeting on:

- Section 71 of R.A. No. 9136 (EPIRA) in Reference to the Letter of His Excellency, President Benigno S. Aquino III Dated 12 September 2014 Seeking the Immediate Enactment of the Same

- Senate Resolution No. 933 – “RESOLUTION DIRECTING THE COMMITTEE ON ENERGY TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, TO DETERMINE GOVERNMENT OPTIONS TO ALLEVIATE POWER SHORTAGE IN 2015” (authored by Sen. Osmeña III)

- Senate Resolution No. 934 – “RESOLUTION DIRECTING THE COMMITTEE ON ENERGY TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE NEED TO ESTABLISH ADDITIONAL GENERATING CAPACITY TO ENSURE THE ENERGY REQUIREMENTS OF THE COUNTRY” (Authored by Senator Drilon)

☑ Dec 16, 2014: Second Hearing on Senate Resolution Nos. 933 & 934. Osmeña thereafter conducted Technical Working Group (TWG) Meetings

☑ Feb 04, 2015: Senate Committee on Energy submitted Committee Report No. 99 recommending approval of Senate Joint Resolution No. 12 acting on Senate Resolution Nos. 933 and 934

**SALIENT FEATURES OF SENATE JOINT RESOLUTION NO. 12:**

- **DOE**, in coordination with other government agencies, to suspend application of necessary certifications, permits, licenses, consents, and other authorizations to ensure existing committed projects and plants for connection, interconnection or transmission and rehabilitation will be able to provide additional capacity from March to July 31, 2015.

- **DOE** to instruct the system operator not to utilize existing hydroelectric plants as Must Run Units and encourage these plants to conserve water during off-peak hours from March 1, 2015 to July 31, 2015;

- **ERC** to allow the activation of the ILP whenever the net operating reserve of the Luzon grid is less than 350 MW (“Orange Alert”);

- **ERC** to issue the requisite regulation which shall suspend or amend, for the period covered by the Joint Resolution, the N-1 Criterion under the Grid and Distribution Codes.

**Designate** the “Malampaya Fund” as **funding source of extraordinary expenses:**

- to entities (i.e. Texas Instruments, Phoenix Semicon & Hanjin) enjoying discounted rates under pertinent EOs for the incremental increase in rates arising from recovery of the De-Loading Compensation;

- to customers which are allowed an option to recover their De-Loading Compensation from the Government as may be provided in the ILP Rules;

- by PSALM for increasing the pumping operation hours of CBK to optimize its generating capacity, differential cost of diesel and natural gas fuel for ILIJAN and dispatch of MALAYA;

- by PSALM in supplying fuel to and expanding the fuel storage facilities of MALAYA;

- by NPC for disturbance and/or displacement compensation to affected households and resort owners within the Caliraya Lake;

- by entities in increasing the storage facilities of diesel for use by natural gas plants as certified by the DOE.
On 9 Feb 2014, the Senate Committee on Energy, conducted a hearing on Senate Bill No. 2622 entitled: An Act Amending Republic Act No. 9367, Otherwise Known as the "Biofuels Act of 2006" (by Senator Osmeña) Chairperson Osmeña introduced SB 2622 which seeks to exempt the Ilijan plant and other similarly situated generation plants (i.e. First Gas Plants) from compliance with the minimum biodiesel blend to augment the power supply during periods of natural gas supply shortages.

The proposed amendment is on Section 5 of the Biofuels Act. There will be a proposed insertion that would read as follows: "PROVIDED THAT NATURAL GAS POWER GENERATION PLANTS MAY USE NEAT DIESEL AS THEIR ALTERNATIVE FUEL DURING SHORTAGES OF NATURAL GAS SUPPLIES: PROVIDED, HOWEVER, THAT THE DOE SHALL ENSURE THAT THE AUTHORITY GRANTED HEREIN SHALL ONLY BE AVAILED OF, DIRECTLY OR INDIRECTLY BY NATURAL GAS POWER PLANTS."

On 17 Feb 2015, the Committee on Energy submitted Committee Report No. 120 recommending approval of Senate Bill No. 2622.
San Buenaventura Power Limited
(460-MW Coal-Fired Power Plant, Quezon)

- Power Supply Agreement with MERALCO
  - Signed on 30 May 2014 and submitted to the ERC for approval on 2 June 2014
  - All hearings concluded last year
  - ERC ruling expected by Q1 2015

- Financing
  - Final stages of evaluation to appoint lead arrangers
  - Expected financial close by mid-2015

- EPC and Site Preparation
  - Negotiations on the Engineering, Procurement and Construction (EPC) contract concluded in October 2014

- Target commissioning by 2H 2018.
Supreme Court resolution, 03 February 2015, by a unanimous 13-0 vote:

- The 30 Jan 2013 Decision and 22 May 2013 Resolution of the Court of Appeals are reversed and set aside
- The Petition for Writ of Kalikasan is denied for insufficiency of evidence
- The validity of the 22 December 2008 Environmental Compliance Certificate, as well as the 8 July 2010 first amendment and the 26 May 2011 second amendment thereto, issued by the Department of Environment and Natural in favor of Redondo Peninsula Energy, Inc. are upheld
- The validity of the 8 June 2010 Lease and Development Agreement between Subic Bay Metropolitan Authority and Redondo Peninsula Energy Inc. is upheld

- RP Energy to proceed with the completion of all remaining development activities and commence construction within the year 2015
Atimonan One Energy
(2 x 600-MW PC Coal-Fired Power Plant, Quezon)

- Development activities for the 2 x 600-MW supercritical pulverized coal-fired power plant in Atimonan, Quezon gained headway in 2014.
- An experienced international engineering firm has been engaged as Owner’s Engineer. Engineering, Procurement and Construction (EPC) prequalification process has commenced.
- Process of applying for an Environmental Compliance Certificate (ECC) has commenced.
Global Business Power Corporation (GBPC)

- MGen acquired a 20% equity interest in GBPC in Oct 2013.
  - GBPC operates a total of 627-MW (gross capacity) composed of coal and diesel-fired power plants. In addition, it has 232 MW (gross) of coal-fired power plants under construction in the Visayas.
- In June 2014, MGen raised its stake in GBPC from 20% to 22%.
- GBPC’s Toledo Power Corporation completed construction of its 1 x 82-MW CFB coal-fired power plant expansion. Achieved commercial operation in Dec 2014.
- GBPC’s Panay Energy Development Corporation is constructing a 150-MW coal-fired power plant at the site of its two (2) operating coal power plants. Commercial operations date is expected in 3Q 2016.
Financial Highlights
FY 2014
Revenues, EBITDA and Net Income

CONSOLIDATED REVENUES (in ₱ mn) & ENERGY SALES (in GWh)

- 2013: 298,636
- 2014: 266,336
- 2013: 34,084
- 2014: 35,160

EBITDA (in ₱ mn) AND MARGINS

- CORE
  - 2013: 30,845 (10%)
  - 2014: 33,172 (12%)
- REPORTED
  - 2013: 30,682 (10%)
  - 2014: 32,979 (12%)

NET INCOME (in ₱ mn) AND MARGINS

- CORE
  - 2013: 17,023 (6%)
  - 2014: 18,128 (7%)
- REPORTED
  - 2013: 17,211 (6%)
  - 2014: 18,053 (7%)

Graphs showing year-over-year comparisons of revenues, EBITDA, and net income with corresponding margins.
**Costs and Expenses**

**TOTAL EXPENSES (in ₱ mn)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₱ mn)</th>
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</thead>
<tbody>
<tr>
<td>TOTAL EXPENSES</td>
<td>203,242</td>
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<tr>
<td>CAPITAL EXPENDITURES</td>
<td>168,979</td>
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<tr>
<td>Purchased Power - Generation</td>
<td>10,992</td>
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<tr>
<td>Purchased Power - Transmission</td>
<td>34,263</td>
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<tr>
<td>Depreciation and Amortization</td>
<td>19,525</td>
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<td>Operating and Maintenance</td>
<td>6,093</td>
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<tr>
<td>Other Expenses - net</td>
<td>10,992</td>
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</table>

**MAJOR ELECTRIC CAPITAL PROJECTS IN 2014:**

- Construction of Araneta-Cubao-Kamuning 115 kV Line
- Installation of an Additional Bank at Tegen Substation (Bank No. 9)
- Development of a 115 kV-34.5 kV GIS Substation (PAGCOR-1 Substation)
- Development of the Valencia Substation
- Construction of the 2nd Tayabas 115 kV Line
Credit and Debt Profile

TOTAL DEBT (in ₹ mn)

DEBT REPAYMENT SCHEDULE (in ₹ mn)

(in ₹ mn except ratios) FY 2013 FY 2014

Cash 59,851 69,467

Total Debt 33,591 30,042

Net Debt (26,260) (39,426)

Total Debt/EBITDA 1.09 0.91

Net Debt/EBITDA (0.86) (1.20)

Gearing Ratio (0.35) (0.50)

Interest Expense 1,479 1,439
Earnings per Share and Cash Dividends

REPORTED AND CORE EARNINGS PER SHARE (in ₱)

<table>
<thead>
<tr>
<th>Year</th>
<th>Earnings per Share</th>
<th>Core Earnings per Share</th>
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<tbody>
<tr>
<td>2010</td>
<td>8.59</td>
<td>10.78</td>
</tr>
<tr>
<td>2011</td>
<td>11.76</td>
<td>13.21</td>
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<tr>
<td>2012</td>
<td>15.19</td>
<td>14.43</td>
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<td>2013</td>
<td>15.27</td>
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<tr>
<td>2014</td>
<td>16.02</td>
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DIVIDENDS DECLARED OUT OF CORE EARNINGS FOR THE YEAR (in ₱/share) AND PAYOUT RATIO

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<th>Dividends Declared Out of Core Earnings for the Year</th>
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<tbody>
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<td>2011</td>
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<tr>
<td>2013</td>
<td>12.08</td>
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<tr>
<td>2014</td>
<td>12.87</td>
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</table>

Payout Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>60%</th>
<th>70%</th>
<th>70%</th>
<th>80%</th>
<th>80%</th>
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<tbody>
<tr>
<td>2010</td>
<td>6.45</td>
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<td>2011</td>
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