March 14, 2019

Securities and Exchange Commission
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, Philippines

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
Director, Markets and Securities Regulation Department

Philippine Stock Exchange, Inc.
PSE Tower, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City, Philippines

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: Statement of Manila Water on the water supply situation in the East Zone

Gentlemen:

Please find attached the statement of Manila Water Company, Inc. (the “Company”) in relation to the water supply situation in the East Zone Service Area of the Metropolitan Waterworks and Sewerage System covering the following cities and municipalities: Marikina, Makati, Mandaluyong, Pasig, San Juan, Pateros, Taguig, Cainta, Taytay, Angono, Rodriguez, Binangonan, Antipolo, San Mateo and portions of Paranaque, Quezon City, and Manila.

Rest assured that the Company shall update the Exchange on any significant development regarding this matter.

Very truly yours,

Gerardo M. Lobo II
Assistant Corporate Secretary
Statement to the Philippine Stock Exchange:

What is the situation?

Manila Water is currently managing a major incident on shortage in water supply. Demand surged beyond distribution capacity starting March 7 causing extended low pressure and service interruptions in Quezon City, Mandaluyong, Makati, Marikina, Pasig, Taguig and Rizal.

What is Manila Water doing to address the situation?

Manila Water will allocate available supply equitably but will prioritize hospitals and schools. Territory teams are deployed to the affected areas to provide water supply augmentation via tankering and to directly attend to customer concerns. In other critical areas, Manila Water has installed static tanks to augment water supply.

What caused the pressure drops and service interruptions?

Network adjustments were planned to balance water supply allocation across distribution areas. Pressure was planned to be reduced gradually and sequentially, affecting only identified areas at a time. Under this scheme, it was assumed that customers would draw/collect water for their needs only during the specified periods of the day.

When the initial advisories were issued, an artificial demand surge resulted due to the simultaneous drawing of water, even by areas not originally scheduled to do so. This demand surge adversely reduced pressure and supply levels across the distribution network. Consequently, reservoir volume in several areas dropped below minimum level, preventing water supply to reach elevated and farthest communities. These events caused the initial incidents of water supply interruptions in key areas, notably with several communities not receiving prior notice.

Why was there a need to undertake operational adjustments?

Towards the end of 2018, forecasts showed that the water level in La Mesa Dam may reach alarmingly low levels, specifically breaching the dam’s critical low level of 69 meters. At the 69 meters La Mesa level, Manila Water can no longer draw sufficient volume of water which, at peak demand can have a deficit of nearly 200 million liters per day (MLD). Operational adjustments were therefore necessary to limit supply in order to slow down the decline of La Mesa level as the summer season sets in.

Why does Manila Water depend on La Mesa, when supply comes from Angat?

The primary source of water supplied to Metro Manila residents is Angat Dam. For the East Zone which is managed by Manila Water, water from Angat then flows to the Ipo Dam, and eventually to La Mesa Dam. Under the Concession Agreement with MWSS, Manila Water is limited to its allocated supply of 1600MLD from Angat Dam, equivalent to 40% of Angat allocated volume for MWSS. Currently, water demand in the East Zone is at a level where it already exceeds 1600MLD during peak periods. Although
this concern may be addressed by possible adjustments in Angat allocation, this matter is still for discussion, and necessitates considerable long-term civil works on the existing infrastructure.

While it is true that Angat water level is currently normal, water from Angat is conveyed through several tunnels and aqueducts into La Mesa, before it reaches the Balara Treatment Plants and the East La Mesa Treatment Plant. It is therefore necessary for La Mesa level to be at the right level for water to flow optimally into the treatment plants.

**Why was this water supply deficit not predicted and prepared for?**

For several years now, Manila Water has predicted that raw water will be insufficient and that new sources need to be developed. Several iterations of new water source project master plans were prepared but government approval was not given on these.

As an interim solution, Manila Water developed the Cardona Project, otherwise called the Rizal Province Water Supply Improvement Project (RPWSIP) to provide additional water supply from Laguna Lake.

**How long will it take to get back to normal?**

It is hoped that when the rains come and refill La Mesa Dam, the situation returns to normal. Unfortunately, until then, various areas will continue to experience service interruptions/low pressure, as Manila Water works to balance water supply across the network. Conditions are seen to improve after some weeks into the rainy season.

**What is being done to restore normal service?**

Starting March 14, Manila Water will implement more specific schedules of water service interruption affecting its customers in the East Zone. This is to allow for the necessary re-fill of critical network reservoirs back to its minimum required levels for operation.

Beyond reservoir operation, Manila Water is accelerating its completion of the Cardona Project to provide additional water supply in the distribution network. It is projected to come online by April of this year. Various deepwells across the East Zone are also being rehabilitated to be re-commissioned to augment supply.

We ask for the public’s patience as we continue to work towards stabilizing the water supply distribution regime across the East Zone.