November 16, 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

Dear Sirs:

MWSS RO – Manila Water Rate Rebasing Public Consultation

We would like to inform you that the Regulatory Office (RO) of the Metropolitan Waterworks and Sewerage System (MWSS) conducted a public consultation today at the Pearl Hall of the SEAMEO Innotech Building, Commonwealth Avenue, Quezon City. The public consultation was earlier published in major dailies.

The consultation is part of the on-going rate rebasing exercise of Manila Water which is a tariff adjustment mechanism under the Concession Agreement with MWSS. Rate Rebasing occurs every five years and provides the opportunity for:

(1) a review of the performance and expenditures of the concessionaires relative to its service obligations, and
(2) a proposal for future projects to address customer needs and expectations.

Tariffs are set during the rate rebasing exercise in order to allow the concessionaires to earn on their past expenditures and to provide sufficient funding for their future projects. The first Rate Rebasing exercise was successfully completed in 2003. As a result of the exercise, significant improvements were made in the Manila Water concession in terms of water and wastewater service provision.

The second Rate Rebasing exercise is currently ongoing for Manila Water, with the new tariffs intended for implementation in January 2008. Manila Water submitted its proposed new business plan to the MWSS Regulatory Office in March 2007. In summary, Manila Water’s 2008 Business Plan is focused on two fundamental objectives:

(1) ensuring the reliability of service delivery to customers, and
(2) ensuring the expansion of water and wastewater programs to unserved and underserved areas in the service area.

Manila Water has proposed a total capital investment and operating expenditure plan of Php 177 billion to ensure the reliability and expansion of water and wastewater services up to the end of the concession period in 2022. Some of the major projects in Manila Water’s Rate Rebasing Plan include the development of new water sources, particularly Laiban Dam, to augment current supplies and address the expansion in Rizal towns. The project will address the problem of relying on a single source of supply from Angat.
Dam. Another major investment program is the expansion of wastewater services in compliance with the Clean Water Act. This includes the implementation of a wastewater master plan targeting the improvement of wastewater discharges to Pasig River, Marikina River, and Laguna Lake. The plan also includes a provision for ensuring the reliability of water and wastewater facilities even with major calamities.

The MWSS Regulatory Office and its consultants is still reviewing Manila Water's 2008 Rate Rebasin Plan. During the public consultation, OIC-Chief Regulator Al Agra announced an indicative and preliminary all-in average tariff of Php 34.00 per cubic meter, which assumes that all of the proposed projects will be implemented. He further emphasized that the tariff is still subject to further adjustment and final approval of the MWSS Board of Trustees. During the public consultation, various options to temper the tariff increase were raised by the public, including a possible staggering of the increase and a longer recovery period.

The new tariff rate will be finalized and published at least 15 days before the effectivity of the new rates on January 1, 2008.

Best regards.

Sincerely,

Atty. Glarina P. De Castro
Compliance Officer