23 October 2007

PHILIPPINE STOCK EXCHANGE, INC.
Disclosure Department
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Atty. Pete M. Malabanan
Head, Disclosure Department

Clarification on News Article

Dear Sir:

In light of several queries we have received from investors and analysts, we wish to clarify a news article that appeared in today’s issue of Business World entitled “Manila Water to Build 300-MW Power Plant to Save on Costs”. Please be informed that the capacity of the power plant referred to in the article is 300 kilowatt, not megawatt as reported in the article.

We attach a copy of the article for your reference.

Best regards.

Sincerely,

Jewel C. Fernandez-Austria
Legal and Investment Officer

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Corporate News

Manila Water to build 300-MW power plant to save on costs

EAST ZONE concessionaire Manila Water Co. is banking on a 300-megawatt (MW) power plant on site its Makati sewage treatment plant to save the firm about P1 million in power costs every month, a top official said recently.

Manila Water President Antonino T. Aquino told BusinessWorld on the sidelines of its investors briefing that it started building the waste-to-energy facility in July, as part of a company thrust to be more environmentally-friendly.

The plant would be completed by June 2008, he added, but declined to say how much the project would cost.

The plant, he said, was being funded by the operation improvement budget, which Mr. Aquino placed at between P1.5 billion-2 billion in the next five years.

The project involves the retrofitting of an anaerobic wastewater reactor and construction of the power plant called Waste-to-Energy (WTE) system.

It will convert the methane byproduct of wastewater treatment into a renewable source of energy for Manila Water’s sewage treatment operations.

Built in 1964, the Makati south sewage treatment plant can accommodate 40,000 cubic meters of wastewater per day.

The sludge is processed inside processing tanks before being transferred into the drying beds. The process emits the gas methane, which if captured correctly, can be used to generate electricity.

If allowed to seep out into the environment, methane contributes significantly to global warming. Mr. Aquino said Manila Water would register the project under the clean development mechanism program to monetize carbon credits. "We work in a socially sensitive environment so we should align our business goals with social and environmental goals," he said.

Aside from the reduction in greenhouse gas emissions, the project would also improve several aspects of sewage treatment operations such as reduction of odor and improvement of sludge treatment, said project partner Philippine Bio-Sciences Co., Inc. (Philbio) in its Web site.

Meanwhile, the International Finance Corp. (IFC), a member of the World Bank Group, will
contribute $1.05 million to Tubig Para sa Barangay, a project of Ayala-owned Manila Water Co., Inc., it said in a statement.

IFC, in a statement posted in its Web site on Oct. 20, said the contribution would be made through the Global Partnership on Output Based Aid (GPOBA), a multi-donor trust fund administered by the World Bank.

"GPOBA... signed an agreement with the company to co-finance individual household water supply connections in poor communities in the Philippine capital. About 20,000 homes will benefit from the $1.05-million grant," IFC said.

IFC said the project aimed to reduce the cost of household connections by subsidizing the regulated connection fee through a $17.6-million project.

The GPOBA subsidy will support the water service connection component of Manila Water's flagship program, it said, adding that this was part of a larger network expansion program.

"Manila Water's standard household connection covers the pipe work to the meter and the meter itself. To improve the GPOBA scheme's sustainability, the company will prefinance "after the meter" pipe work and faucets," IFC said.

It added that households would repay Manila Water for the facilities in monthly installments.

"Manila Water will also offer to pre-fund the provision of a toilet, as this is seen to be essential to making a complete and sustainable development package available to poor communities," the IFC statement quoted Mr. Aquino as saying.

The program is structured around installing a working household connection that must deliver acceptable service for three months. "To ensure the sustainability of the scheme over and above the subsidized connection fee, customers will be billed according to the actual work done, and costs will reflect in their water bill," added Patricia Veevers-Carter, GPOBA program manager.

IFC is a shareholder of Manila Water. Following an IFC-structured deal, the company was awarded a 25-year concession to provide services to 5.3 million people in the east zone. — with Maria Kristina C. Conti

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