



CIRCULAR FOR BROKERS NO. 3815 -2004

Disclosure

August 25, 2004

DATE

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. **Date of Report:** *August 25, 2004*
2. **SEC Identification Number:** *PW-102*
3. **BIR Tax Identification Code:** *350-000-101-528*
4. **Name of Issuer as specified in its Charter:** *Manila Electric Company*
5. **Country of Incorporation:** *Philippines*
6. **Industry Classification:** (SEC use only)
7. **Address of principal office:** *Lopez Building, Ortigas Avenue, Pasig City*
8. **Issuer's telephone numbers:** *16220 local 3186 Area Code: 0300*
9. **Former name or former address:** *Not Applicable*
10. **Securities registered pursuant to Sections 18 and 12 of the SRC or Sections 4 and 8 of the RSA:**

| <u>Title of Each Class</u> | <u>Number of Shares of Common Stock Outstanding</u> |
|----------------------------|---|
| Class "A" | 604,443,401 |
| Class "B" | <u>402,991,906</u> |
| Total | <u>1,007,435,307</u> |

Amount of Debt Outstanding: *P100.06 Billion (as of July 31, 2004)*

11. Item Number reported: Item 9 (Other Events)

Please see attached copy of Press Release (MERALCO CLARIFIES ERC's APPROVAL OF 17 CENTAVO RATE ADJUSTMENT - ASSERTS THAT GRAM IS NOT A MERALCO INCREASE).

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA ELECTRIC COMPANY
Issuer



GIL S. SAN DIEGO
Vice President, Assistant Corporate
Secretary and Information Disclosure
Officer

Date: August 25, 2004

cc: Disclosure Department
Listings and Disclosure Group
Philippine Stock Exchange (PSE)



MERALCO

Press Release

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August 25, 2004

MERALCO CLARIFIES ERC'S APPROVAL OF 17 CENTAVO RATE ADJUSTMENT ASSERTS THAT GRAM IS NOT A MERALCO INCREASE

The Manila Electric Company today (Aug. 25) clarified that the Third Generation Rate Adjustment Mechanism (GRAM) which the ERC approved is not a Meralco rate increase.

"We would like to clarify that the GRAM is not a Meralco rate increase but a rate adjustment mechanism in which distribution utilities are allowed to file with the Energy Regulatory Commission rate adjustments to cover fluctuations in the price of electricity it buys from the National Power Corporation and Independent Power Producers", said Meralco Vice- President for Corporate Communication Elpi Cuna, Jr.

"I would like to reiterate that this is not a Meralco rate hike and that the 17 centavos adjustment approved by the ERC through the GRAM is to recover the average generation cost for the February to May 2004 supply months which we already paid in advance to our suppliers ", Cuna reiterated. Cuna also said that since Meralco has to pay its suppliers on a monthly basis, the power company already advanced the difference.

This recent GRAM filing reflects the cost of generation for the February to May 2004 supply months. Despite the monthly volatility in generation costs, changes in the generation charge via the GRAM are effected only every three months at the least.

" I also would like to inform the public that this is really just a cost-recovery mechanism and revenue neutral in so far as Meralco is concerned. We don't gain a single centavo from it and absolutely nothing goes to Meralco's pocket". "In fact, we have to advance the payment to the genco's before we can recover the cost", Cuna said.

Cuna added that the cost of generation changes depending on many factors such as cost of fuel, peso-dollar exchange rate, changes in NPC's rate, all of which are beyond the control of Meralco.

"We have seen the rise in the cost of fuel in the world market and this may be a major factor in the increase in the cost of generation", Cuna averred.

But not all adjustments under the GRAM represent an upward spike. It will be recalled that in January (2004) this year, Meralco filed a petition before the ERC to lower its generation charge citing lower generation costs. The lower rates were enjoyed by its consumers from February to May this year.