



# CIRCULAR FOR BROKERS No. 3201-2002

## Philippine Stock Exchange, Inc.

<input checked="" type="checkbox"/> Disclosures	<input type="checkbox"/> Stockholders' Meeting	Others: _____
<input type="checkbox"/> Dividend Notice	<input type="checkbox"/> SEC / Gov't. Issuance	_____
<input type="checkbox"/> Stock Rights Notice	<input type="checkbox"/> Transfer Agent's Notice	_____

Posted December 5, 2002

Date : December 5, 2002  
 Subject : MANILA ELECTRIC COMPANY

This is in reference to the news article entitled "Meralco fined P12 B for contract breach" published in the December 3, 2002 issue of the Manila Bulletin. The article reported that: "The financial woes of giant utility firm Manila Electric Company (Meralco) is still far from over as state-owned National Power Corporation (NPC) has slapped P12 billion in penalties for alleged violation of their 10-year power supply contract. x x x 'Meralco is faced with huge financial obligation for violating its contract with NPC. It has imposed 'penalties' to Meralco, which at present stands at P12 billion,' the energy chief divulged in a press statement. x x x "

Manila Electric Company ("MER"), in its letter dated December 4, 2002, stated that:

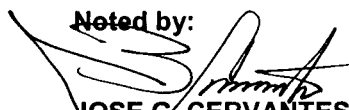
"x x x

Our Company has not violated the 10-year power supply contract with the National Power Corporation (NPC). The alleged P12 Billion may refer to the totality of those portions of the monthly billings of NPC which our Company has refused to pay for lack of legal or contractual basis. These portions were the difference between the contracted capacity/energy and actual deliveries/purchases. We did not pay these portions of the billings and specified the reasons therefor in a letter we sent to NPC in February this year.

In the same letter, we served a formal notice of termination of the 10-year power supply contract to NPC to pave the way for the execution of a Transition Supply Contract (TSC), as mandated by Sec. 67 of RA 9136, the Electric Power Industry Reform Act, which gives the utilities the right to stipulate in the TSC their individual projected demands less any of their currently committed quantities under eligible IPP contracts. The said law requires NPC to submit the TSC to the Energy Regulatory Commission within six months from the effectivity of the law. NPC failed to comply with the law. x x x"

For your information.

*Trisha Zamesa*  
 TRISHA M. ZAMESA *ed*  
 Head, Disclosure Department

Noted by:  
  
 JOSE G. CERVANTES  
 Senior Vice President

		<i>11/11/02</i>			
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