



Lilian Saralde <lds@decorp.com.ph>

MSRD_Dagupan Electric Corporation_SEC Form 17-A and SEC Form 17-L_17May2024

2 messages

Lilian Saralde <lds@decorp.com.ph>

Fri, May 17, 2024 at 3:12 PM

To: ictdsubmission@sec.gov.ph, MSRD Submission <msrdsubmission@sec.gov.ph>

Securities and Exchange Commission

Submitting the following reports:

SEC Form 17 A (2023 Annual Report) of Dagupan Electric Corporation

SEC Form 17 L

Regards,

Lilian Saralde
Dagupan Electric Corporation (DECORP)
Tel No. (632) 8374 3040



SEC FORM 17-A 2023.pdf

3 attachments**SEC FORM 17-L-2023.pdf**
1919K**sec-form-17-a-Exhibit A-1-Final Prospectus dated 22 December 2023.pdf**
1595K**sec-form-17-a-Exhibit A-2-DECORP-AFS-2023.pdf**
2642K**ICTD Submission** <ictdsubmission+canned.response@sec.gov.ph>

Fri, May 17, 2024 at 3:13 PM

To: lds@decorp.com.ph

Thank you for reaching out to ictdsubmission@sec.gov.ph!

Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order through the SEC Express at <https://secexpress.ph/>. For further clarifications, please call (02) 8737-8888.

----- NOTICE TO
COMPANIES -----

Please be informed of the reports that shall be filed only through
ictdsubmission@sec.gov.ph.

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15. BP-FCLC 20. S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through <https://efast.sec.gov.ph/user/login>.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

Please be informed that the submission of the abovementioned eleven (11) reports through the ictdsubmission@sec.gov.ph shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at <https://efast.sec.gov.ph/user/login> :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link – <https://apps010.sec.gov.ph/>

For your information and guidance.

Thank you.



DECLARATION OF AUTHENCITY

SECURITIES AND EXCHANGE COMMISSION

7907 Makati Avenue, Salcedo Village
Bel-Air, Makati City, 1209

I, LILIAN D. SARALDE, designated as Finance Manager and Compliance Officer of Dagupan Electric Corporation, with contact number (632) 374 3040, and office address at Veria I Building, 62 West Avenue, Quezon City, do hereby certify the authenticity of the attached SEC Form 17-A Annual Report with attached audited financial statements for the years ended December 31, 2023, 2022, and 2021.

A handwritten signature in black ink, appearing to read "L. Saralde", is positioned above the printed name.

LILIAN D. SARALDE

Finance Manager and Compliance Officer

COVER SHEET

for
ANNUAL REPORT

PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION
141 OF THE CORPORATION CODE OF THE PHILIPPINES

SEC Registration Number

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COMPANY NAME

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PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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Form Type

17	-	A		
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Department requiring the report

S	E	C		
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address

decorp@decorp.com.ph

Company's Telephone Number

(632) 8374 3040

Mobile Number

9285066639

No. of Stockholders

55

Annual Meeting (Month / Day)

Every 3rd Tuesday of April

Fiscal Year (Month / Day)

31-Dec

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Lilian D. Saralde

Email Address

lds@decorp.com.ph

Telephone Number/s

(632) 8374 3040

Mobile Number

9285066639

CONTACT PERSON'S ADDRESS

VERIA I Bldg., 62 West Avenue, Quezon City

Note 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the

Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **31 DECEMBER 2023**
2. SEC Identification Number **18890** 3. BIR Tax Identification No. **000-202-524-000**
4. Exact name of issuer as specified in its charter **DAGUPAN ELECTRIC CORPORATION**
5. **DAGUPAN CITY, PANGASINAN, PHILS.** 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. **AB FERNANDEZ ST., DAGUPAN CITY, PANGASINAN, PHILS.** **2400**
Address of principal office Postal Code
8. **(632) 8374 3039**
Issuer's telephone number, including area code
9. **NOT APPLICABLE**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>COMMON SHARES</u>	<u>14,662,000</u>

11. Are any or all of these securities listed on a Stock Exchange.

Yes [] No [☒]

If yes, state the name of such stock exchange and the classes of securities listed therein:

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [☒]

No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [☒] No [☐]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [☐] No [☐] **NOT APPLICABLE**

DOCUMENTS INCORPORATED BY REFERENCE

15. DECORP Prospectus dated 22 December 2023 filed with SEC with its Registration Statement. Attached in this report as Exhibit A-1.

DAGUPAN ELECTRIC CORPORATION
Amended SEC Form 17 -A

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PART 1. BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

A. Description of Business

1. Business Development

Dagupan Electric Corporation (DECORP or the Company) is a domestic corporation duly organized under and by virtue of the laws of the Philippines. It is a private electric distribution utility holding a congressional franchise under R.A. 9969 to construct, operate, and maintain a distribution system for the conveyance of electric power to the end-users in the City of Dagupan, the Municipalities of Calasiao, Sta. Barbara, San Fabian, San Jacinto, and Manaoag, and Barangays Bolingit and Cruz in the City of San Carlos, all in the province of Pangasinan, for a period of twenty-five (25) years from February 2010. A Certificate of Public Convenience and Necessity (CPCN) was issued by the ERC to DECORP on 21 June 2011 for the operation of electric service within its franchise areas.

DECORP has an authorized capital stock of One Billion Five Hundred Million Pesos (₱ 1,500,000,000.00), divided into 15,000,000 common shares with a par value of One Hundred Pesos (₱ 100.00).

On December 27, 2023, the SEC rendered effective DECORP's application for the registration of Fourteen Million Six Hundred Sixty-Two Thousand (14,662,000) common shares, of which Two Million Two Hundred Thousand (2,200,000) shares were issued and offered for sale to the public by way of an initial public offering at an offer price of Five Hundred Thirty-Three Pesos (₱ 533.00) per share. As of February 2, 2024, the Two Million Two Hundred Thousand (2,200,000) common shares offered to the public were fully subscribed and paid.

As of December 31, 2023, DECORP provides the electricity requirements of around one hundred thirty-five thousand four hundred forty-five (135,445) end-users within its franchise areas.

2. Business

a. Description of the Company

i. Principal Services

The Company's primary business is to construct, operate, maintain a distribution system for the conveyance of electric power to the end-users in the City of Dagupan, the Municipalities of Calasiao, Sta. Barbara, San Fabian, San Jacinto, and Manaoag, and Barangays Bolingit and Cruz in the City of San Carlos, all in the province of Pangasinan.

ii. Distribution

At present, the Company's distribution system is composed of four (4) substations: Calasiao Substation, San Jacinto Substation, San Fabian Substation, and Dagupan Substation. These substations are monitored and controlled with a modern Supervisory Control and Data Acquisition ("SCADA"). All substations are designed with two (2) power transformers that are configured for the N-1 reliability scheme. All feeders are also compliant with the N-1 redundancy criterion and are equipped with Automatic Voltage Regulators ("AVR"), overcurrent protection devices such as Automatic Circuit Reclosers ("ACR") and Circuit Breakers ("CB"). DECORP Substations are also equipped with microprocessor-based digital Protective Relays for control and monitoring.

DECORP has a total substation capacity of 181 MVA detailed below:

Substation	No. of Feeders Connected	Power Transformer	Total Capacity (MVA)
Calasiao	14	20/27/33 MVA – 2 units	66
San Jacinto	7	15/20 MVA – 2 units	40
San Fabian	4	20/25 MVA – 1 unit	25
Dagupan	8	20/25 MVA – 2 units	50
TOTAL	33		181

The circuit lengths of the lines in the distribution system are shown in the table:

Circuit Description	Unit	2021	2022	2023
Subtransmission	Km	190.95	211.38	104.40
Primary Lines	Km	1,738.52	1,763.00	1,409.79
Secondary Lines	Km	2,702.53	2,780.00	2,215.03

iii. Percentage of foreign sales

The Company does not derive any income from foreign sales.

iv. State of any-publicly announced new product or service

The Company has no publicly announced products or services in any stage of development aside from the services described above.

v. Competition

The Company, being the sole franchise grantee within the covered franchise areas, has a natural monopoly over power distribution in a portion of Pangasinan province, covering 349.33 km², equivalent to 6.5% of the total land area in the province.

Despite the promulgation of the Retail Competition and Open Access (“RCOA”) framework, its impact on the operational activities of distribution utilities has been negligible. RCOA allows contestable customers the freedom to choose their electricity supplier. However, the responsibility for transmitting electricity to these contestable customers remains with distribution utilities, such as DECORP. As of 31 December 2023, the Company is servicing four (4) contestable customers.

Distribution utilities continue to be responsible for providing retail services to both captive and contestable customers.

The Company is also the sole Metering Service Provider (“MSP”) for the retail market until such time that the ERC determines that the provision of metering services at the retail level is competitive.

The Company’s exclusive rights extend to operating a distribution system in the City of Dagupan, the Municipalities of Calasiao, Sta. Barbara, San Fabian, San Jacinto, and Manaoag, as well as Barangays Bolingit and Cruz in the City of San Carlos. This exclusive franchise status precludes the likelihood of competitors or other distribution utilities entering the designated franchise area during the franchise’s duration.

Nevertheless, DECORP remains steadfast in its commitment to delivering high-quality, efficient, and reliable service to its customers. The Company is dedicated to complying with all regulatory requirements and providing any necessary reports or submissions as mandated by government authorities and their agencies. DECORP will continue to fulfill its role and responsibilities as a distribution utility until the expiration of its franchise.

vi. Suppliers

Power Supply Contracts

The Company has three (3) power suppliers, namely GNPowder Mariveles Energy Center Ltd. Co. (“GMEC”), Energy Development Corporation (“EDC”), and OneManaoagSolar Corporation (“OMSC”) (formerly Sun Asia Energy, Inc.). Below are the details of DECORP’s power supply contracts:

Supplier	Contracted Capacity	Duration of Contract
GMEC	30 MW	26 February 2014 – 25 February 2029
EDC	20 MW	26 December 2022 – 25 December 2032
OMSC	20 MW	26 September 2022 – 25 September 2047

DECORP also procures its electricity from the Wholesale Electricity Spot Market (“WESM”) where it has been a direct member since 26 November 2009.

DECORP is dependent on the above-named suppliers for its supply of electric power because it can only procure from other suppliers once approved by the ERC.

Transmission and Metering Supply Contracts

DECORP has an existing contract with the NGCP for transmission and metering services to expire on 25 July 2026. DECORP is dependent on NGCP for its transmission and metering services because it is the sole provider thereof.

Supplies of Materials and Services

The Company is not limited or dependent with any other supplier of materials and services

vii. Customers

The Company has a franchise area of 349.33 km² or 6.5% of total Pangasinan land area and currently services five (5) consumer classes consisting of: Residential, General Retail, General Power, Bulk Power, and Street Lights.

Residential customers comprise 91% of DECORP’s customer base and contribute 55% of its revenues. This customer class is applicable to captive retail service for residential purposes of a permanent nature to individual private dwellings and to individually metered apartments.

General Retail customers comprise 9% of DECORP’s customer base and contribute 20% of its revenues. This customer class consists of customers with contracted capacity of equal to or less than 40 kW, served typically at secondary lines (1-phase or 3-phase). This type of service is for non-residential purposes and is mostly composed of small to medium businesses.

General Power customers comprise 0.18% of DECORP’s customer base and contribute 12% of its revenues. This customer class is applicable to captive customer retail service for non-residential purposes used for general power, heating, and lighting in industrial, manufacturing, processing, machining, cold storage, water

supply, and supermalls at secondary voltage with contracted capacity equal to or greater than 40kW.

Bulk Power customers comprise 0.02% of DECORP's consumer base and contributes 12% of its revenues. This customer class consists of customers connected and drawing power from the primary lines at 13.8 kV. This type of service is used for general power, heating, space cooling, and lighting in industrial, manufacturing, processing, machining, cold storage, water and supply and supermalls, with demands equal to or greater than 250 kW.

Streetlights customers comprise 0.04% of DECORP's consumer base and contributes 1% of its revenues. This customer class consists of roadway lighting service where existing facilities have adequate capacity and suitable voltage. As of 31 December 2023, DECORP has a total of one hundred thirty-nine thousand thirty-seven (139,037) customers, including four (4) contestable customers.

DECORP's energy sales for the period ended 31 December 2023 is 443,787 MWh with a total number of one hundred thirty-nine thousand thirty-seven (139,037) customers. The table hereunder shows the total number of customers, energy sales, total sales per class and the respective percentages for the covered period:

Customer Class	No. of Customers	Energy Sales (MWh)	%	Total Sales in Millions	%
Residential	125,924	229,744	51.77%	2,191.79	55.54%
General Retail	12,770	86,039	19.39%	798.94	19.88%
General Power	254	52,805	11.90%	481.11	11.97%
Bulk Power	34	70,750	15.94%	501.10	12.47%
Streetlights	55	4,449	1.00%	46.02	1.14%
TOTAL	139,037	443,787	100%	4,018.96	100%

The Company generates its revenues primarily from (1) Generation, Transmission, and System Loss, which are pass-through charges; (2) Distribution Charges consisting of Distribution, Supply and Metering Charges; and (3) other charges related to its services.

Pass-through charges are revenue-neutral to the Company. The ERC has set a limit which, when exceeded, prompts an adjustment to correct over- or under- recovery of these charges. In addition, the ERC evaluates these charges every three (3) years for any over- or under- recoveries. Upon ERC approval, DECORP refunds to or collects from its customers the over- or under- recoveries.

Distribution charges of the Company are based on the latest approved rates of the ERC, determined using the Performance-Based Regulation ("PBR") rate setting methodology. In 2022, the Company filed its application for the approval of its Annual Revenue Requirements ("ARR") under PBR, which will be the basis of its distribution

rates for the regulatory years 2023 to 2026. The Company uses the distribution rates authorized by the ERC for the last regulatory year of the third regulatory period under PBR while it waits for the ERC to make a decision regarding its ARR application.

viii. Dependence on a single or few a few customers

The Company is not dependent on any one or group of customers for at least 20% of its distribution revenues. The loss of a single customer or a few customers will not have a material adverse effect on DECORP.

ix. Related Party Transactions

In the last two (2) years, the Company has entered into a Lease Agreement with VERIA Realty, Inc., a company under common ownership with some of the shareholders of DECORP for the lease of office space for the amount of Four Million Three Hundred Twenty Thousand and Seventy-Nine Pesos (₱ 4,320,079.00) in 2023 and Four Million Four Hundred Fifty Nine Thousand Five Hundred Fifty Three Pesos (₱ 4,459,553.00) in 2022. This has been incorporated under Note 16 of the 31 December 2023 Audited Financial Statements.

There is no outstanding balance related to the above transactions as of 31 December 2023.

x. Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements

The Company was granted a legislative franchise for a period of twenty-five (25) years from February 2010 to provide the electricity requirements of its customers in accordance with Republic Act No. 9969 otherwise known as, "An Act Amending Republic Act No. 3221, Granting a Franchise to Dagupan Electric Corporation to Construct, Operate, and Maintain a Distribution System for the Conveyance of Electric Power to the End-Users in the City of Dagupan, the Municipalities of Calasiao, Sta. Barbara, San Fabian, San Jacinto, and Manaoag, and Barangays Bolingit and Cruz in the City of San Carlos, All in the Province of Pangasinan, and Renewing/Extending the Term of the Franchise to Another Twenty-Five (25) Years from the Date of the Approval of this Act."

The Company does not own any patent, trademark, copyright, franchise (other than the legislative franchise mentioned above), concession and royalty agreement.

xi. Regulatory Approvals

The filing of rate-related cases, compliance filing, capital expenditures, and for other matters as may be required by ERC must be done in accordance with the Rules of Practice as promulgated by ERC. The applicant is required to submit all documentary requirements and undergo a pre-filing requirement, comply with

publication and other requirements prior to its formal filing. Once filed, the application shall then be scheduled for an expository and judicial hearing.

Below is the list of applications with ERC pending approval:

	ERC Case No.	Title	Date Applied
1	2012-021 RC	In the Matter of the Application for the Sale of Various Sub-transmission Lines/Assets of TRANSCO to DECORP	10 February 2012
2	2014-052 CF	In the Matter of the Application for the Approval of the Calculation for the Automatic Cost Adjustment and True Up Mechanisms for the A) Generation Rate, B) Transmission Rate, C) System Loss Rate, D) Lifeline Subsidy Rate, and E.) Senior Citizen Subsidy Rates, Under ERC Resolution No. 16, Series of 2009 As Amended, for the Period 2011 to 2013	01 April 2014
3	2017-052 CF	In the Matter of the Application for the Approval of the Calculation for the Automatic Cost Adjustment and True Up Mechanisms for the A) Generation Rate, B) Transmission Rate, C) System Loss Rate, D) Lifeline Subsidy Rate, and E.) Senior Citizen Subsidy Rates, Under ERC Resolution No. 16, Series of 2009 As Amended, for the Period 2014 to 2016	21 March 2017
4	2018-110 RC	In the Matter of the Application for the Approval of Capital Projects for the RY 2016 to 2019	20 November 2018
5	2020-014 CF	In the Matter of the Application for the Approval of the Calculation for the Automatic Cost Adjustment and True Up Mechanisms for the A) Generation Rate, B) Transmission Rate, C) System Loss Rate, D) Lifeline Subsidy Rate, and E.) Senior Citizen Subsidy Rates, Under ERC Resolution No. 16, Series of 2009 as Amended, for the Period 2017 to 2019	08 August 2020
6	2022-057 RC	In the Matter of the Application for (A) Confirmation of True-Up Calculations of the Actual Weighted Average Tariff vis-à-vis ERC-Approved Maximum Average Rate for the Lapsed Regulatory Years; and (B) Approval of the Final Refund/Collect Scheme to Account for the Lapsed Regulatory Years	25 August 2022
7	2022-20 RC	In the Matter of the Application for the Approval of the Annual Revenue Requirement and Performance Incentive Scheme in Accordance	28 March 2022

		with the Provisions of the Rules for Setting Distribution Wheeling Rates (RDWR)	
8	2023-029 CF	In the Matter of the Application for the Approval of the Calculations for the Automatic Cost Adjustment and True-up Mechanisms for the a) Generation Rate, b) Transmission Rate, c) System Loss Rate, d) Lifeline Subsidy Rate, and e) Senior Citizen Subsidy Rate, Under ERC Resolution No. 16, Series of 2009 as Amended, and f) Real Property Tax, and g) Local Franchise Tax Under ERC Resolution No. 2, Series of 2021 for the Period 2020 to 2022	17 May 2023
9	2022-082 RC	In the Matter of the Application for Approval for Approval of the Power Supply Agreement between Energy Development Corporation and Dagupan Electric Corporation and Dagupan Electric Corporation with Prayer for Provisional Authority and Motion for Confidential Treatment of Information	23 November 2022

xii. Effect of existing or probable government regulations on the business

The Company operates in a highly regulated sector and is subject to the laws and regulations set in place, which are designed to guarantee that the general public can continue to enjoy reliable and reasonably priced electricity.

The passage of the EPIRA has paved the way for new reforms aimed at privatizing and deregulating certain aspects of the power industry.

Under the said law, the distribution of electricity to end-users shall be a regulated business requiring a national franchise. The distribution of electric power to all end-users may be undertaken by private distribution utilities, cooperatives, local government units presently undertaking this function, and other duly authorized entities, subject to regulation by the ERC.

On February 26, 2021, the ERC under Resolution No. 12, Series of 2020, extended the scope of Retail Competition and Open Access (RCOA) to include electricity end-users with an average monthly demand of five hundred kilowatts (500 KW). The coverage of RCOA will be gradually expanded to the household level as mandated under Section 131 of the EPIRA. The initial implementation of RCOA covered electricity end-users with a demand of one megawatt (1MW) and above making them eligible to migrate to other Retail Electricity Suppliers (RES).

As of 31 December 2023, the Company has four (4) customers who have switched to the contestable market and seven (7) qualified customers who have remained as captive customers

On 19 August 2021, ERC has promulgated ERC Resolution No. 8, Series of 2021 entitled “Rules for the Green Energy Option Program (GEOP). The program encourages end-users to choose renewable energy resources. Said program maybe availed by an end-user with an average peak demand of one hundred kilowatts (100KW) and above for the past twelve months; 2) those newly connected end-user whose estimated average monthly peak demand of three hundred kilowatts (300kW) and above for the next twelve (12) months based on load profiling, and 3) those newly connected end-users with an average peak demand of one hundred kilowatts (100 kW) and above for three (3) consecutive months.

As of 31, December 2023, the Company has one hundred three (103) customers who are qualified to join GEOP, of which, one (1) has already switched to an RE Supplier under GEOP and one has signified its interest to join the program.

The continuous migration of eligible consumers to RCOA and GEOP will likely result in additional stranded contracted capacity. However, with the consistent growth in the Company’s energy sales, any displaced capacity resulting from the migration of contestable customers to RCOA and GEOP maybe absorbed by the growth in the energy sales of its remaining captive market.

To further expand the base of end-users having the ability to choose their suppliers of electricity. ERC has promulgated ERC Resolution No. 4, Series of 2020, entitled “Rules for the Electric Retail Aggregation of the electricity requirements of End-users, whose monthly average peak demand is at least 500kW and are located within a Continuous Area is effective beginning 28 December 2022.

As of 31 December 2023, no customer has signified their interest to join the Electric Retail Aggregation Program.

The Company intends to manage this risk by renegotiating its contracted capacity with its suppliers and consulting with ERC to prevent any dispute that may result from the renegotiation, offer the excess capacity to RES or sell the excess capacity to the WESM in accordance with the pertinent rules and regulations.

Below are other relevant resolutions promulgated by ERC in 2023 which may impact the Company.

Resolution Number	Title	Overview
ERC Resolution No. 1, Series of 2023	Amendment to the ERC Rules Implementing the Switching and Billing Process and Adopting a Disconnection Policy	The ERC pursuant to its mandate to promulgate rules and regulations to ensure provision of continuous supply of electricity to contestable customers resolved to approve and adopt the proposed amendments to Section 1,

	for the Contestable Customers	Article II of ERC Resolution No. 09, Series of 2018, which includes the following: a) No Eligible End-User shall be allowed to switch to RES, should it have an outstanding balance with its Network Service Provider, in case of an initial switch. Whether under dispute or not, the Eligible End-User shall be required to settle its outstanding balance prior to such initial switching b)A Contestable Customer, already being serviced by a RES, shall be allowed to switch or to be supplied by a new RES or SOLR, notwithstanding the existence of an outstanding balance. c)An Eligible End-User which is about to migrate to CREM, shall be entitled to the refund of the security or bill deposit from its DU.								
ERC Resolution No. 2, Series of 2023	A Resolution Adopting the Extension of Suspension of the Collection of Feed-in Tariff Allowance (FIT-All)	In the light of the rising level of inflation and cost of living affecting millions, the ERC approves the extension for the temporary suspension in the collection of FIT-All for the period of six (6) months, starting March 2023 until August 2023 billing months.								
ERC Resolution No. 3, Series of 2023	A Resolution Setting the Installed Generating Capacity (IGC) and Market Share Limitation (MSL)Per Grid and National Grid for 2023	Pursuant to the ERC's mandate to promote free and fair competition in the generation and supply of electricity to achieve greater operational and economic efficiency and to ensure consumer protection and enhance the competition operation of the markets for generation and supply of electricity, the ERC resolved to set the 2023 IGC and MSL per Grid and National Grid using Pmax as the maximum capacity adopted for generation facilities, as follows: <table><tr><td>Grid</td><td>IGC (kW)</td><td>% MSL as per RA 9136</td><td>IGC Limit (kW)</td></tr><tr><td></td><td></td><td></td><td></td></tr></table>	Grid	IGC (kW)	% MSL as per RA 9136	IGC Limit (kW)				
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		<table><tr><td>Luzon</td><td>17,788,635</td><td>30%</td><td>5,336,590</td></tr><tr><td>Visayas</td><td>3,464,420</td><td>30%</td><td>1,039,326</td></tr><tr><td>Mindanao</td><td>4,217,982</td><td>30%</td><td>1,265,395</td></tr><tr><td>National</td><td>25,471,037</td><td>25%</td><td>6,367,759</td></tr></table>	Luzon	17,788,635	30%	5,336,590	Visayas	3,464,420	30%	1,039,326	Mindanao	4,217,982	30%	1,265,395	National	25,471,037	25%	6,367,759
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National	25,471,037	25%	6,367,759															
ERC Resolution No. 8, Series of 2023	A Resolution Adopting the Procurement Guidelines for the Regulated Transmission and Distribution Assets of Regulated Entities	<p>Pursuant to Section 43 (f) (v) of R.A. No. 9136, otherwise known as EPIRA, provides that “Any significant costs or project investments of the TransCo and distribution utilities which shall become part of the rate base shall be subject to verification by the ERC to ensure that the contracting and procurement of the equipment, assets, and services have been subjected to transparent and accepted industry procurement and purchasing practices to protect the public interest”, the ERC resolved to adopt a Procurement Guidelines for the Regulated Transmission and Distribution Assets of Regulated Entities, in which the objectives are as follows:</p> <p>a.) To promote competitive procurement of assets by Regulated Entities to optimize the cost of assets being procured;</p> <p>b.) To facilitate transparency and fairness in the procurement processes of regulated entities; and</p> <p>c.) To set the principles and minimum procurement processes of regulated entities that is efficient, fair, and transparent toward meeting the objectives of the EPIRA</p>																
ERC Resolution No. 6, Series of 2023	A Resolution Adopting the Green Energy Auction Reserve (GEAR) Prices for the Second Round of Auction	<p>In accordance with the policy of the state to ensure socially and environmentally compatible energy resources and infrastructure, and promote the utilization of indigenous, new and Renewable Energy (RE) resources in the power generation in order to reduce dependence or imported fuel, the ERC approved and adopt the following Green Energy Auction Reserve (GEAR) Prices for the</p>																

		<p>Second Round of the Green Energy Auction Program (GEAR):</p> <p>Table 3: ERC-Approved GEAR Prices for the 2nd Round</p> <table><tr><th>Renewable Energy Resource</th><th>Final GEAR₂ Prices (Php/kWh)</th></tr><tr><td>Rooftop Solar</td><td>4.8738</td></tr><tr><td>Ground-mounted Solar</td><td>4.4043</td></tr><tr><td>Floating Sloar</td><td>5.3948</td></tr><tr><td>Onshore Wind</td><td>5.8481</td></tr><tr><td>Biomass</td><td>5.4024</td></tr><tr><td>Biomass Waste-to-Energy</td><td>6.2683</td></tr><tr><td></td><td></td></tr></table>	Renewable Energy Resource	Final GEAR ₂ Prices (Php/kWh)	Rooftop Solar	4.8738	Ground-mounted Solar	4.4043	Floating Sloar	5.3948	Onshore Wind	5.8481	Biomass	5.4024	Biomass Waste-to-Energy	6.2683		
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Biomass Waste-to-Energy	6.2683																	
ERC Resolution No. 10, Series of 2023	A Resolution Suspending the Inclusion of the National Franchise Tax of the National Grid Corporation of the Philippines (NGCP) in the Total Monthly Transmission Cost Billing of Distribution Utilities	Section 2 (f) of RA 9136, recognizes the policy of the State to protect the public interest affected by rates and services of electric utilities. In accordance therewith, the ERC suspended the passing-on of the 3% national franchise tax by the NGCP to its customers																
ERC Resolution No. 16, Series of 2023	Implementing Guidelines for the Procurement, Execution, and Evaluation of Power Supply Agreements Entered into by Distribution Utilities for the Supply of Electricity to their Captive Market	Pursuant to Section 2 (c) and (f) of the EPIRA, which provides the state policy of ensuring transparent and reasonable prices of electricity, and protecting the public interest as it is affected by the rates and services of electric utilities and other providers of electric power, the ERC issued and adopted the Implementing Guidelines for the Procurement, Execution, and Evaluation of Power Supply Agreements Entered Into by Distribution Utilities for the Supply of Electricity to their Captive Market. As a general rule, power supply intended to meet the electricity demand of the DU’s Captive Market shall be procured through Competitive Selection Process (CSP). A distribution utility shall undertake a transparent, competitive, and non-discriminatory procurement process for the supply of electricity to																

		its Captive Market in accordance with these Guidelines.
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The Company is also covered by the following DOE issuances in 2023:

DOE Circular Number	Title	Overview
DC No. 2023-01-0004	Adopting Amendments to the WESM Rules, Retail Rules and Various Market Manuals, and Promulgation of the Retail manual on the Procedures for the Implementation of the Green Energy Option Program (GEOP)	The DOE, pursuant to its authority under EPIRA and WESM Rules, promulgated the amendments to the WESM Rules, Retail Rules and Market Manuals, and creation of Retail Manual on the procedures for the implementation of GEOP
DC No.2023-03-0005	Providing Supplemental Policy for the Systematic Management of the DOE Reportorial Requirements for the Electric Power Industry Participants – Distribution Utilities	The DOE directed that all submission of reports by the distribution utilities shall be done through the DEPDMS Web Portal using the data structures and standard templates prescribed in this Circular for the DOE to effectively perform its supervisory functions on the implementation of EPIRA
DC No. 2023-04-0008	Prescribing the Policy for Energy Storage System in the Electric Power Industry	<p>RA No. 7638 or the “Department of Energy Act of 1992” established, among others, the power and function of the DOE to establish and administer programs for the exploration, transportation, marketing, distribution, utilization, conservation, stockpiling, and storage of energy resources of all forms, whether conventional or non-conventional.</p> <p>The DOE introduced Energy Storage System (ESS) technologies to serve a variety of functions in the generation, transmission, and distribution of electric energy.</p> <p>The purposes of the ESS are as follows:</p>

		<ul style="list-style-type: none"> • Provision of Ancillary Services • Provision of Energy through Bilateral Supply Contracts or Trading in the WESM • Manage the Variability of Renewable Energy. • Auxiliary Load Management for Generation Companies • Transmission and Distribution Facility Upgrades Deferment • Transmission and Distribution Utility Power Quality Management • End_User Demand Management • Distribution Utility Demand Management
DC2023-05-0010	Guidelines on the Unbundling of Electric Vehicle Charging Station Charging Fee Pursuant to Electric Vehicle Industry Development Act	<p>RA 11697 or the Electric Vehicle Industry Development Act (EVIDA) declares that it is the policy of the Government to provide an enabling environment for the development of electric vehicles including options for micromobility as an attractive and feasible mode of transportation to reduce dependence on fossil fuel</p> <p>Rule IV, Section 11(a), (j) and (n) of the EVIDA-IRR mandates the DOE to promulgate uniform and streamlined rules, regulations, and standards on the use, operations, and maintenance of EVCS and related equipment, in coordination with other concerned agencies, to include the accreditation of EVCS Providers and requirements imposed by distribution utilities on charging stations and EVCS providers for purposes of ensuring compliance with the unbundling of charging fees by EVCS Providers.</p> <p>The DOE issued the guidelines in the unbundling of EVCS charging fees imposed and collected from EV users in exchange for the use of EVCS</p>

		facilities to charge EVs of Accredited EVCS Provider-Operator.
DC2023-06-0021	Prescribing the Policy for the Mandatory Conduct of the Competitive Selection Process by the Distribution Utilities for the Procurement of Power Supply for their Captive Market	<p>This Circular applies to any distribution utility consistent with the mandate to supply electricity in the least cost manner subject to the collection of retail rate duly approved by the ERC</p> <p>All power supplied under bilateral contracts shall be procured through competitive selection process (CSP), consistent with the latest and duly accepted DDP and posted PSPP.</p> <p>In the following instances, the conduct of CSP shall not be required:</p> <ul style="list-style-type: none"> • The provision for power supply by the National Power Corporation (NPC) in off grid areas • The provision for power supply by the Power Sector Assets and Liabilities Management Corporation (PSALM) through bilateral contracts for the power produced from the undisposed generating assets and contracts with Independent Power Producers; • Supply to any DU from any generating plant embedded in its franchise areas utilizing renewable energy resources, wherein the contracted capacity of the embedded generation plant/s shall not exceed 10 MW. • Negotiated procurement of Emergency Power supply wherein the Emergency Power Supply Agreement (EPSA) shall be filed with ERC within thirty (30) calendar days after the occurrence of Force Majeure/Fortuitous Events, without need of any prior clearance or certification from the DOE, and shall have a maximum and non-

		<p>extendible period of one (1) year from its execution.</p> <ul style="list-style-type: none"> • Off-Grid Areas served or to be served by NPPs with less than 1MW demand with 24-hour electricity service.
DC2023-12-0035	Prescribing the Policy and General Framework on the Expanded Roof-Mounted Solar Program in the Philippines	<p>This Circular prescribes the rules and guidelines for all mounted solar generating facilities with a capacity of above one hundred kilowatt peak (100kWp), intended for own-use and/or export of energy to its host distribution utility or to the Grid. The Expanded Roof-Mounted Solar Program (ERSP). This ERSP is distinct from Net-Metering Program, Distributed Energy Resources Program, and Green Energy Option Program, and shall apply for both on-grid and off-grid areas.</p> <p>This Circular sets out the policies and guidelines on the following business models/supply augmentation framework for Roof Mounted Solar Facility:</p> <ul style="list-style-type: none"> • Supply Contingency Option • Lease-to-Generate Option • Restricted Peer-to-Peer Energy Trading

xiii. Research and Development

The Company has no research and development department, nor has it been involved in any research and development activity. This is due to the fact that changes in the electric distribution industry have been relatively slow compared to other industries. The current infrastructures and systems have generally been sufficient to meet the growing market's demand for safe and efficient distribution of power. Hence, there has been no need for research and development up to present.

This is still true even with the emergence of technology and the government's implementation of a national smart grid policy framework for the Philippine electric

power industry and roadmap for distribution utilities due to the sufficiency of the available products and technologies in the market.

xiv. Costs and effects of compliance with environmental laws

DECORP's substations and offices have been categorized as Category D projects under the Department of Environment and Natural Resources ("DENR") 2020 Coverage Screening Guidelines and Standardized Requirements in the Philippine Environmental Impact Statement system. This classification indicates that the establishments are not expected to have a significant impact on the environment, which is a positive assessment in terms of environmental impact. The Company has secured Certificate of Non-Coverage which means that the projects are not required to undergo a full Environmental Impact Assessment process due to its minimal or non-significant environmental impact.

Compliance with RA No. 6969, also known as the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990, is essential for ensuring the responsible handling of toxic substances and hazardous waste. DECORP, which operates equipment with insulating oil that may contain hazardous materials, has registered its generated suspected hazardous wastes for each of its establishments. DENR is also notified on a quarterly basis regarding the quantity and types of suspected hazardous wastes being generated. This information helps regulatory authorities monitor and manage the handling, transportation, treatment, and disposal of these potentially harmful substances. It ensures transparency and accountability in the management of hazardous wastes, helping to protect the environment.

For the testing, treatment and disposal of the hazardous wastes, DECORP secured the services of National Resources Development Corporation and CRL Environmental Corporation. EMB Memorandum Circular Series No. 2015-007: Technical Guidance on Polychlorinated Byphenyls ("PCB") Management requires that all PCBs shall be treated, decontaminated, and disposed of in an environmentally sound manner consistent with the requirements of RA No. 6969 DAO 2004-01: Chemical Control Order for PCBs and other relevant environmental laws before a PCB-free declaration can be attained. The treatment and decontamination process shall only be performed by DENR-EMB accredited Treatment, Storage and Disposal facilities.

The Company has been issued Permits to Operate which indicates that the generators have met the necessary regulatory requirements outlined in RA No. 8749, otherwise known as the Philippine Clean Air Act of 1999. This legislation aims to control and reduce air pollution by regulating emissions from various sources, including industrial generators. The permit is typically issued with specific conditions and emission limits that the generators must adhere to. These limits are in place to ensure that the emissions from the generators meet the National Emission Standards for Source Specific Air Pollutants as outlined in the Clean Air Act.

xv. Employees and Labor Relations

As of December 31, 2023, the Company has two hundred three (203) employees broken down as follows:

Department	Number of Employees
Finance	12
Retail Services Management	80
Logistics	8
Human Resources Development	8
Management Information System	11
Network Operations Management	84
TOTAL	203

The employees of the Company have not formed or do not belong to a labor union.

In addition to the benefits as mandated by the law, the Company provides its employees with additional benefits, which were discussed in detail in its Prospectus dated 22 December 2023, page 77, attached in this report as Exhibit A-1

xvi. Risks Related to the Company and its Industry

The Company identified the following risks, which were discussed in detail in its Prospectus dated 22 December 2023, pages 15 to 22, attached in this report as Exhibit A-1:

- Regulatory and Policy Risks
- Financial Risks on Capital Intensity
- Cashflow Risks
- Reliance on Key Personnel or Managers
- Operational Risks on Infrastructure Failures and Human Error
- Technological Risks Grid Modernization Challenges and Integration
- Legal and Liability Risks

ITEM 2. PROPERTIES

Real Estate (Land, Plant, and Building)

The following real properties are duly registered under the Company's name, as evidenced by the Transfer Certificates of Title ("TCT") listed below:

	TCT No. / Tax Declaration No.	Location	Land Area	Liens/Mortgages /Encumbrance, if any	Use of Property
1	62155	Dagupan	1,483 sqm	None	Being used for office and substation

2	62156	Dagupan	1,483 sqm	None	Being used for office and substation
3	029-2020000127	Dagupan	145 sqm	None	Being used for office and substation
4	198945	Calasiao	7,285 sqm	None	Being used for office and substation
5	198946	Calasiao	7,285 sqm	None	Being used for office and substation
6	198947	Calasiao	1,569 sqm	None	Being used for office and substation
7	235392	Calasiao	1,087 sqm 228 sqm	None	Being used for office and substation
8	026-2020001613	Calasiao	1,974 sqm	None	Being used for office and substation
9	026-2020001614	Calasiao	1,973 sqm	None	Being used for office and substation
10	026-2020001615	Calasiao	1,973 sqm	None	Being used for office and substation
11	026-2019000976	Calasiao	637 sqm	None	Being used for office and substation
12	218368	Sta. Barbara	1,000 sqm	None	Being used for office and pole yard
13	218369	Sta. Barbara	1,339 sqm	None	Being used for office and pole yard
14	218370	Sta. Barbara	1,672 sqm	None	Being used for office and pole yard
15	218371	Sta. Barbara	2,436 sqm	None	Being used for office and pole yard
16	222449	Sta. Barbara	6,533 sqm	None	Being used for office and pole yard
17	026-2018006642	San Fabian	420 sqm	None	Being used for substation
18	026-2018006643	San Fabian	584.75 sqm	None	Being used for substation
19	026-2018006644	San Fabian	584.75 sqm	None	Being used for substation
20	026-2018006645	San Fabian	584.75 sqm	None	Being used for substation
21	026-2018006646	San Fabian	584.75 sqm	None	Being used for substation
22	222801	San Jacinto	4,570 sqm	None	Being used for substation

Below are the buildings and warehouses owned by the Company:

	Description	Location	Floor Area	Liens/Mortgages /Encumbrance, if any	Use of Property
1	VFL Building	Brgy. 1, Dagupan City	830 sq. m.	None	Being used as office
2	ANL Building	Brgy. 1, Dagupan City	850 sq. m.	None	Being used as office and meter shop
3	Workshop	Brgy. 1, Dagupan City	35 sq. m.	None	Being used as workshop

4	Control Building	Brgy. 1, Dagupan City	70 sq. m.	None	Being used for substation
6	Parking Shed	Brgy. 1, Dagupan City	220 sq. m.	None	Being used for service vehicles
7	LCL Building	Brgy. San Miguel, Calasiao	588 sq. m.	None	Being used as office
8	Control Building	Brgy. San Miguel, Calasiao	220 sq. m.	None	Substation
9	Warehouse	Brgy. San Miguel, Calasiao	966 sq.m.	None	Substation
10	Guardhouse 1	Brgy. San Miguel, Calasiao	7 sq. m.	None	Substation
11	Guardhouse 2	Brgy. San Miguel, Calasiao	8 sq.m.	None	Substation
12	Oil Storage Facility	Brgy. San Miguel, Calasiao	68 sq. m.	None	Substation
13	Motorpool	Brgy. San Miguel, Calasiao	310 sq. m.	None	Substation
14	Commercial Building	Brgy. San Miguel, Calasiao	45 sq. m.	None	Collection Office
15	Commercial Building	Brgy. Maningding, Sta. Barbara	30 sq. m.	None	Collection Office
16	Linemen's Shed	Brgy. Maningding, Sta. Barbara	27 sq. m.	None	For the linemen following their fieldwork
17	Guard Locker Room	Brgy. Maningding, Sta. Barbara	10 sq. m.	None	For the security guards
18	Control House	Brgy. Casibong, San Jacinto	120 sq. m.	None	Substation
19	Control House	Brgy. Tempura Guilig, San Fabian	45 sq. m.	None	Substation

The Company owns the following vehicles:

	Description	Qty	Use of Property
1	Utility Truck with Boom Basket	7	Service vehicle
2	Utility Truck with Hydraulic Boom	4	Service vehicle
3	Utility Truck	7	Service vehicle
4	Truck with Digger Derrick	1	Service vehicle
5	Cable Puller	1	Service vehicle
6	Mobile Meter Lab	1	Service vehicle
7	Rough Terrain Crane	1	Service vehicle
8	Service Vehicle	62	Service vehicle

The Company also owns equipment and other properties such as power transformers and other substation equipment, sub-transmission and distribution lines including pole and attachments, distribution transformers, meters, and other metering equipment installed within the Company's franchise areas, as detailed in its

Prospectus dated 22 December 2023, pages 94 to 106, attached in this report as Exhibit A-1.

ITEM 3. LEGAL PROCEEDINGS

At present, the Company is a party to the case entitled *Dominador Ancheta, Jr. v. Dagupan Electric Corporation*, docketed as CA-GR CV. No. 119361, pending before the Court of Appeals. The pending appeal originated as a Complaint for Determination and Payment of Just Compensation for the use by DECORP of Mr. Ancheta's property. Believing that the Subject Property is a farm-to-market road, DECORP erected electric posts on Mr. Ancheta's property.

The Regional Trial Court, in its decision, held that DECORP is a builder in good faith because it had reasonable basis to believe that the Subject Property was a public property. Mr. Ancheta, on the other hand, was declared as an owner in bad faith because he waited more than ten (10) years before demanding payment for rentals. Hence, the Complaint was dismissed for lack of merit. Aggrieved, Mr. Ancheta, filed said appeal which is now pending before the Court of Appeals.

Apart therefrom, there are no other ongoing legal disputes affecting the Company or any of its properties, whether material or immaterial.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There is no matter submitted to the vote of security holders, through solicitation of proxies or otherwise, from the time the Registration Statement was approved until the end of the year.

PART II. OPERATIONAL AND FINANCIAL PERFORMANCE

ITEM 5. MARKET FOR ISSUERS' COMMON EQUITY AND RELATED STOCKHOLDERS' MATTERS

A. Market Price of and Dividends on Issuer's Common Equity and Related Stockholders Matters

1. Market Information

a. Principal Market

The shares of the Company are not traded in any stock exchange

2. Holders

As of December 31, 2023, the Company has a total of Twelve Million Four Hundred Sixty Two Thousand (12,462,000) issued and outstanding common shares divided among its stockholders

	Stockholders	No. of Shares Held	% to Total Outstanding Shares
1	Rene Bernard L. Llames	3,606,006	28.94%
2	Angelique Maxime L. Lllames-James	3,606,003	28.94%
3	Cynthia Irene L. Llames	3,606,004	28.94%
4	Isabelita L. Llames	3	0.0%
5	Deon Peter James	803,292	6.45%
6	Vivencio M. Romero	378,310	3.04%
7	Jose Maria A. Abaya	378,310	3.04%
8	Ranulfo M. Ocampo	84,071	0.67%
9	Geromin T. Nepomuceno Jr.	1	0.00%
		12,462,000	100.00%

3. Dividends

a. Dividends Declared

The Company's Board of Directors approved the declaration of cash dividends in 2023 and 2022, as shown below:

Date of Declaration	Record Date	Dividend per Share	Total
2023			
16 June 2023	15 June 2023	128.39	1,600,000,000.00
2022			
Nil			

The cash dividends declared in 2023 has been fully paid as of 31 December 2023

b. Appropriated Retained Earnings

On 16 December 2022, the Board of Directors (BOD) of the Company approved Four Million Pesos (₱ 400,000,000.00) for 2023 projects.

On 20 December 2023, the BOD approved the reversal of Four Hundred Million Pesos (₱ 400,000,000.00) appropriation for 2023 projects and approved the appropriation of Four Hundred Million (₱ 400,000,000.00) for 2024 projects.

4. Sale of Unregistered or Exempt Transactions

The Company has no recent sale of unregistered or exempt securities from 2021 to 31 December 2023.

A. Description of the Issuer's Security

At the time of the offer, the Company has an authorized capital stock of One Billion Five Hundred Million Pesos (₱1,500,000,000.00) divided into Fifteen Million (15,000,000) common shares with a par value of One Hundred Pesos (₱100.00) each. Out of its total authorized capital stock, One Billion Two Hundred Forty-Six Million Two Hundred Thousand Pesos (₱1,246,200,000.00), divided into Twelve Million Four Hundred Sixty-Two Thousand (12,462,000) common shares with a par value of one hundred pesos-(₱100.00) per share are presently issued and outstanding. The issued share capital of the Company is fully paid-up and is not being traded in any exchange. The Company's shares have not been previously offered to the public. No shares are subject to outstanding options or warrants to purchase.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

The discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's Audited Financial Statements for the period ended 31 December 2023, as well as the notes thereto included in this report

DISCUSSION OF CHANGES IN FINANCIAL POSITION

For the Period Ended 31 December 2023 and 31 December 2022

As of 31 December 2023 and As of 31 December 2022

Utility, Plant and Equipment amounted to ₱3,847 million as of 31 December 2023, ₱33.58 million or 0.88% higher than the ₱3,813 million as of 31 December 2022, taking into account depreciation. The capital investment as of 31 December 2023 was ₱214 million, which was used for the continuous expansion of distribution assets to accommodate the growth in customers, construction of 69 kV lines, and various land and building improvements

The Other Property and Equipment amounted to ₱85.13 million as of 31 December 2023, which is ₱7.71 million or 8% lower than the ₱92.84 million as of 31 December 2022. The reduction on the value of these assets was due to the depreciation exceeding the additional investment. The capital expenditure as of 31 December 2023 was ₱12.13 million utilized on acquisition of service trucks and other vehicles, computers, and additional office furniture and equipment.

Cash and Cash Equivalents decreased by ₱935 million or 51%, attributable to the net cash provided by the operating activities of the Company amounting to ₱797 million, reduced by its investment activities amounting to ₱132 million and payment of dividends amounting to ₱1.6 billion.

Trade and Other Receivables decreased by ₱237 million or 31% compared to the 31 December 2022 balance. The decline attributed to the significant reduction in the cost of generation charge, which accounts for 60% of the receivables billed to customers.

Prepayments and Other Current Assets increased by ₱19 million or 33% due to the payment of real property tax intended for 2024 in 2023.

On 16 June 2023, the Company approved the declaration of cash dividends amounting to ₱1,600 million to stockholders of record as of 15 June 2023, payable on various dates until 29 September 2023. As of 31 December 2023, the Company paid in full the cash dividends amounting to ₱1,600 million.

The Unappropriated Retained Earnings decreased by ₱1,136 million or 58% due to the declaration and payment of cash dividends

The total Non-Current Liabilities decreased by ₱19.9 million or 2.07%, which can be attributed to the reduction in deferred tax liabilities related to the realized revaluation of appraisal increase through depreciation.

As of 31 December 2022 and As of 31 December 2021

Comparing the 2022 with the 2021 restated values, the Utility, Plant and Equipment is lower by ₱41 million or 1% and Other Property and Equipment by ₱5 million or 4%. The decrease was a result of the depreciation on costs and the appraisal increase being higher than the additional capital expenditures. The capital projects as of 31 December 2022, which amounted to ₱125 million, consisted of the cost of expanding the distribution assets of the Company to meet the rise in the demand of existing customers as well as growth in the customer base.

Deferred Tax Assets increased by ₱3.75 million or 18% in 2022 mostly as a result of the timing difference in the accounting treatment of retirement benefits obligations and allowance for expected credit loss on receivables in the financial statement and tax return recognition.

Cash and Cash Equivalents increased by ₱187 million as a result of the ₱327 million in net cash generated from the Company's operating activities and the purchase of ₱140 million in properties and equipment.

Trade and Other Receivables increased by ₱219 million or 41%. The receivables of the Company mainly consist of unpaid amounts from its customers for electricity distribution services rendered. The increase in this account was due to the significant escalation in generation costs, which account for 60% of the total amount billed to customers in 2022.

Inventories increased by ₱16 million or 19% due to additional purchases of materials and supplies for network related requirements.

Prepayments and Other Current Assets decreased by ₱9.98 million or 14.76% because of decreases in prepaid taxes pertaining to application of creditable input VAT and VAT withheld.

Trade and Other Payables increased by ₱116 million or 20% which is mainly attributable to the increase in generation costs of power suppliers in 2022. These payables, except customers' deposits, are generally due within thirty (30) days from the date of billing and do not bear interest.

Unappropriated Retained Earnings decreased by ₱65 million or 3% in 2022 after the Board approved the appropriation of accumulated earnings for future capital expenditures.

As of 31 December 2021 and As of 31 December 2020

In 2023, the Company had its properties ending 31 December 2021 appraised by an independent firm of appraisers. The valuation was performed in accordance with the International Valuation Standards (2022 Edition) and the Philippine Valuation Standards (2nd Edition, 2018). This valuation resulted in the restatement of the 2021 Financial Position, in which the balances of the affected accounts were presented in

the 2022 Financial Statements to properly effect the prior period adjustments. The result of the revaluation of assets was adjusted to the accumulated depreciation of appraisals except for land, for which the resulting increase in value was adjusted to appraisal increase.

Using the restated 2021 Financial Position of the Company compared with the previous year, the Utility, Plant and Equipment increased by ₱2,049 million or 114% and Other Property and Equipment increased by ₱27 million or 39%. The valuation of properties also increased the Deferred Tax Liabilities and Revaluation Reserve by ₱487 million or 506% and ₱1,469 million or 669%, respectively.

Financial Assets at Fair Value Through Other Comprehensive Income ("FVOCI") increased by ₱152 million. This account consists of investment in unquoted equity shares of a private company.

Cash and Cash Equivalents increased by ₱50 million or 3% in 2021 raised from the operating activities of the Company after considering the acquisitions made during the year for property and equipment and financial assets at Fair Value through Profit or Loss ("FVPL") and FVOCI.

The government's response to the COVID-19 crisis in 2020 led to the deferral of the collection of electricity bills from customers. The deferral arrangement ending in 2021 allowed the collection of arrears with the current bills, resulting in the reduction of Trade and Other Receivables by ₱196 million or 27%. The increase in the collection of unpaid amounts was invested in trust funds and mutual funds, increasing the FVPL by ₱213 million or 360% in 2021.

Deferred Tax Assets decreased by ₱1.4 million or 6% in 2021 due to the timing difference in the accounting treatment of retirement benefits obligation and allowance for expected credit loss on receivables in the financial statement and tax return recognition.

Inventories decreased by ₱25 million or 23% in 2021, mainly due to the continuation of network-related works that were delayed by the COVID-19 outbreak in 2020.

The easing of the restriction due to the COVID-19 pandemic increased the purchases of the Company, leading to the increase in Trade and other payables by ₱32 million or 6% and a related increase in Prepayments and other current assets by ₱8 million or 14% mainly due to the prepaid taxes such as creditable Input VAT that remain unused in 2021.

Customers' Deposits increased by ₱5 million or 1.5%, mainly due to the increases in the amount of cost of line extension deposits and pole attachment deposits during the year.

Unappropriated Retained Earnings increased by ₱893 million or 78% in 2021 after the Board approved the reversal of the ₱600 million appropriated amount for capital expenditures to Unrestricted Retained Earnings.

DISCUSSION AND ANALYSIS OF OPERATING RESULTS

For the Period Ended 31 December 2023 and 31 December 2022

Revenues

The Company generates its revenues from: (1) pass-through charges, which are Generation, Transmission, System Loss, and other related revenues; (2) Distribution Wheeling Charges consisting of Distribution, Supply, and Metering charges; and (3) other charges related to service reconnection and pole attachment rental.

The Company along with other electric distribution utilities were directed by the ERC to collect pass-through charges from electricity consumers. These pass-through charges are revenue-neutral to the Company. The ERC has set a limit which, when exceeded, prompts an adjustment to correct over or under recovery of these charges. In addition, the ERC evaluates these charges every three (3) years for any over- or under- recoveries. Upon ERC approval, DECORP refunds to or collects from its customers the over- or under- recoveries.

The distribution charges of the Company were based on the latest approved rates of the ERC, determined using the Performance-Based Regulation (“PBR”) rate setting methodology. In 2022, the Company filed its application for the approval of its Annual Revenue Requirements (“ARR”) under PBR, which will be the basis of the distribution rates for the regulatory years 2023 to 2026. The Company uses the distribution rates authorized by the ERC for the last regulatory year of the third regulatory period under PBR while it waits for the ERC to make a decision regarding its ARR application.

The Company distributes electricity to five (5) customer classes, namely: residential, small commercial, large commercial, bulk power, and streetlights.

The sale of electricity and other revenues amounted to ₱4,045 million for the year ended 31 December 2023, which is ₱37 million or 1.7% higher than the ₱4,678 million sales in 2022 of the same period. The details of the revenues as of 31 December 2023 and 2022 are as follows:

	December 31,	
	2023	2022
Generation	2,643.33	3,188.064
Transmission	290.93	394.31
System loss	214.37	263.03
Distribution	836.68	792.37

Other pass-through charges	33.65	8.53
Total electric revenues	4,018.96	4,646.30
Other revenues	25.68	32.05
Total revenues	4,044.64	4,678.35

The increase in electric revenues can be attributed to the increase in energy sales or energy consumption by 26,857 MWH or 6.4% from the previous year, and higher customer volume by 3,592 customers or 2.7%.

	Energy Sales in MWH		No. of Customers	
	2023	2022	2023	2022
Residential	229,743.64	219,749.07	125,924	122,754
Small Commercial	86,039.21	78,739.06	12,770	12,357
Large Commercial	52,804.76	50,222.64	254	247
Bulk Power	70,750.26	63,754.53	34	30
Streetlights	4,449.41	4,465.20	55	57
Total	443,787.28	416,930.50	139,037	135,445

Operating Expenses

The total Operating Expenses of the Company for the year ended 31 December 2023 amounted to ₱3,571.87 million, which is lower by ₱795.37 million than the ₱4,367.24 million operating expenses in 2022. The details of these expenses are as follows:

	In Million Pesos	
	December 31, 2023	2022
Purchased power	3,076.63	3,865.89
Depreciation	201.06	185.36
Taxes other than income tax	23.95	52.44
Salaries and wages	145.17	138.89
Outside services	35.23	35.93
Professional fees	20.37	4.79
Repairs and maintenance	17.86	16.81
Retirement benefits expense	12.39	14.19
Telephone and water	8.07	9.62
Transportation	7.05	8.33

Office supplies	5.55	5.16
Rent	4.32	4.46
Others	14.21	25.36
Total	3,571.87	4,367.24

Purchased Power consists of payments made by the Company for energy purchased from generators under power supply agreements approved by the ERC and the Wholesale Electricity Spot Market ("WESM"), and payments made to the system operator for the transmission of electricity services. Purchased Power decreased by ₱789 million or 20% for the year ended 31 December 2023 compared with that of the same period of the previous year. The decrease can be attributed to the addition of two (2) power suppliers to the Company's generators portfolio. These power producers supply solar and geothermal energy, which has far lower costs than WESM prices and coal generators during this period because of high fuel costs.

Salaries and Wages consist of salaries and benefits paid to regular employees of the Company. For the year ended 30 December 2023, Salaries and Wages increased by ₱6.28 million or 5% due to the annual salary increase given to the staff.

Taxes Other Than Income Tax include payments for registration fees, regulatory supervision fees, licenses, business permits, local franchise taxes, real property taxes, and other related taxes paid to the national and local governments except income tax. This account decreased by ₱28.49 million or 54% due to the payment of real property taxes paid for poles and other related materials intended for 2024 in 2023.

Outside Services comprise payments to third-party contractors for the issuance of billing statements and notices, bill collection, meter reading, meter connection, disconnection, security services, tree trimming, and distribution line maintenance. Outside Services decreased by ₱0.70 million or 2% due to the reduction in services availed for disconnection of delinquent accounts.

Professional Fees include payments to consultants and experts hired to perform legal, financial, and other professional services for the Company. In 2023, the Company hired the services of a consultant, legal consultant, underwriters, and auditors to prepare the Company for the public offering of its shares in compliance with the EPIRA, resulting in the increase in this expense by ₱15.58 million or 325%.

Repairs and Maintenance increased by ₱ 1.05 million or 6%, which was due to the increase in the acquisition of materials and services for maintenance of computers and streetlights.

The Company applies the simplified approach in measuring Expected Credit Loss ("ECL"), which uses a lifetime expected loss allowance for all trade and other receivables. The Company has written-off all Trade and Other Receivables of more than one (1) year past due since historical experience has indicated that these

receivables are generally not recoverable. In 2023, there was additional provision for ECLs.

The Company maintains a funded, non-contributory defined benefit retirement plan covering all its regular and full-time employees. The fund is administered by a trustee bank authorized to invest the fund as it deems proper. The Retirement Benefit Cost is based on RA No. 7641, and it decreased by ₱1.8 million or 13% in 2023 compared with previous year

For the Years Ended 31 December 2022 and 31 December 2021

Revenues

The Revenues in 2022 were higher by ₱1,273 million or 37% than in 2021. The increase in Electric Revenues can be attributed to the escalation in the cost of energy purchased from the power suppliers by 48%, which are pass-through charges. Below are the details:

	2022	2021
	(In Millions)	
Generation	3,188	2,111
Transmission	394	315
System loss	263	172
Distribution	793	778
Other pass-through charges	8	1
Total Electric Revenues	4,646	3,377
Other revenues	32	28
Total Revenues	4,678	3,405

In addition, the increase of 13,436 MWH or 3.35% in the total energy sold in 2022 compared with 2021 contributed to the increase in Revenues, as shown below:

Customer Class	Energy Sales in MWH			Number of Customers		
	2022	2021	% Change	2022	2021	% Change
Residential	219,747	222,730	1.34%	122,754	119,137	3.04%
General						
Retail	78,746	72,932	7.97%	12,357	11,908	3.77%
General						
Power	47,507	44,476	6.81%	247	234	5.56%
Bulk Power	63,755	56,196	13.45%	30	27	11.11%
Streetlights	4,465	4,450	0.34%	57	59	-3.39%
TOTAL	414,221	400,785	3.35%	135,445	131,365	3.11%

As the economy recovers from the COVID-19 crisis' restrictions, the energy consumption of residential customers goes down despite the rise in the number of customers. The drop in the energy consumption of residential customers was offset by the increase in the energy consumption of non-residential customers.

Total Other Income (Charge) increased by ₱17 million during the year because of the significant increase in the interest income earned on cash and cash equivalents.

Costs and Operating Expenses

The total Operating Expenses increased by ₱1,312 million or 43% in 2022 compared with 2021 due to the following significant changes:

- Purchased Power was higher by ₱1,158 million or 43% primarily due to the increase in the cost of power sourced from a coal power producer under a bilateral contract with the Company, and energy purchased from WESM, which were affected by the high fuel costs.
- Salaries and Wages increased by ₱5.2 million or 4% due to the annual salary increase given to regular employees.
- Outside Services increased by ₱13 million or 55% due to the significant maintenance costs associated with the replacement of rotten poles project in 2022.
- Transportation and Electricity Expenses increased by ₱3 million or 63% and ₱1.95 million or 25%, respectively, due to high fuel costs in 2022.
- The temporary relocation of the office of the staff assigned in Quezon City to make room for the renovation of the existing office increased the Rent Expense by ₱815 thousand or 22%.
- Professional Fees increased by ₱1.8 million or 59% due to the hiring of an independent firm appraiser to value the properties of the Company. The resulting valuation report was utilized in the Company's rate application to the ERC for the purpose of determining its distribution wheeling charge.

For the Years Ended 31 December 2021 and 31 December 2020

Revenues

The Electric Revenues increased by ₱567 million or 20% in 2021 due to the increase of both energy sold and number of customers during the year as can be seen in the table below:

Customer Class	Energy Sales in MWH			Number of Customers		
	2021	2020	% Change	2021	2020	% Change
Residential	222,730	215,042	3.58%	119,137	115,080	3.53%

General Retail	72,932	68,832	5.96%	11,908	11,360	4.82%
General Power	44,476	42,899	3.68%	234	230	1.74%
Bulk Power	56,196	49,935	12.54%	27	24	12.50%
Streetlights	4,450	4,501	-1.12%	59	62	-4.84%
TOTAL	400,785	381,209	5.14%	131,365	126,756	3.64%

The total increase in energy sold was at 19,576 MWH during the year, which was 5.14% higher than 2020 energy sales. There was also a 4,609 increase in the number of customers in 2021, which was 3.64% higher than the volume of customers in the previous year.

Costs and Operating Expenses

The total Operating Expenses increased by ₱702 million or 30%, which can be attributed to the following:

- Purchased Power increased by ₱699.89 million or 35% due to the increase in the cost of power and higher energy requirements.
- Salaries and Wages increased by ₱8.4 million or 7% due to the annual salary increase.
- Outside Services increased by ₱9 million or 67% due to additional outsourcing of meter reading and tree trimming services.
- Transportation Expense increased by ₱1.5 million or 43% because of the high fuel prices in 2021.
- Office Supplies increased by ₱2.7 million or 95% due to the significant increase in the cost of printing forms such as, statement of accounts and official receipts.

KEY PERFORMANCE INDICATORS

The relevant key performance indicators of the Company are shown below:

	2023	2022	2021	2020
Return on Equity	8.82%	4.46%	5.50%	10.72%
<i>Net Profit divided by Total Equity</i>				
Return on Assets	4.08%	4.08%	9.41%	8.52%
<i>Net Profit divided by Average Assets</i>				
Debt to Equity Ratio	0.39	0.31	0.30	0.31

<i>Total Liabilities divided by Total Equity</i>				
Current Ratio	2.55	4.28	4.42	4.29
<i>Total Current Assets divided by Total Current Liabilities</i>				
Average Collection Period	57 days	50 days	97 days	71 days
<i>Average Accounts Receivable divided by Average Sales per day (Sale of Electricity divided 365 days)</i>				

LIQUIDITY RISKS

The Company considers the following elements to constitute a risk to its capacity to fulfill its commitments when they become due: a typhoon or other occurrence that would constitute a force majeure, non-payment or delays in the payment by its customers, and unexpected economic disruption.

The Company monitors and maintains a level of funds deemed adequate by management to finance the Company's operations and mitigate the effects of cash flows. Any excess funds are placed with reputable banks to generate interest income. As of 31 December 2023, the Company's financial liabilities have contractual maturities as follows:

As of 31 December 2023		
	Due within one year	Due beyond one year
Trade payables	₱ 243,545,883	₱ -
Other payables*	100,969,171	-
Dividends payable	-	-
Customers' deposits	218,879,163	334,924,529
	₱565,764,562	₱334,924,529

The Company does not foresee that it will have any cashflow or liquidity problems within the next twelve (12) months from the date of this report.

The Company is not aware of any event that will trigger direct or contingent financial obligations that are material to the Company, including default or acceleration of any obligations.

The Company does not have any off-balance sheet transactions, arrangements, obligations, including contingent obligations, and other relationships with unconsolidated entities or other persons created during the relevant period.

The Company is not in default or breach of any note, loan, lease, or other indebtedness or financing arrangement requiring it to make payments.

The Company is not aware of any trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales, revenues, income from continuing operations.

The Company does not have any significant elements of income or loss that did not arise from its continuing operations.

The Company does not have any seasonal aspects that had a material effect on the financial conditions or results of operations.

ITEM 7. FINANCIAL STATEMENTS

The Audited Financial Statements of the Company as of and for the year ended 31 December 2023 and the schedules listed in the accompanying index to Supplementary Schedules are filed as part of this report (see Exhibit A-2)

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The audited financial statements (AFS) of the Company, for the years ended 31 December 2023 and 31 December 2022 have been audited by Diaz Murillo Dalupan and Company.

The Company has had no disagreements with its independent or external auditor on any matter of accounting principles or practices, financial statements disclosure, or auditing scope or procedure from the periods ending 31 December 2023 and 31 December 2022

PART III. CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND OFFICERS OF THE ISSUER

A. DIRECTORS, EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL

1. DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by its Board of Directors. The Board of Directors is empowered to direct, manage, supervise the affairs of the Company. Pursuant to the Articles of Incorporation, the Company shall have seven (7) members of the Board, namely:

NAME	AGE	CITIZENSHIP	POSITION	TERM
Angelique Maxime L. James	52	Filipino	Chairperson and Vice President	One (1)
Rene Bernard L. Llames ¹	63	Filipino/American	President and Chief Executive Officer ("CEO")	One (1)
Deon Peter James	63	South African	Director	One (1)
Cynthia Irene L. Llames	57	Filipino	Treasurer	One (1)
Geromin T. Nepomuceno, Jr.	69	Filipino	Independent Director	One (1)
Jose Maria A. Abaya	51	Filipino	Director	One (1)
Ranulfo M. Ocampo	64	Filipino	Independent Director	One (1)
Erwin Mark A. Gavino	55	Filipino	Corporate Secretary	One (1)
Augusto D. Sarmiento	64	Filipino	Chief Operating Officer ("COO")	N/A

¹A dual citizen by birth

The business experience of the directors and executive officers are for at least the past five (5) years from the date of this Prospectus.

ANGELIQUE MAXIME L. LLAMES-JAMES

Chairperson and Vice President

Ms. Angelique Maxime L. Llames-James has served as the Chairperson of the Board of Dagupan Electric Corporation since 2022. When she joined the Company in 1996, she was elected as a member of the Board of Directors and appointed as Assistant to the President until 2022. In 2023, in addition to being the Chairperson, she also became the Vice President of the Company.

As a Board Member and Assistant to the President from 1996 to 2022, she was among those who oversee and direct the business operations, set policies, and approve business decisions.

Ms. Angelique Maxime L. Llames-James is also a director and/or officer of the following non-reporting companies:

COMPANY	POSITION
VERIA Realty Inc.	Chairperson and President
DECORP Solar Inc.	Director

RENE BERNARD L. LLAMES

President and CEO

Mr. Rene Bernard L. Llames, with a Ph.D. in Electrical Engineering, has served as a member of the Board of Directors of the Company since 2002. In addition to being a director, he was also the Treasurer of the Company until he was elected as its CEO in 2021 and later became the President and CEO in 2022. Mr. Llames has also acted as the Management Information System (“MIS”) Manager of the Company since 2002.

Mr. Llames is also a director and/or officer of the following non-reporting companies:

COMPANY	POSITION
VERIA Realty Inc.	Treasurer
DECORP Solar Inc.	Director

DEON PETER JAMES

Director

Mr. Deon James, a Mechanical Engineer by profession, is a member of the Board of Directors of the Company. He has been serving as a director since 2004. As a member of the Board of the Company, he among other directors, is responsible for the governance, oversight, and major decision-making, representing the interests of the shareholders and stakeholders.

Mr. James worked for an electric utility company in South Africa as Generation Power Station Engineering Manager and Distribution Regional Engineering Manager from 1994 to 2003.

Mr. James became a director of the Philippine Electricity Market Corporation (“PEMC”) from 2004 to 2019. He is also currently a director of the following non-reporting companies:

COMPANY	POSITION
DECORP Solar Inc.	Director
Private Electric Power Power Operators Association	Director
Cagayan Electric Power & Light Corporation	Director

CYNTHIA IRENE L. LLAMES

Treasurer

Ms. Cynthia Irene L. Llames, an Electrical Engineer by profession, is the Treasurer of the Company. She was elected to the position of Treasurer in 2022. She joined the Company in 1987 as Purchasing Specialist handling the requirements of the MIS Department. In 2002, she was appointed as Corporate Secretary of the Company until 2021.

Ms. Cynthia Irene L. Llames is also the Corporate Secretary of VERIA Realty Inc., a non-reporting company.

GEROMIN T. NEPOMUCENO, JR.

Independent Director

Geromin “Gerry” T. Nepomuceno, Jr. was recently elected as an independent director in DECORP. Gerry is a graduate of Bachelor of Science in Mechanical Engineering from De La Salle University and is a licensed mechanical engineer. He holds a Master’s Degree in Business Management from the Asian Institute of Management.

He has been the Chairman of the Board of Angeles Electric Corporation (“AEC”), a distribution utility recently registered with the SEC, since December 2019. He has vast experience in the electric power industry having been the President of AEC from 2001 to 2019, and the Treasurer and Director of Angeles Power, Inc. from 1993 up to the present. Gerry is an active member of the Executive Committee of the Board of Trustees of Holy Angel University where he became the interim President from 2014 to 2015.

Apart from AEC, he is also currently a director of the following non-reporting companies:

Company	Position
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Angeles Industrial Park, Inc.	Chairman & Director
Crismin Realty Corporation	Chairman
M.S.N. Foods Inc.	Chairman
Angeles Ice Plant, Inc.	President
Clark Electric Distribution Corp.	Director
Angeles Power, Inc.	Director & Treasurer
Raslag Corp.	Director (Vice-Chairman) & Treasurer
TGN Realty, Inc.	Director & Treasurer
Teresa Waterworks, Inc.	Director & Treasurer
J Ten Equities, Inc.	Director & Treasurer
Holy Angel University	Trustee
JDN Sons, Inc	Director
Wespan Development Corporation	Director

JOSE MARIA A. ABAYA

Director

Mr. Jose Maria A. Abaya has been a member of the Board of Directors of the Company since 2015.

Mr. Abaya has served as Director for Cagayan Electric Power & Light Company, Inc. since July 2010, and was elected as the Chairman of the Board in October 2020. He has also been serving as Director and President of Olongapo Electricity Distribution Company, Inc. since September 2012, as Chairman of Cepalco Energy Services since July 2015, as Director of Mindanao Energy Systems, Inc. since May 2008, as Director of Bubunawan Power Company, Inc. since January 2011, and Minergy Power Corporation since May 2013.

ATTY. RANULFO M. OCAMPO

Independent Director

Atty. Ranulfo M. Ocampo, a practicing lawyer, is a member of the Board of Director of DECORP. He has been a Director since 2015. He is an independent director of the Company.

Atty. Ocampo has been the President of the Private Electric Power Operators Association since 2006. He also became a member of the National Renewable Energy Board representing the private electric distribution utilities from December 2010 to June 2016.

ATTY. ERWIN MARK A. GAVINO*Corporate Secretary*

Atty. Erwin A. Gavino is the Corporate Secretary of the Company. He was appointed as Corporate Secretary in 2022. He is also the legal consultant of the Company since 2004.

Atty. Gavino is a practicing lawyer and is the Managing Partner of Divino & Gavino Law Offices. He is also a member of the Board of Directors of companies engaged in varied business lines, including: Spiderhook Capital Inc., Spiderhook Corporate Governance Inc., Metro Kitchens Innovations, Inc., and Altus Capital Corporation.

AUGUSTO D. SARMIENTO*Chief Operating Officer*

Augusto D. Sarmiento, a professional Electrical Engineer, has been the COO of the Company since 2019. He joined the Company in 1981 as Cadet Engineer and became the Network Operations Manager in 2004 until 2019.

Mr. Sarmiento also became a member of the Rules Change Committee of PEMC from 2010 to 2013.

As the COO, Mr. Sarmiento is primarily responsible for overseeing the reliable and efficient distribution of electricity to customers.

2. SIGNIFICANT EMPLOYEES

The following persons are the significant employees of the Company who are expected to make significant contributions to the business of DECORP:

NAME	AGE	CITIZENSHIP	POSITION
Joseph F. Carino	50	Filipino	Network Operations Manager
Gemma M. Recel	47	Filipino	Retail Services Manager
Lilian D. Saralde	50	Filipino	Finance Manager
Randy F. Castilan	48	Filipino	Human Resource Manager
Arsenio V. Zacarias Jr.	59	Filipino	Logistics Manager

The business experience of the officers listed above are for at least the past five (5) years from the date of this Prospectus.

JOSEPH F. CARINO*Network Operations Manager*

Mr. Joseph F. Carino, a registered Electrical Engineer, has been the Network Operations Manager of the Company since 2019. He joined the Company in 1997 as Cadet Engineer. In

2008, he became the Planning and Design Section Head of the Company until he was promoted to Network Operations Manager in 2019.

As the Network Operations Manager, he oversees the safe and reliable operation of the electric distribution network, including substations, transformers, power lines, and related infrastructure.

GEMMA M. RECEL

Retail Services Manager

Ms. Gemma M. Recel has been the Retail Services Manager of the Company since January 2023. She joined the Company in 1999 as an accounting assistant. From 2005 to 2022, she held a variety of supervisory positions, serving as the Section Supervisor for the Controls and Standards Section, Application and Customer Assistance Section, Data Management Section, and the Customer Accounting Section.

As the Retail Service Manager, she oversees the efficient operations of the retail business segment, which include customer acquisition, customer management, metering service provision, power supply and service provision, account management, and receivables management.

LILIAN D. SARALDE

Finance Manager and Regulatory Compliance Officer

Ms. Lilian D. Saralde, a Certified Public Accountant, has been the Finance Manager of the Company since March 2004. She joined the Company in 2004 as Accounting Supervisor and in the same year became the Finance Manager. She is also the Regulatory Compliance Officer and WESM Compliance Officer since 2008 and 2021, respectively.

Ms. Saralde, as Finance Manager, oversees the Company's financial operations, including budgeting, financial planning, and regulatory compliance.

ATTY. RANDY F. CASTILAN

Human Resource Manager

Atty. Randy F. Castilan has been the Human Resource Manager since 2015. He joined the Company in June 2001 as Legal Associate until he became the Human Resource Manager in 2015. He has also served as the Company's Data Protection Officer since 2022.

Atty. Castilan, as Human Resource Manager, oversees the workforce planning, recruitment, development, and retention strategies.

ENGR. ARSENIO V. ZACARIAS JR.

Logistics Manager

Mr. Arsenio V. Zacarias Jr., a professional Electrical Engineer, has been the Logistics Manager of the Company since 2016. He joined the Company in 1992 as Cadet Engineer. In 2004, he became the Head of the Technical Department of the Retail Services Management Division of the Company until he was promoted to Logistics Manager in 2016.

Mr. Zacarias, as Logistics Manager, oversees the procurement, storage, and distribution of materials and equipment necessary for the Company's operations.

The Company is highly dependent on the services of the following key personnel:

- 1) Mr. Rene L. Llames – CEO and President;
- 2) Mr. Augusto D. Sarmiento – COO;
- 3) Engr. Joseph F. Cariño – Network Operations Manager;
- 4) Ms. Gemma M. Recel – Retail Services Manager;
- 5) Ms. Lilian D. Saralde – Finance Manager;
- 6) Atty. Randy F. Castilan – Human Resource Manager; and
- 7) Mr. Arsenio V. Zacarias, Jr. – Logistics Manager.

The Company has no specific arrangement to ensure that the foregoing personnel will remain with DECORP. Neither does the Company implement a non-compete to the said persons in case of their termination from employment.

3. FAMILY RELATIONSHIPS

The Company's Chairperson, Angelique Maxime L. Llames-James, President and CEO, Rene L. Llames, and Treasurer, Ms. Cynthia Irene L. Llames are brothers and sisters.

The Company's Director, Deon Peter James, is related to the Chairperson, Ms. Angelique Maxime L. Llames-James, by marriage.

Aside from the foregoing, there are no other family relationships between other directors, executive officers, or other persons nominated or chosen by the Company to become directors or executive officers.

4. INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

Within the past five (5) years, there has been no bankruptcy petition filed by or against any business of which any of the foregoing named directors or executive officers have been a general partner or executive officer at the time of the bankruptcy or within two (2) years prior to that time.

None of the foregoing directors or executive officers have been convicted by final judgment in any criminal proceeding nor involved in any pending criminal proceeding, whether domestic or foreign in the past five (5) years from the date of this Prospectus.

None of the foregoing directors or executive officers have been subject to any order, judgment, or decree by any domestic or foreign court of competent jurisdiction, permanently or temporarily barring, suspending, or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities in the past five (5) years from the date of this Prospectus.

None of the foregoing directors or executive officers have been found by a domestic or foreign court or tribunal of competent jurisdiction in a civil action, domestic or foreign Exchange, or other market or self-regulatory organization to have violated a securities or commodities law or regulation in the past five (5) years from the date of this report

ITEM 10. EXECUTIVE COMPENSATION

COMPENSATION

NAME AND PRINCIPAL POSITION	FISCAL YEAR COVERED	SALARY	BONUS	OTHER ANNUAL COMPENSATION
Angelique Maxime L. Llames-James <i>Chairperson and Vice President</i>	2021	2,800,000.00	400,000.00	55,677.76
	2022	3,300,000.00	500,000.00	61,277.76
	2023*			
Rene L. Llames <i>President and CEO</i>	2021	3,030,000.00	630,000.00	43,677.76
	2022	3,582,117.66	738,000.00	43,677.76
	2023*			
Cynthia Irene L. Llames <i>Treasurer</i>	2021	700,000.00	100,000.00	53,877.76
	2022	825,000.00	125,000.00	55,877.76
	2023*			
Augusto D. Sarmiento <i>COO</i>	2021	3,860,054.25	812,113.50	70,518.26
	2022	4,036,931.05	854,678.00	70,677.76
	2023*			
All other officers and directors as a group	2021	9,657,937.17	2,088,075.56	457,004.46
	2022	10,209,357.46	2,104,070.85	480,330.66
	2023*			

COMPENSATION OF DIRECTORS

Standard Arrangements

The directors receive a per diem of Fifteen Thousand Pesos (₱15,000.00) for each meeting attended.

Pursuant to the Company's Manual on Corporate Governance, which was approved by the Company on 02 October 2023, the Company shall have three (3) committees namely, the Corporate Governance Committee, Board Risk Oversight Committee, and

Audit Committee. The Committee chairpersons and committee members shall be entitled to a per diem of Ten Thousand Pesos (₱10,000.00) for each meeting attended.

No other compensation, in any form, is paid to the directors for the services they provide as directors of the Company.

The total per diems received by each director for the years 2022 and 2023 are shown below:

Name	Position	2022	2023
Angelique Maxime L. Llames-James	Chairperson and Vice President	60,000.00	45,000.00
Rene L. Llames	President and CEO	60,000.00	45,000.00
Cynthia Irene L. Llames	Treasurer	60,000.00	45,000.00
Deon Peter James	Director	60,000.00	45,000.00
Jose Maria A. Abaya	Director	60,000.00	45,000.00
Ranulfo M. Ocampo	Independent Director	60,000.00	45,000.00

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

On December 27, 2023, the SEC approved the registration of the Company's Fourteen Million Six Hundred Sixty-Two Thousand (14,662,000) common shares, of which Two Million Two Hundred Thousand (2,200,000) shares were issued and offered for sale to the public by way of an initial public offering

On December 27, 2023, the SEC rendered effective DECORP's application for the registration of Fourteen Million Six Hundred Sixty-Two Thousand (14,662,000) common shares, of which Two Million Two Hundred Thousand (2,200,000) shares were issued and offered for sale to the public by way of primary offering that was concluded in January 2024. The Company's holders of its sole class of common equity increased to fifty-four after the completion of the public offering.

The table below shows the security ownership of more than 5% of the Company's voting shares as of December 31, 2023:

Name of Record Owner, Address, and Relationship with the Issuer	Type of Share	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Total Issued and Outstanding Shares
Rene Bernard L. Llames, 103 Mother Ignacia Ave. Quezon City, President and CEO	Common	Rene Bernard L. Llames - record owner	Filipino	3,606,006	28.94%

Cynthia Irene L. Llames, 103 Mother Ignacia Ave. Quezon City, Treasurer and Director	Common	Cynthia Irene L. Llames - record owner	Filipino	3,606,004	28.94%
Angelique Maxime L. Llames-James, 103 Mother Ignacia Ave. Quezon City, Chairperson and Director	Common	Angelique Maxime L. Llames-James - record owner	Filipino	3,606,003	28.94%
Deon Peter James, 103 Mother Ignacia Ave. Quezon City, Director	Common	Deon Peter James - record owner	South African	803,292	6.45%
Total				12,424,597	99.69%

SECURITY OWNERSHIP OF MANAGEMENT

The following are the security ownership of the management:

Name of Beneficial Owner	Type of Share Held	Number of Shares and Nature of Beneficial Ownership	Citizenship	Percent of Class
Rene Bernard L. Llames	Common	3,606,006 shares; direct ownership	Filipino	28.94%
Cynthia Irene L. Llames	Common	3,606,004 shares; direct ownership	Filipino	28.94%
Angelique Maxime L. Llames-James	Common	3,606,003 shares; direct ownership	Filipino	28.94%

VOTING TRUST

There are no voting trust holders in respect of more than five percent (5%) of the Company's voting shares.

CHANGE IN CONTROL ARRANGEMENTS

There are no contracts, agreements, or arrangements with respect to the issued and outstanding shares which will result in a change in the control of the Company.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Company has a lease agreement with Veria Realty, Inc., a company owned by a majority of DECORP's stockholders. The lease for office space amounted to Four Million Three Hundred Twenty Thousand Seventy-Nine (P4,320,079) in 2023 and Four Million Four Hundred Fifty Nine Thousand Five Hundred Fifty Three (P4,459,553) in 2022.

PART IV. CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

The Company has always been dedicated in upholding a sound corporate governance even before adopting its Manual on Corporate Governance (the "Manual").

The Company, with the intention of strengthening its corporate governance standards to be comparable with or exceed the leading standards adopted the Manual on 02 October 2023 in compliance with SEC Memorandum Circular No. 24, Series of 2019.

Board Composition

The Board consists of seven (7) members, each elected by the common stockholders during the Annual Stockholders' Meeting (ASM). The Board members hold office for one (1) year until their successors are duly elected and qualified in accordance with the amended by-laws of the Company. The Company's Board is a combination of executive and non-executive that are possessed with qualifications and stature that enable them to effectively participate in the deliberations of the Board.

The Board includes two (2) independent directors selected based on the independence criteria as set forth under the SEC's revised Securities Regulation Code and implementing rules and regulations, and the Company's Manual of Corporate Governance (MCG).

Board Committees

The Board, to enhance its effectiveness in fulfilling its oversight responsibilities and aid in ensuring compliance with the principles of good corporate governance, shall establish and maintain the following board committees: 1.) the Corporate Governance Committee; 2.) the Board Risk Oversight Committee; and 3.) the Audit Committee

As of 31 December 2023, the Board has yet to appoint the members of the above Committees.

Board Assessment

The Board shall conduct an annual assessment of its performance, including the performance of the Chairman, individual members and committees. The Corporate Governance Committee shall oversee the assessment/evaluation process.

Every three (3) years, as far as practicable, the assessment may be supported by an external facilitator. The external facilitator can be any independent third party such as, but not limited to, a consulting firm, academic institution or professional organization appointed by the Board.

The Board assessment system shall provide a criteria and process to determine the performance of the Board, individual directors and committees. The system shall allow for a feedback mechanism from shareholders.

Compliance Measures

The Compliance Officer plays a pivotal role in ensuring that the Company adheres to all applicable laws and regulations, and that it operates within its boundaries while upholding the highest ethical standards. Duties and responsibilities are as follows:

1. Design, implement, and oversee the Company's compliance programs and policies to ensure adherence to all relevant laws and regulations.
2. Conduct regular risk assessments to identify potential compliance risks and develop strategies to mitigate them.
3. Stay updated on changes in laws, regulations, and industry standards that could impact the Company's operations.
4. Prepare and present compliance reports to the Board and report on compliance issues, investigations, and corrective actions taken.
5. Conduct or oversee internal investigations into alleged compliance violations, including fraud, misconduct, or breaches of policies and procedures.
6. Coordinate with external auditors and regulatory authorities during compliance audits and inspections.
7. Oversee and promote the Company's code of conduct and ethics policies.
8. Foster a culture of compliance within the Company and promote ethical behavior and accountability at all levels.

Deviation from Corporate Governance Practices

The Company is still in the process of establishing policies and procedures required under its Corporate Governance Manual, nonetheless, there are no major deviations noted.

Improvement of Corporate Governance Practices

The Company has continually worked to improve its corporate governance system so that it complies with the national regulatory agencies and best practices.

The Board sees corporate governance as a crucial component of the Company's corporate identity. The Company is thus committed to a process of continual improvement, guided by best practices and the evolving needs of shareholders and stakeholders. Governance practices will continue to contribute to the long-term success and sustainability of the Company.

The Board remains dedicated to upholding a culture of accountability, ethical conduct, and responsible leadership.

ART V. EXHIBITS AND SCHEDULES

ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

A. EXHIBITS

See accompanying Index to Exhibits

B. REPORTS ON SEC FORM 17-C

From the approval of the Company's Registration Statement on 27 December 2023 to 31 December 2023, there were no events that would require the reporting or submission of SEC Form 17-C

SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of _____ on MAY 17 2024, 20__.

By:


ANGELIQUE MAXIME L. LLAMES-JAMES
 Chairperson of the Board


CYNTHIA IRENE L. LLAMES
 Treasurer


RENE BERNARD L. LLAMES
 President and CEO



LILIAN D. SARALDE
 Finance Manager

SUBSCRIBED AND SWORN to before me this day of 20__ affiant(s) exhibiting to me the following documents

COMPETENT EVIDENCE OF			
NAMES	IDENTITY	VALID UNTIL	PLACE OF ISSUE
Angelique Maxime L. Llames-James	Driver's License No. N02-91-162837	30 June 2032	Quezon City
Rene Bernard L. Llames	Driver's License No. X01-05-002065	28 July 2032	Quezon City
Cynthia Irene L. Llames	UMID No. CRN-0111-3759385-8		Quezon City
Lilian D. Saralde	Driver's License No. N25-12-005017	12 March 2032	Quezon City

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 Page No. 58
 Book No. YLVI
 Series of 20

SUBSCRIBED AND SWORN TO BEFORE
 ME THIS MAY 17 2024
 AFFIANT EXHIBITING TO ME HIGHER
NO ISSUED OF
QUEZON CITY PHILIPPINES


 Notary Public
ATTY. JEROME E. SEGUIT
 NOTARY PUBLIC, Q.C. VALID UNTIL DEC 31, 2024
 ROLL NO. 19421, TIN NO. 427-345-464-000
 PTR No. 4080604 JAN. 03, 2024
 BP NO. 3014031 JAN. 03, 2024
 UCLC COMP. VOUCHER 014/2025
 ADM. OFFICER NO. SP-040(2023-2024)
 ADD. 35 WEST AVENUE DRIVE, PHILAM, QUEZON CITY.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of PASIG CITY on 17 MAY, 2024.

By:




ERWIN MARK A. GAVINO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 17th day of MAY 2024 affiant(s) exhibiting to me the following documents

NAMES	COMPETENT EVIDENCE OF IDENTITY	VALID UNTIL	PLACE OF ISSUE
Erwin Mark A. Gavino	PP# P2303713C	08 Nov. 2032	DFA Manila

Doc. No. 505
Page No. 94
Book No. III
Series of 2024



MA. FRANCISCA DL. FRANCISCO
Notary Public in and for the Cities of
Pasig, San Juan and in the
Municipality of Pateros, Metro Manila
Until 31 December 2024
PTR No. 0173812; 01/03/2024; Pasig City
IBP No. 331793; 12/20/2023; Rizal (RSM)
Appointment No. 10 [2023-2024]
Roll No. 79374
MCLE Compliance:
Admitted to the Philippine Bar on 16 May 2022
S501 OMM-CITRA Bldg., San Miguel Avenue
Ortigas Center, 1605 Pasig City

**DAGUPAN ELECTRIC CORPORATION
INDEX TO EXHIBIT A**

Date of Report	Type of Report	Reference
22 December 2023	Prospectus	Exhibit A-1
30 April 2024	Audited Financial Statements with Supplementary information required by the SEC as of and for the year ended 31 December 2023	Exhibit A-2