COVER SHEET

for

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(B) THEREUNDER

SEC Registration Number

1 8 8 9 0

COMPANY NAME

D A G U P A N E L E C T R I C C O R P O R A T I O N

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

A B F E R N A N D E Z S T D A G U P A N C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
17 - Q	S E C	

COMPANY INFORMATION

Company's email Address	Company's Telephone Number	Mobile Number
decorp@decorp.com.ph	(632) 8374 3040	9285066639

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
55	Every 3rd Tuesday of April	31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Lilian D. Saralde	lds@decorp.com.ph	(632) 8374 3040	9285066639

CONTACT PERSON's ADDRESS

VERIA I Bldg., 62 West Avenue, Quezon City

Note 1 *: In case of death, resgination 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 frrom liability for its deficiencies.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2025**

2. Commission identification number **18890** 3. BIR Tax Identification No. **000-202-524**

DAGUPAN ELECTRIC CORPORATION

4. Exact name of issuer as specified in its charter

DAGUPAN CITY, PANGASINAN, PHILIPPINES

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] (SEC Use Only)

AB FERNANDEZ ST., DAGUPAN CITY **2400**

7. Address of issuer's principal office Postal Code

(632) 8374 3039

8. Issuer's telephone number, including area code

NOT APPLICABLE

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
COMMON SHARES	**14,662,000**

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

Yes [ ] No [✓]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

NOT APPLICABLE

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 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 [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Unaudited Interim Condensed Financial Statements of Dagupan Electric Corporation ("DECORP" or the "Company") as of and for the period ended March 31, 2025 (with comparative figures as of December 31, 2024 and for the period ended March 31, 2024) and Unaudited Notes to the Interim Condensed Financial Statements are attached as Annex A.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required by Part III, Paragraph (A)(2)(b) of "Annex C", is attached as Annex B.

PART II--OTHER INFORMATION

The following other information are attached as Annex C

a) Schedules required under Annex 68-J of the Revised Securities Regulation Code Rule 68
b) SEC Form 17-L for SEC Form 17-Q as of and for the quarter ended March 31, 2025

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer

DAGUPAN ELECTRIC CORPORATION
Issuer

By:

Rene Llames

Rene Bernard L. Llames
President and CEO

Lilian D. Saralde
Finance Manager and Compliance Officer

Date May 20, 2025

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	March 31, 2025 (Unaudited)	December 31 2024 (Audited)
ASSETS		
Noncurrent Assets		
Utility plant and equipment -note 4	3,892,567,556	3,878,693,425
Other property and equipment -note 5	81,991,002	85,820,987
FVOCI -note 6	152,000,000	152,000,000
Deferred tax assets -note 21	28,005,805	28,005,805
	4,154,564,363	**4,144,520,217**
Current Assets		
Cash and cash equivalents -note 7	2,368,887,566	2,179,835,209
Trade and other receivables -note 8	510,298,264	634,507,090
Financial assets at FVPL -note 9	184,270,386	184,270,386
Inventories -note 10	74,256,637	116,360,970
Prepayments and other current assets -note 11	59,818,910	66,010,239
	3,197,531,763	**3,180,983,894**
TOTAL ASSETS	**7,352,096,126**	**7,325,504,111**
EQUITY AND LIABILITIES		
Equity		
Capital stock -note 15	1,466,200,000	1,466,200,000
Additional paid-in capital	1,141,724,320	1,141,724,320
Revaluation reserve -notes 4 and 5	1,463,232,958	1,480,510,625
Remeasurement gain (loss) on retirement benefits -note 18	2,962,763	2,962,763
Retained earnings -note 14		
Appropriated	0	0
Unappropriated	1,596,104,429	1,550,957,603
	5,670,224,471	**5,642,355,311**
Current Liabilities		
Trade and other payables -note 12	694,318,914	703,472,335
Dividends payable	0.03	0.03
Income tax payable	51,338,072	36,880,505
	745,656,986	**740,352,841**
Noncurrent Liabilities		
Customers' deposit -note 13	337,024,731	337,846,798
Deferred tax liabilities -note 21	512,929,374	518,688,596
Retirement benefits obligation -note 18	86,260,564	86,260,564
	936,214,669	**942,795,958**
TOTAL EQUITY AND LIABILITIES	**7,352,096,126**	**7,325,504,110**

See accompanying Notes to Unaudited Interim Condensed Financial Statements

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited For the Three Months Ended March 31	
	2025	**2024**
REVENUES -note 17	**908,886,453**	**887,764,976**
OPERATING EXPENSES		
Purchases power -note 21	712,390,959	684,536,796
Operating and maintenance -note 19	67,117,726	95,084,427
Depreciation	52,991,669	52,563,614
Taxes other than income tax	36,572,881	12,082,930
	869,073,235	844,267,767
INCOME FROM OPERATIONS	**39,813,217**	**43,497,209**
OTHER INCOME (CHARGES)	**3,001,414**	**1,619,243**
INCOME BEFORE INCOME TAX	**42,814,631**	**45,116,452**
PROVISION FOR INCOME TAX	**20,704,694**	**17,040,581**
NET INCOME	**22,109,937**	**28,075,871**
OTHER COMPREHENSIVE INCOME		
Not to be reclassified to profit or loss in the subsequent periods		
Remeasurement gain (loss) on retirement benefits, net of tax	-	
TOTAL COMPREHENSIVE INCOME	**22,109,937**	**28,075,871**
Earnings Per Share	1.51	1.91

See accompanying Notes to Unaudited Interim Condensed Financial Statements

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024

	Capital Stock -note 15	**Additional Paid-in Capital**	**Revaluation Reserve**	**Remeasurement Gain (Loss) on Retirement Benefits**	**Appropriated Retained Earnings**	**Unappropriated Retained Earnings**	**Total Equity**
Balance at January 1, 2025	1,466,200,000	1,141,724,320	1,480,510,625	2,962,764	-	1,550,957,608	5,642,355,317
Net Income						22,109,937	22,109,937
Depreciation on appraisal increase transferred to unappropriated retained earnings			-23,036,889			23,036,889	-
Income tax effect on the revaluation increment charged to operations through additional depreciation charges			5,759,222				5,759,222
Remeasurement gain on retirement benefits , net of tax							
	0	0	-17,277,666	0	0	45,146,826	27,869,159
Balance at March 31, 2025	**1,466,200,000**	**1,141,724,320**	**1,463,232,959**	**2,962,764**	**-**	**1,596,104,434**	**5,670,224,476**
Balance at January 1, 2024	1,246,200,000	189,124,320	1,549,621,291	2,962,764	400,000,000	831,949,016	4,219,857,391
Net income						28,075,871	28,075,871
Depreciation on appraisal increase transferred to unappropriated retained earnings			-24,109,675			24,109,675	-
Income tax effect on the revaluation increment charged to operations through additional depreciation charges			6,027,419				6,027,419
Remeasurement gain on retirement benefits, net of tax							-
Transaction with owners							-
Cash dividends							-
Public offering	220,000,000	952,600,000					1,172,600,000
Transfer to unappropriated earnings							-
	220,000,000	952,600,000	-18,082,256	-	-	52,185,546	1,206,703,290
Balance at March 31, 2024	**1,466,200,000**	**1,141,724,320**	**1,531,539,035**	**2,962,764**	**400,000,000**	**884,134,562**	**5,426,560,681**

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Unaudited	
	For the Three Months Ended March 31	
	2025	**2024**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	42,814,631	45,116,452
Adjustment for:		
Depreciation -notes 4 and 5	52,991,669	52,563,614
Retirement benefit expense -note 18		
Provision for ECL -note 8		
Interest expense -note 13	30,764	
Fair value loss on financial assets at FVPL -note 9		
Interest income -note 7	-1,069,417	-1,063,803
Gain on sale of transportation equipment -note 5		
Operating income before working capital changes	94,767,648	96,616,263
Decrease (increase) in:		
Trade and other receivables	124,208,826	7,506,895
Inventories	42,104,333	5,217,873
Prepayments and other current assets	6,191,329	-18,509,819
Increase (decrease) in:		
Trade and other payables	-9,153,421	23,600,304
Dividends payable		
Customers' deposits	-822,067	-202,259
Cash generated from operations	257,296,647	114,229,257
Interest received -note 7	1,069,417	1,063,803
Income tax paid	-6,247,128	
Interest paid	-30,764	
Net cash provided by operating activities	252,088,173	115,293,060
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment -notes 4 and 5	-63,035,816	-35,559,770
Proceeds from financial assets at FVPL -note 9		
Acquisition of financial assets at FVOCI		
Proceeds from sale of transportation equipment -note 5		
Net cash used in investing activities	-63,035,816	-35,559,770
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of cash dividends		
Proceeds from public offering		1,172,600,000
Net cash used in financing activities	0	1,172,600,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	189,052,357	1,252,333,290
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,179,835,209	886,889,217
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD -note 7	**2,368,887,566**	**2,139,222,507**

DAGUPAN ELECTRIC CORPORATION
Notes to Interim Condensed Financial Statements
For the Period Ended March 31, 2025 and 2024, and December 31, 2024

1. CORPORATE INFORMATION

Dagupan Electric Corporation (the Company) was incorporated in the Philippines on May 30, 1961. On May 20, 2008, the Securities and Exchange Commission (SEC) approved the amendment of the Articles of Incorporation of the Company extending its corporate life for another 50 years from May 20, 2011. The Company is majority owned by a group of Filipino individuals.

The Company is engaged in the distribution of electricity and is granted with a legislative franchise to operate and service certain areas in the province of Pangasinan by virtue of Republic Act (R.A.) No. 9969, enacted by the Congress of the Philippines on February 6, 2010, entitled "An Act Amending R.A. 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 act became effective on February 27, 2010.

The Company is subject to the regulations and rate-making policies of the Energy Regulatory Commission (ERC).

The registered principal address of the Company is AB Fernandez St., Dagupan City, Province of Pangasinan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the Company's financial statements for the year ended December 31, 2023 have been adopted in the preparation of the interim condensed financial statements. The policies have been consistently applied to all the periods presented, unless otherwise stated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

Basis of Preparation

The interim condensed financial statements have been prepared on a historical cost basis except for utility, plant and equipment and other property and equipment which are stated at revalued amount and financial assets at fair value through profit or loss (FVPL).

The financial statements are presented in Philippine peso (₱), the Company's functional currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the amended PFRS below which is mandatorily effective for annual periods beginning on or after January 1, 2023.

PAS 1 and PFRS Practice Statement 2 (Amendments) Disclosure of Accounting Policies. The narrow-scope amendments PAS 1, *Presentation of Financial Statements* require entities to disclose material accounting policy information instead of significant accounting policies. The amendments also clarify the following: (1) accounting policy information may be material because of its nature, even if the related amounts are immaterial; (2) accounting policy is material if users of an entity's financial statements would need it to understand other material information in the statements; and (3) if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. Further, the amendments provide several paragraphs to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1. The amendments are applied prospectively. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2. The amendments do not have a material impact on the interim financial statements of the Company.

PAS 8 (Amendments) Definition of Accounting Estimates. The amendments to PAS 8, *Accounting Policies, Changes* focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments do not have a material impact on the interim financial statements of the Company.

New accounting standards and amendments to existing standards effective subsequent to January 1, 2023

Standards issued but not yet effective up to the date of the Company's financial statements are listed below. These amendments to standards issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

PAS 1 (Amendments) Classification of Liabilities as Current or Noncurrent. The narrow-scope amendments to PAS 1, *Presentation of Financial Statements* clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. The amendments are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted. The amendments do not have a material impact on the interim financial statements of the Company.

<u>Utility Plant and Equipment and Other Property and Equipment</u>

The Company's utility plant and equipment and other property and equipment (fixed assets) are initially measured at cost. The initial cost comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period when the costs are incurred. Land is stated at cost less any impairment in value.

Subsequently, fixed assets are carried at revalued amounts which are the fair values at the date of revaluation, as determined by independent appraisers, less subsequent accumulated depreciation and any accumulated impairment losses. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The appraisal was performed by an independent firm of appraisers and the significant assumptions used by the appraiser are disclosed in Notes 4 and 5.

If the assets' carrying amount is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity under the heading "Revaluation reserve". However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the assets' carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading "Revaluation reserve". Annually, an amount from the revaluation reserve is transferred to retained earnings for the depreciation relating to the revaluation. Revaluations are performed to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Depreciation is computed on a straight-line method over the following estimated useful lives:

	Number of Years

Utility plant and equipment:	
Buildings and improvements	30
Distribution	25-45
Tools and equipment	10
Other property and equipment:	
Office furniture and equipment	5-10
Transportation equipment	5-10

Construction in progress represents properties under construction and is stated at cost. This includes the cost of construction, applicable borrowing cost and other direct costs. The account is not depreciated until such time that the assets are completed and available for use. A fixed asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The depreciation method, residual values and estimated useful lives of utility plant and equipment and other property and equipment are reviewed and adjusted, if appropriate, at each reporting date.

An item of utility plant and equipment and other property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising on the retirement and disposal of an item of utility plant and equipment and other property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Impairment of Non-financial Assets

The Company assesses the utility plant and equipment and other property and equipment at each reporting date whether there is an indication that the asset may be impaired. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged to the assets in the cash-generating unit.

All fixed assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

Financial Instruments

a. Initial recognition, measurement and classification of financial instruments

The Company recognizes financial assets and financial liabilities in the statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

With the exception of trade receivables that do not contain a significant financing component, financial assets and financial liabilities are recognized initially at fair value including transaction costs, except for those financial assets and liabilities at FVPL where the transaction costs are charged to expense in the period incurred. Trade receivables that do not contain a significant financing component are recognized initially at their transaction price. The Company classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVPL.

The classification of debt instruments at amortized cost or at FVOCI depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing the financial assets. The Company’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company’s business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates or significantly reduces the measurement or recognition inconsistency and produce more relevant information.

Upon initial recognition, the Company may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity investment that is not held for trading. The classification is determined on an instrument-by-instrument basis.

The Company classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method or at FVPL.

Financial Assets at Amortized Cost

Financial assets are measured at amortized when both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, financial assets at amortized cost are subsequently measured using the effective interest method less allowance for impairment. Gains and losses are recognized in the statements of comprehensive income when the financial assets at amortized cost are derecognized, modified or impaired. These financial assets are included in current assets if maturity is within 12 months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

The Company's financial assets at amortized cost comprise cash and cash equivalents, and trade and other receivables (see Notes 7 and 8). Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash depending on the immediate cash requirements of the Company and are subject to an insignificant risk of change in value.

Trade receivables are amounts due from the Company's customers for the power supplied to the customers and other related services performed in the ordinary course of business.

Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates or significantly reduces the measurement or recognition inconsistency and produce more relevant information. Financial assets at FVPL are carried in the statements of financial position at fair value with net changes in fair value recognized in the profit or loss.

As at March 31, 2025 and December 31, 2024, the financial assets at FVPL include unit investment trust funds and mutual funds that are not considered equity instruments designated at FVOCI and do not meet the amortized cost criteria (see Note 9).

Equity Instruments Designated at FVOCI

Upon initial recognition, the Company may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity instrument that is not held for trading. The classification is determined on an instrument-by-instrument basis.

When the equity instrument is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred to retained earnings. Equity instruments designated at FVOCI are not subject to impairment assessment. These financial assets are classified as noncurrent assets.

As at March 31, 2025 and December 31, 2024, the Company's equity instruments at FVOCI consists of investment in unquoted equity shares of a private company (see Note 6).

b. Determination of Fair Value

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Company's financial assets at FVPL, which consist of unit investment trust funds and mutual funds, are measured at fair value. Fair value disclosures are presented in Note 26.

"Day 1" Difference

When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statements of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Financial Liabilities at Amortized Cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated as at FVPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Financial liabilities at amortized cost include trade and other payables (except statutory payables), dividend payable and customers' deposits (see Notes 12, 13 and 14).

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Other payables include non-trade payable and accrued expenses.

Customers' deposits are recognized upon receipt from customers and are measured at fair value of the consideration received. This is composed of bill, pole attachment and cost of line extension (COLE) deposit that serves as guarantee of customers. The customers' deposits are measured subsequently at amortized cost after the initial recognition. The customers' deposits are derecognized upon return to customers in accordance with regulations and contracts entered by the parties. Customers' deposits are classified as current liabilities if return to customers is due within one year or less; otherwise, these are presented as noncurrent liabilities.

c. Impairment of Financial Assets

The Company recognizes allowance for estimated credit losses (ECL) for all debt instruments that are measured at amortized cost or at FVOCI and trade and other receivables. ECLs are a probability-weighted estimate of credit losses over the expected life of the financial asset.

Credit losses are the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company assesses at each end of the reporting period whether the credit risk on a financial asset has increased significantly since initial recognition. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to the lifetime ECLs. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to 12-month ECLs. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting period.

For trade receivables, the Company applies a simplified approach in calculating ECLs. The Company recognizes a loss allowance based on lifetime ECLs at the end of each reporting period. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate.

When the credit risk on financial instruments for which lifetime ECLs have been recognized subsequently improves, and the requirement for recognizing lifetime ECLs is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Company recognizes impairment loss (reversals) in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Significant Increase in Credit Risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the end of reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition of the financial instrument is determined to have low credit risk at the end of reporting period. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts. The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of Default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired Financial Assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower concessions that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off Policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner.

Financial assets written-off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

d. Derecognition

Financial Asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts recognized in profit or loss.

e. Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

<u>Inventories</u>

Inventories, which consist of materials and supplies, are initially measured at cost and subsequently stated at the lower of cost and net realizable value (NRV). Costs incurred in bringing materials and supplies to their present location and condition are determined on the first-in first-out method. NRV is the current replacement cost of the asset.

When the inventories are sold, the carrying amount of inventories is recognized as an expense in which the related revenue is recognized.

Prepayments and Other Current Assets

Prepayments are expenses paid in advance and recorded as asset before they are utilized. Prepayments are apportioned over the period covered by the payment and charged to the appropriate account in profit or loss when incurred. Prepayments that are expected to be realized for not more than 12 months after the end of the reporting period are classified as current asset; otherwise, these are classified as other noncurrent asset.

Other current assets represent advanced payment for the purchase of transmission lines and rental deposits. This is recognized in the statements of financial position upon payment and is measured at cost.

Creditable withholding taxes are stated at cost less any impairment in value. Creditable withholding tax is deducted from income tax payable on the same year the revenue is recognized.

Input value added tax (VAT) is stated at cost less any impairment in value. Input VAT is the indirect tax paid by the Company on the local purchase of goods or services from a VAT-registered person. Input VAT is deducted from the output VAT in arriving at the VAT due and payable. When the output tax exceeds the input tax, the difference is recognized as a current liability in the statements of financial position. When the input tax exceeds the output tax, the excess is carried over to the next reporting period and is recognized as an asset presented as Input VAT in the statements of financial position. Allowance for unrecoverable input VAT, if any, is maintained by the Company at a level considered adequate to provide for potential uncollectible portion of the claims.

Equity

(a) Capital stock

Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as deduction from the proceeds, net of tax. The excess of proceeds from the issuance of shares over the par value is credited to additional paid-in capital.

(b) Additional paid-in capital

Additional paid-in capital is the result of the Company's declaration of property dividends out of treasury shares. It also includes shares issued and offered for sale to the public by way of an initial public offering, in which the SEC rendered the application for registration of shares effective December 27, 2023.

(c) Retained earnings

Retained earnings represent accumulated earnings of the Company less dividends declared. Dividend is recognized as liability and deducted from retained earnings when declared and approved by BOD while stock dividend is deducted from retained earnings when approved by the BOD.

Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or as an agent. The Company concluded that it is acting as principal in its revenue arrangements. The Company recognizes revenue from the following sources:

Revenue from sale of electricity

Revenue is recognized upon supply of power to the customers and is stated at amount invoiced to customers, inclusive of pass-through components, and net of VAT, discounts and/or rebates. In addition, the following specific recognition criteria must be met before revenue is recognized:

- Power has been distributed to customers whose consumptions are measured by Company approved metering devices.
- Revenue estimation based on the average of historical consumption on cases of failure to read measuring devices due to unforeseen events and other valid causes.
- Recognition coincides with the period of the power bill issued to customers.

The Uniform Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified the following bill components: generation charge, transmission charge, system loss charge, distribution charge, supply charge, metering charge and interclass and lifeline subsidies. National value added tax and local franchise taxes, universal charges and Feed-in Tariff Allowance (FIT-All) are also separately indicated in the customers' billing statements. VAT and local franchise taxes (which are billed and collected merely on behalf of the national and local government), universal charges and FIT-All [which are billed and collected merely on behalf of Power Sector Assets and Liabilities Management Corporation (PSALM) and National Transmission Corporation (TransCo), respectively] do not form part of the Company's revenues. The Company's revenues are adjusted for over/under recoveries of pass-through charges.

Pole rental income

Rental income is accounted for on a straight-line basis over the lease term.

Interest income

Interest income is recognized as the interest accrues taking into account the effective yield of the asset.

Other income

Other income is recognized when earned.

Expense Recognition

Expenses are recognized in the statements of comprehensive income on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statements of financial position as an asset.

Leases

Company as lessee

The Company entered into operating lease arrangements on its office space. The leases do not transfer to the Company substantially all the risks and benefits of ownership of the assets. Lease payments are recognized in profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Company as lessor

The Company leased out its poles under operating lease agreements. Under the lease agreements, the Company does not transfer substantially all the risk and benefits of ownership of the assets. Rental income from the lease is recognized in profit or loss on a straight-line basis over the lease term.

Direct cost incurred in negotiating an operating lease is added to the carrying amount of the leased asset and is recognized over the lease term on the same basis as rental income. Contingent rent is recognized as revenue in the period earned.

Foreign Currency Transactions

Transactions in foreign currencies are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at the reporting date. All foreign exchange gains and losses are recognized in profit or loss.

Related Party Relationships and Transactions

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely the legal form.

Current and Deferred Income Tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Retirement Benefits

Short-term employee benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before 12 months after the end of the reporting period. Short-term benefits given by the Company to its employees include salaries and wages, fringe benefits, 13th month pay, Social Security System (SSS), Philhealth and Home Development Mutual Fund (HDMF) contribution.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement benefits obligation

Pension benefits are provided to employees through a defined benefit plan. The retirement plan is generally funded through payments to a trustee bank determined by periodic actuarial calculations.

Typically, defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan asset, if any.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The defined benefit cost comprises of the service cost, net interest on the defined benefit liability or asset and the remeasurement of net defined benefit liability or asset. Service cost which includes current service cost, past service cost and gains or losses on non-routine settlements is recognized as expense in profit or loss. Past service cost is recognized when plan amendment or curtailment occurs. Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurement comprising actuarial gains and losses and return on plan asset (excluding net interest on defined benefit liability) is recognized immediately in other comprehensive income in the period in which they arise. Remeasurement is not reclassified to profit or loss in subsequent periods. Remeasurement recognized in other comprehensive income account. The difference between the interest income component of net interest and the actual return on plan asset is recognized in other comprehensive income.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets or if no maturity, the expected period until the settlement of the related obligation. The Company’s right to be reimbursed of some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

<u>Provisions and Contingencies</u>

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount can be estimated reliably. The expense relating to any provision is presented in the statements of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the year attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend, if any.

Events after the Reporting Date

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

3. MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in compliance with PFRS requires Management to make estimates and assumptions that affect the amounts reported in the financial statements. The estimates and assumptions used in the financial statements are based upon Management's evaluation of relevant facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Material Accounting Judgments

Business Model Assessment

Classification and measurement of financial assets depend on the results of the business model and solely for payments of principal and interest test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Company monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes are required during the years presented.

Customers' Deposits

In applying PFRS 9 on customers' deposits, the Company has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot reasonably and reliably be estimated for purposes of alternative valuation techniques in establishing their fair values.

Key Sources of Estimation Uncertainty

Assessment for ECL on trade and other receivables

The Company recognizes a loss allowance based on lifetime ECLs at the end of each reporting period. The ECLs on these financial assets are estimated using a provision matrix based on the credit risk profile of its customers and historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate. All terminated accounts, net of the related customers' deposits, are provided full allowance.

Allowance for impairment losses on trade and other receivables amounted to ₱14,515,757 as at March 31, 2025 and December 31, 2024. The carrying amount of trade and other receivables amounted to ₱510,298,264 and ₱634,507,090 as at March 31, 2025 and December 31, 2024, respectively (see Note 8).

NRV of Inventories

Inventories consist of material and supplies used in the power distribution and service segments. The cost of inventories is written down whenever the NRV of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, and change in price levels or other causes. The lower of cost or NRV of inventories is reviewed on a periodic basis. Inventories identified to be obsolete and unusable are written off and charged as expenses in the statements of comprehensive income.

The carrying amount of inventories amounted to ₱74,256,637 and ₱116,360,970 as at March 31, 2025 and December 31, 2024, respectively (see Note 10).

Estimating useful lives of fixed assets

The useful life of each of the assets included in the Company's utility plant and equipment and other property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal and other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of utility plant and equipment and other property and equipment would increase recorded operating expenses and decrease the carrying value of utility plant and equipment and other property and equipment.

Utility plant and equipment, net of accumulated depreciation of ₱2,408,350,991 and ₱2,360,581,456, amounted to ₱3,892,567,556 and ₱3,878,693,425 as at March 31, 2025 and December 31, 2024, respectively (see Note 4).

Other property and equipment, net of accumulated depreciation of ₱286,844,156 and ₱ 281,644,033 amounted to ₱81,991,002 and ₱85,820,987 as at March 31, 2025 and December 31, 2024, respectively (see Note 5).

Determining fair value of fixed assets

The fair value of the fixed assets was determined by an independent firm of appraisers. In conducting the appraisal, the independent firm of appraiser used different methods and approaches in determining the fair value of fixed assets, which are disclosed in Note 4.

The fair value of utility plant and equipment amounted to ₱3,892,567,556 and ₱3,878,693,425 as at March 31, 2025 and December 31, 2024, respectively (see Note 4).

The fair value of other property and equipment amounted to ₱81,991,002 and ₱85,820,987 as at March 31, 2025 and December 31, 2024, respectively (see Note 5).

Impairment of non-financial assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the fair value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has determined that there are no events or circumstances that may indicate that the carrying amounts of the assets are not recoverable as at March 31, 2025 and December 31, 2024.

Determining fair value of financial assets at FVPL

The financial assets at FVPL of the Company are composed of unit investment trust funds and investment in mutual funds, which are carried at fair value. This requires judgment and estimates. The fair value of these financial assets was determined based on net asset value per share as published by various unit investment trust fund and mutual fund companies. The inputs are obtained from observable market data and are based on quotes obtained from counterparties.

The fair value of the financial assets at FVPL amounted to ₱184,270,386 as at March 31, 2025 and December 31, 2024 (see Note 9).

Revenue recognition

The Company's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables.

The Company recognizes revenues based on actual electricity delivered to customers. Estimates are made on cases where there is failure to measure consumption due to unforeseen events. The measurement is based on the average historical load profiles of affected customers. The timing of recognition corresponds to the billing period disclosed in the power bill issued to customers. Management believes that such use of estimates will not result in material adjustments to revenue in future periods.

Revenue amounted to ₱908,886,453 and ₱887,764,976 for the three-month ended March 31, 2025 and 2024, respectively (see Note 17).

Retirement benefits obligation

The determination of the Company's retirement benefits obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 18 and include, among others, discount rates and salary increase rate. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with consideration to maturities corresponding to the expected duration of the defined benefits obligation. The assumptions are sensitive to changes due to complex valuation and its long-term nature. All assumptions are reviewed at each reporting date.

Retirement benefits obligation amounted to ₱86,260,564 as at March 31, 2025 and December 31, 2024, respectively (see Note 18).

4. UTILITY PLANT AND EQUIPMENT

The reconciliation of this account is as follows:

March 31, 2025

	Amount in thousands					
	Distribution	**Tools and equipment**	**Land**	**Buildings and improvements**	**Construction in progress**	**Total**
Cost						
Net carrying amount, January 1, 2025	**₱ 1,648,887**	**₱ 8,281**	**₱82,003**	**₱53,108**	**₱83,368**	**₱ 1,875,647**
Additions	**51,433**	**2,196**	**-**	**472**	**7,542**	**61,643**
Depreciation	**(24,316)**	**(441)**		**(1,053)**		**(25,810)**
Reclassification						
Net carrying amount, March 31, 2025	**1,676,006**	**10,035**	**82,003**	**52,527**	**90,911**	**1,911,480**

	Distribution	Tools and equipment	Land	Buildings and improvements	Construction in progress	Total
Appraisal increase (decrease in value)						
Net carrying amount, January 1, 2025	**1,579,785**	**(5,872)**	**411,893**	**17,240**		**2,003,046**
Depreciation	**(21,814)**			**(146)**		**(21,960)**
Net carrying amount, March 31, 2025	**1,557,971**	**(5,872)**	**411,893**	**17,094**		**1,981,086**
	₱3,233,977	**₱4,163**	**₱493,896**	**₱69,621**	**₱90,911**	**₱3,892,556**

December 31, 2024

	Amount in thousands					
	Distribution	Tools and equipment	Land	Buildings and improvements	Construction in progress	Total
Cost						
Net carrying amount, January 1, 2024	₱1,585,655	₱8,544	₱56,203	₱55,492	₱49,976	₱1,755,870
Additions	156,750	1,433	25,800	849	34,473	219,305
Depreciation	(93,518)	(1,696)	-	(4,314)	-	(99,528)
Reclassification	-	-	-	1,081	(1,081)	-
Net carrying amount, December 31, 2024	1,648,887	8,281	82,003	53,108	83,368	1,875,647
Appraisal increase (decrease in value)						
Net carrying amount, January 1, 2024	1,667,041	(5,872)	411,893	17,822	-	2,090,884
Depreciation	(87,256)	-	-	(582)	-	(87,838)
Net carrying amount, December 31, 2024	1,579,785	(5,872)	411,893	17,240	-	2,003,046
	₱3,228,672	₱2,409	₱493,896	₱70,348	₱83,368	₱3,878,693
Cost	₱2,944,439	₱38,078	₱82,003	₱104,473	₱83,368	₱3,252,361
Accumulated depreciation	(1,295,552)	(29,797)	-	(51,365)	-	(1,376,714)
Net carrying amount, December 31, 2024	1,648,887	8,281	82,003	53,108	83,368	1,875,647
Appraisal increase (decrease in value)	2,523,246	(2,020)	411,893	47,749	-	2,980,868
Accumulated depreciation	(943,461)	(3,852)	-	(30,509)	-	(977,822)
Net carrying amount, December 31, 2024	1,579,785	(5,872)	411,893	17,240	-	2,003,046
	₱3,228,672	₱2,409	₱493,896	₱70,348	₱83,368	₱3,878,693

The carrying amount that would have been recognized had the fixed assets been carried under cost model is as follows:

	Amount in thousands					
	Distribution	Tools and equipment	Land	Buildings and improvements	Construction in progress	Total
March 31, 2025	**₱1,676,006**	**₱10,035**	**₱82,003**	**₱52,527**	**₱90,911**	**₱1,911,480**
December 31, 2024	₱1,648,887	₱8,281	₱82,003	₱53,108	₱83,368	₱1,755,870

Depreciation on utility, plant and equipment for the three-month periods ended March 31, 2025 and 2024 charged to operating expenses amounted to ₱47,769,535 in 2025 and ₱46,434,722 in 2024 (including depreciation on appraisal increase of ₱21,959,565 and ₱21,955,027 for the three months period ended March 31, 2025 and 2024, respectively).

The Company estimates the useful life of its substation equipment based on the period of which the asset is expected to be available for use as determined by the Company's internal technical evaluation based on their experience with similar assets.

Re-appraisal of utility plant and equipment and other property and equipment

On December 31, 2021, the Company had its utility plant and equipment and other property and equipment re-appraised by an independent firm of appraiser accredited by the SEC. The valuation was performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2nd Edition, 2018).

The result of the revaluation of assets was adjusted to accumulated depreciation of appraisal increase except for land in which the resulting increase in value was adjusted to appraisal increase. The net carrying amount of utility plant and equipment and other property and equipment was revalued at ₱3,946,345,600 as of December 31, 2021.

The fair value of the utility plant and equipment and other property and equipment is categorized at Level 2 for which the fair value measurement is observable. The following are methods and approaches used by independent appraisers in measuring the utility plant and equipment and other property and equipment:

a. The value of the land was arrived at using the Market Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

b. The values of the buildings and other land improvements (which includes distribution, tools and equipment, buildings and improvements, transportation equipment and office furniture and equipment) located in the Company's main office in Barangay Oeste, Dagupan City, Pangasinan were arrived at using Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation, plus the value of the land to which an estimate of entrepreneurial incentive or developer's profit/loss is commonly added.

c. The values of the buildings and other land improvements (which includes distribution, tools and equipment, buildings and improvements, transportation equipment and office furniture and equipment) located in the Calasiao Substation, San Jacinto Substation, Sta. Barbara Pole Yard were arrived at using Depreciated Replacement Cost. This is an application of the cost approach used in assessing the value of specialized assets for financial reporting purposes, which direct market evidence is limited or unavailable. It is used when there is insufficient market data to arrive at market value by means of market-based evidence. It is based on the principle of substitution. The method is based on the same theoretical transaction between traditional informed parties as the market value concept.

There are no utility plant and equipment held as collateral for liabilities as at March 31, 2025 and December 31, 2024. These assets are free from any liens and encumbrances.

5. OTHER PROPERTY AND EQUIPMENT

The reconciliation of this account is as follows:

March 31, 2025

	Transportation equipment	Office furniture and equipment	Total
<u>Cost</u>			
Net carrying amount, January 1, 2025	**₱65,349,954**	**₱18,161,173**	**₱83,511,127**
Additions	**900,160**	**491,989**	**1,392,149**
Depreciation	**(2,754,035)**	**(1,390,775)**	**(4,144,810)**
Net carrying amount, March 31, 2025	**63,496,079**	**17,262,387**	**80,758,466**
<u>Appraisal Increase (decrease in value)</u>			
Net carrying amount, January 1, 2025	**7,327,200**	**(5,017,340)**	**2,309,860**
Depreciation	**(1,077,324)**		**(1,077,324)**
Net carrying amount, March 31, 2025	**6,249,876**	**(5,017,340)**	**1,232,536**
	₱69,745,955	**₱12,245,047**	**₱81,991,002**
Cost	**₱230,401,965**	**₱95,144,483**	**₱325,546,448**
Accumulated depreciation	**(166,905,886)**	**(77,882,096)**	**(244,787,982)**
Net carrying amount, March 31, 2025	**63,496,079**	**17,262,387**	**80,758,466**
Appraisal increase	**37,799,778**	**5,488,926**	**43,288,704**
Accumulated depreciation	**(31,549,908)**	**(10,506,266)**	**(42,056,174)**
Net carrying amount, March 31, 2025	**6,249,871**	**(5,017,340)**	**1,232,530**
	₱69,745,955	**₱12,245,047**	**₱81,991,002**

December 31, 2024

	Transportation equipment	Office furniture and equipment	Total
<u>Cost</u>			
Net carrying amount, January 1, 2024	₱59,428,863	₱19,085,252	₱78,514,115
Additions	16,404,421	4,172,281	20,576,702
Depreciation	(10,483,331)	(5,096,360)	(15,579,690)
Net carrying amount, December 31, 2024	65,349,954	18,161,173	83,511,127
<u>Appraisal Increase (decrease in value)</u>			
Net carrying amount, January 1, 2024	11,636,496	(5,017,340)	6,619,156
Depreciation	(4,309,296)	-	(4,309,296)
Net carrying amount, December 31, 2024	7,327,200	(5,017,340)	2,309,860
	₱72,677,154	₱13,143,833	₱85,820,987
Cost	₱228,339,925	₱94,652,490	₱322,992,415
Accumulated depreciation	(162,989,971)	(76,491,317	(239,481,288)
Net carrying amount, December 31, 2024	65,349,954	18,161,173	83,511,127
Appraisal increase	37,799,778	5,488,926	43,288,704
Accumulated depreciation	(30,472,578)	(10,506,266)	(40,978,844)
Net carrying amount, December 31, 2024	7,327,200	(5,017,340)	2,309,860
	₱72,677,154	₱13,143,833	₱85,820,987

The carrying amount that would have been recognized had the fixed assets been carried under cost model is as follows:

	Transportation equipment	Office furniture and equipment	Total
March 31, 2025	**₱63,496,079**	**₱17,262,387**	**₱80,758,466**
December 31, 2024	₱65,349,954	₱18,161,173	₱83,511,127

Depreciation on other property and equipment for the three months period ended March 31, 2025 and March 31, 2024 amounted to ₱5,222,134 and ₱6,128,892, respectively.

There are no other property and equipment held as collateral for liabilities as at March 31, 2024 and December 31, 2023. These assets are free from any liens and encumbrances.

6. FINANCIAL ASSET AT FVOCI

This account consists of an investment in Tarlac Electric Inc., which registered its common shares with the Securities and Exchange Commission in compliance with the EPIRA and whose shares are not traded in any Exchange.

This investment was classified under FVOCI as the Management considers this investment to be strategic in nature and intends to hold this investment for the foreseeable future.

As of March 31, 2025, the Company had no intention to dispose of the financial asset at FVOCI. The Company's investment is measured at a fair value equal to its carrying amount, which is based on the observable data that the investee is generating continuous income and has a stable financial position.

7. CASH AND CASH EQUIVALENTS

This account consists of:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Cash on hand	**₱993,331**	₱994,042
Cash in banks	**1,054,413,882**	975,360,814
Short-term deposits	**1,313,480,353**	1,203,480,353
Total	**₱2,368,887,566**	₱2,179,835,209

Cash in banks earn interest at prevailing bank deposit rates. Total interest earned on cash in banks, net of final tax, amounted to ₱1,069,417 and ₱1,063,803 for the three months ended March 31, 2025 and 2024, respectively, and is included in "Interest income" presented under "Other income (charges)" account in the statements of comprehensive income (see Note 20).

8. TRADE AND OTHER RECEIVABLES (NET)

This account consists of:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Trade receivables	**₱462,566,231**	₱586,356,765
Other receivables	**62,247,790**	62,666,082
	524,814,021	649,022,847
Allowance for ECLs on trade receivables	**14,515,757**	14,515,757
	₱510,298,264	₱634,507,090

Trade receivables

Trade receivables are due ten days after presentation of the bill. The Company's trade receivables are non-interest bearing and are secured by bill deposits amounting to ₱512,438,377 and ₱507,826,592 as at March 31, 2025 and December 31, 2024, respectively.

Trade receivables from sale of electricity consist of:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Residential retail	**₱245,335,000**	₱514,818,990
General retail	**107,689,784**	104,769,342
Bulk power	**24,112,453**	55,082,791
General power	**48,607,883**	53,781,344
Universal charges	**9,347,767**	10,970,591
Street lights	**6,272,143**	7,719,625
FIT-All	**4,060,653**	3,695,903
Others	**17,140,548**	35,528,179
	462,566,231	₱586,356,765

Residential

This is applicable to captive customer retail service for residential purposes of a permanent nature to individual private dwellings and to individually metered apartments.

General retail

General retail consists of customers with contracted capacity of equal to or less than 40kW, served typically at secondary lines (1-phase or 3-phase). This type of service is for non-residential purpose and is mostly composed of small-medium businesses.

General power

This 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 greater than 40kW.

Bulk power

Bulk power refers to a customer connected and drawing power from the primary lines at 13.8 kV. These customers install, operate and maintain their own distribution transformers. 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 super malls, with demands equal to greater than 250 kW.

Street lights

Street lights consist of roadway lighting service where existing facilities have adequate capacity and suitable voltage.

Universal charges

Universal charges are non-bypassable charge mandated under section 34 of R.A. No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) imposed on electricity customers for the following purposes: a) missionary electrification; b) environmental charge for watershed rehabilitation and management; and c) payment for stranded debts and stranded contract costs. Once collected, these charges are remitted to PSALM, which administers the fund from universal charges in accordance with the intended purposes (see Note 12).

FIT-All

Pursuant to the energy development policy mandated by the Renewable Energy Act of 2008, R.A. No. 9513 and outlined in more detail in the FIT Rules, ERC Resolution No. 16, Series of 2010 (As Amended), a qualified renewable energy developer who elects to participate in the FIT System shall be eligible to a FIT, which is a guaranteed payment on a fixed rate per kilowatt-hour for electricity generated from emerging renewable energy technologies such as wind, solar, biomass and run-of-river hydropower actually delivered to the transmission and/or distribution network.

Should the payment of FIT to eligible renewable energy plants require a differential above the prevailing cost recovery rate, a uniform charge called FIT-All will be determined by the TransCo. The FIT-All shall be billed and collected by the transmission and/or distribution utility from the consumers connected to their respective systems. Collections shall be remitted monthly to TransCo, being the fund administrator, governed by ERC Resolution No. 24, Series of 2013, Guidelines on the Collection of FIT-All and the Disbursement of the FIT-All Fund (see Note 12).

Others

Others include charges for VAT on generation, transmission, system loss and distribution and other pass-through charges.

The details and movement in the allowance for ECLs on trade and other receivables follow:

	March 31, 2025 (Unaudited)	**December 31, 2024 (Audited)**
Balance at beginning of year	₱14,515,757	₱114,229,987
Provision for ECLs – note 19		2,631,403
Write-off		(2,345,633)
Balance at end of year	₱ 14,515,757	₱ 14,515,757

The Company applies the simplified approach in measuring ECLs 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 year past due since historical experience has indicated that these receivables are generally not recoverable.

<u>ERC Order on Luzon Wholesale Electricity Spot Market (WESM) prices for November and December 2013 Supply Months</u>

The ERC, in its Order dated March 3, 2014 in ERC Case No. 2014-021MC, voided the WESM prices during the period of October 26, 2013 to December 25, 2013 and ordered the imposition of regulated prices. The market participants (collectively called Movants) filed a Motion for Reconsideration (MR), which was denied by ERC on October 15, 2014. In the said Order, Philippine Electricity Market Corporation (PEMC) was directed to calculate and revise WESM bills for distribution utilities in Luzon for November and December 2013 supply months. Accordingly, the Company received from PEMC billing adjustments for refund to its customers amounting to ₱167,408,890, of which ₱5,810,294 is still outstanding as of March 31, 2025 and December 31, 2024.

The amount still for refund to customers was ₱8,989,934 and ₱8,990,752 as of March 31, 2025 December 31, 2024, respectively.

<u>Other receivables</u>

Other receivables include generation charge refund, accrued interest, accrued rent income from electric property, and receivables from employees.

Receivables are not held as collateral and are free from any liens and encumbrances.

9. FINANCIAL ASSETS AT FVPL

This account consists of unit investment trust funds and mutual funds.

The movements in financial assets at FVPL for the periods ended are as follow:

	March 31, 2025 (Unaudited)	**December 31, 2024 (Audited)**
Cost		
Balance at beginning of year	**₱184,270,387**	**₱181,638,774**
Disposal		**-**
Balance at end of period	**184,270,387**	**181,638,774**
Cumulative net unrealized loss in fair value:		
Balance at beginning of period		**(6,436,360)**
Fair value adjustment		**9,067,973**
Balance at end of period		**2,631,613**
	₱184,270,387	**₱184,270,387**

The inputs on fair value are obtained from observable market data and are based on quotes obtained from counterparties. The fair value was based on net asset value per share as published by various unit investment trust fund and mutual fund companies.

The unit investment trust funds and mutual funds are invested in fixed income, bond and balanced funds as at March 31, 2025 and December 31, 2024.

10. INVENTORIES

This account consists of materials and supplies for power distribution and service segments. As at March 31, 2025 and December 31, 2024, there are no inventories pledged or held as collateral.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Prepaid tax		
VAT	**39,137,595**	₱45,276,929
Real Property Tax	**9,462,768**	12,623,402
Insurance	**4,596,961**	1,563,347
Advances to TransCo	**5,858,942**	5,858,942
Others		687,718
	₱59,818,909	₱66,010,338

Prepaid insurance consists of vehicle insurance, annual health premium and fire/lighting and earthquake insurance.

Others pertain to rental deposits.

Sale of sub-transmission lines/assets of TransCo

On February 10, 2012, the Company and TransCo filed a joint application docketed as ERC Case No. 2012-021 RC for the approval of the sale of various sub-transmission lines/assets of TransCo to the Company. On August 11, 2014, the ERC approved the application with modification, limiting the sale only to those assets located within the franchise area of the Company. On November 6, 2014, the Company paid for the assets amounting to ₱5,858,942 in compliance with the Decision. However, on November 21, 2014, National Grid Corporation of the Philippines (NGCP) filed a MR, holding the transfer of assets until ERC resolve the matter. As such, the payment to TransCo has been treated as advance settlement, and is included under "Prepayment and other current assets" account in the statements of financial position. The application is still pending with the ERC as at March 31, 2025.

12. TRADE AND OTHER PAYABLES

This account consists of:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Trade payables	**287,587,475**	₱249,274,778
Customers' deposits (current portion) – note 13	**247,386,126**	240,763,052

Output VAT	**37,198,483**	42,580,380
Accrued expenses and other current liabilities	**79,341,865**	118,644,342
Universal charges payable	**26,613,586**	25,748,003
Accrued taxes	**(10,150,725)**	1,079,671
WESM regulated prices payable	**8,989,934**	8,990,752
FIT-All payable	**11,246,533**	10,161,233
Others	**6,105,636**	6,230,124
	694,318,913	703,472,335

Trade payables and output VAT

Trade payable represents the Company’s liabilities to GNPower Mariveles Energy Center Ltd. Co., (GMEC), One Manaoagsolar Corporation (OMSC), Energy Development Corporation (EDC), and various power producers that participate in the Wholesale Electricity Market (WESM) operated by the Independent Electricity Market Operator (IEMOP) for purchased power, and NGCP for electric transmission services. The output VAT represents VAT to be collected on generation and transmission in accordance with ERC Resolution No. 20, Series of 2005, which prescribed the Guidelines Implementing the Recovery of VAT and Other Provisions of R.A. No. 9337 affecting the Electric Power Industry.

Customers’ deposits

The customers’ deposits (current portion) consist of bill deposits amounting to ₱246,533,682 and ₱239,779,031 as at March 31, 2025 and December 31, 2024, respectively (see Note 13).

Universal charges payable

Universal charges payable represents passed-on charges that were collected from customers. These are remitted to PSALM, which administers the fund from universal charges in accordance with the intended purposes (see Note 8).

Accrued expenses, other current liabilities and other payables

Accrued expenses and other current liabilities consist of payables to suppliers other than power suppliers and accrual of recurring expenses like electricity and water bill. Accrued taxes consist of energy and franchise taxes payable.

Other payables of ₱6,105,636 and ₱6,230,124 as at March 31, 2025 and December 31, 2024, respectively, consist mainly of expanded withholding tax, withholding tax – compensation, National Home Mortgage Finance Corporation (NHMFC), SSS, Philhealth and Pag-ibig.

Trade and other payables except for customers’ deposits are due within 30 days from the date of billing and do not bear interest.

FIT-All payable

FIT-All payable represents passed-on and billed charges to customers on a monthly basis. Once collected from customers, these charges are remitted to TransCo, which is the designated FIT administrator (see Note 8).

<u>WESM regulated prices payable</u>

WESM regulated prices payable represents the outstanding amount for refund to the Company's customers who were affected by the ERC's regulation of WESM prices for the November and December 2013 supply months (see Note 8).

13. CUSTOMERS' DEPOSITS

This account consists of:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Bill deposits	**₱265,904,696**	₱267,063,540
COLE deposits	**57,451,587**	57,526,252
Pole attachment deposits	**13,668,448**	13,257,006
	₱337,024,731	₱337,846,798

Bill deposits secure payment of the monthly bills for electricity consumption and are equivalent to the estimated bill for one month of service, while meter deposits cover 50% of the cost of the metering equipment. COLE deposit is the cost of additional line to provide electricity in a specific location exceeding the limit of 20 meters from poles, while pole attachment deposits are deposits by third parties using the Company's poles to provide service to their customers.

On June 17, 2004 and October 27, 2004, the ERC issued the Magna Carta for Residential Electricity Consumers and the Guidelines to Implement its Articles 7, 8, 14 and 28 respectively, and on January 18, 2006 issued the Distribution Services and Open Access Rules (DSOAR). The foregoing rules include provisions on handling of customer deposits. It provides that residential and non-residential customers must pay or submit a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills.

A customer, who has paid his electric bills on or before its due date for three consecutive years, may now demand for the full refund of the bill deposit prior to the termination of his service; otherwise, bill deposits shall be refunded within one month from the termination of service, provided all bills have been paid. Further, these regulations exempt payment of meter deposits, but in case of loss and/or damage to the electric meter due to the fault of the customer, the latter shall bear the full replacement cost of the meter. The existing meter deposit of residential customers shall be refunded in accordance with the Guidelines to Implement Articles 7, 8, 14 and 28 of the Magna Carta. While for non-residential customers, DSOAR requires Distribution Utilities to submit a proposal to the ERC on the methodology and timeline for the refund of meter deposits within ninety (90) days following its effectivity.

Magna Carta and DSOAR also provide that distribution utilities shall pay interest on bill and meter deposits. Interest on bill deposits shall be equivalent to the interest incorporated in the calculation of their weighted average cost of capital (WACC); otherwise, it shall earn a rate equivalent to the prevailing interest for savings deposit as approved by the Bangko Sentral ng Pilipinas (BSP). Interest rate used on bill deposit was 0.10% for each year in 2021 and 2020. Interest for meter deposit shall be at 6% for contracts of service entered into prior to the effectivity of ERB Resolution No. 95-21 issued on August 3, 1995, and 10% thereafter.

On June 4, 2008, the ERC issued Resolution No. 8, Series of 2008, "A Resolution Adopting the Rules to Govern the Refund of Meter Deposits to Residential and Non-Residential Customers". These rules provide the parameters for the refund of meter deposits and related interest thereon. Interest on meter deposit paid prior to the effectivity of ERB Resolution No. 95-21 shall earn 6% per annum. While payments made after the effectivity of ERB Resolution No. 95-21 until the day prior to the effectivity of Magna Carta or DSOAR shall earn an interest of 10% per annum.

Meter deposits paid from the effectivity of Magna Carta or DSOAR until the day prior to the start of the refund will be entitled to an interest of six per cent (6%) per annum.

Bill deposits of ₱246,533,682 and ₱239,779,031 as at March 31, 2025 and December 31, 2024, respectively, are included in the current portion of Customers' deposits under the "Trade and other payables" account in the statements of financial position (see Note 12).

Interests on bill deposits amounted to ₱30,764 and nil for the three months ended March 31, 2025 and 2024, respectively.

14. RETAINED EARNINGS

The BOD approved the reversal and appropriation of the following:

2024

a) Reversal of ₱400,000,000 appropriated for capital expenditures from 2024 unrestricted retained earnings.

2023

b) Reversal of ₱400,000,000 appropriated for capital expenditures from 2022 unrestricted retained earnings.

c) Appropriation of ₱400,000,000 for the following capital expenditures: a.) Expansion of distribution lines to accommodate the continuous growth of electrical loads due to additional customers and increasing demand, b.) Rehabilitation of existing lines, which covers replacement and relocation of poles, rerouting of primary and secondary lines, and reconfiguration of pole top assemblies, c.) Improvement of the grounding/earthing and insulation coordination, d.) Construction of 20/25 MVA, 69kV sub-transmission line from Balingueo, Sta. Barbara, Pangasinan to San Miguel, Calasiao, f.) Advanced Distribution Management System Project, g.) Construction of buildings, and g.) Improvement of customer service facilities.

2022

d) Appropriation of ₱400,000,000 for the following capital expenditures: a) expansion of distribution lines to accommodate the continuous growth of electrical loads due to additional customers and increasing demand; b) rehabilitation of existing lines, which covers replacement and relocation of poles, rerouting of primary and secondary lines, and reconfiguration of pole top assemblies; c) improvement of the grounding/earthing and insulation coordination; d) construction of 20/25 MVA, 69kV/13.8kV substation in Santa Barbara, Pangasinan; e) expansion of primary lines from Sta. Barbara Substation to Minien

East, Sta. Barbara; f) construction of a control tower building extension; and g) improvement of customer service facilities.

Cash Dividend

On May 29, 2024, the BOD approved the declaration of cash dividend equivalent to 40% of the previous year's net income, or ₱11.94 per share, to stockholders of record as of December 31, 2023. Cash dividend was paid in September 2024.

On June 16, 2023, the BOD approved the declaration of cash dividend in the amount of ₱1,600,000,000 to stockholders of record as of June 15, 2023 which are payable on various dates up to September 29, 2023.

15. CAPITAL STOCK

The details of capital stock are as follow:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Authorized – ₱100 par value per share, 15,000,000 shares	**₱1,500,000,000**	₱1,500,000,000
Common shares issued, fully paid and outstanding – 14,662,000 shares	**1,246,200,000**	1,246,200,000
Initial public offering shares	**220,000,000**	220,000,000
Outstanding	**₱1,466,200,000**	₱1,466,200,000

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.

16. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company has transactions with a related party.

Lease Agreement

The Company has a lease agreement with Veria Realty Inc., a company owned by the Company's major stockholders. The lease is for a period of one year subject to renewal. The monthly rental is ₱344,784 in 2025 and ₱ 313,440 in 2024 and payable at the end of each month. Total rent expense charged to operations amounted to ₱1,034,352 and ₱940,320 for the three-month ended 31 March 2025 and 2024, respectively, and is included as part of "Rent expense" under "Operations and maintenance" in the statements of comprehensive income (see Note 19).

Compensation of Key Management Personnel

Compensation paid to key management personnel consists of the following:

	March 31, 2025 (Unaudited)	March 31, 2024 (Unaudited)
Salaries	**₱5,339,450**	₱3,871,500
Short-term employee benefits	**58,560**	47,785
	₱5,398,010	₱3,919,285

There are no long-term benefits paid or accrued during the year.

17. REVENUES

This account consists of:

	March 31, 2025 (Unaudited)	March 31, 2024 (Unaudited)
Electric revenues	**₱902,509,651**	₱885,638,620
Other revenues	**6,376,801**	2,126,349
	₱908,886,453	₱887,764,976

In compliance with Section 36 of R.A. No. 9136, the Company is required to unbundle its billing charges to customers. For the three months ended March 31, 2025 and 2024, the details of electric revenues are as follows:

	March 31, 2025 (Unaudited)	March 31, 2024 (Unaudited)
Generation revenue	**₱528,237,320**	₱535,966,111
Distribution revenue	**166,206,172**	161,851,946
Transmission revenue	**105,574,061**	89,748,398
System loss revenue	**49,105,006**	47,197,145
Supply revenue	**26,536,684**	24,723,049
Metering charge	**19,040,475**	17,921,245
Local franchise tax	**5,510,268**	3,595,960
Real property tax recovery	**2,313,228**	2,345,106
Lifeline charge (discount)	**8,390**	2,313,578
Senior citizen charge (discount)	**(3,739)**	(6,843)
Other discount	**(18,212)**	(17,075)
	₱902,509,651	₱885,638,620

<u>Applications for Confirmation of Over/Under-recoveries of Pass-through Charges</u>

On April 20, 2011, the Company filed an application docketed as ERC Case No. 2011-013 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) Interclass Cross Subsidy Rate, Under ERC Resolution No. 16, Series of 2009, As Amended.” On March 10, 2014, the ERC issued its Decision on this application, directing the Company to refund to its customers the over recoveries amounting to ₱203,934,745 and collect from its customers the Lifeline Subsidy under recovery amounting to ₱18,588,112, covering the period from April 2004 to December 2010.

On March 31, 2014, the Company filed a MR on the above Decision for the approval of the amounts originally proposed by the Company or provide computation as to how the supposed over recoveries were arrived at. The amount of over and under recoveries is not yet certain since it is dependent on the resolution of the MR. As at 31 March 2024, the Company is still awaiting the resolution of said MR.

On April 1, 2014, the Company filed an application docketed as ERC Case No. 2014-052 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 Discount, Under ERC Resolution No. 16, Series of 2009, As Amended". The Company filed an application for the confirmation of total under recovery of ₱151,783,598 covering the years 2011 to 2013. As at 31 March 2024, the Company is still awaiting the decision of the ERC.

On March 31, 2017, the Company filed an application docketed as ERC Case No. 2017-052 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, for the Period 2014 to 2016". The Company filed application for the confirmation of total over recovery of ₱30,114,229 covering the years 2014 to 2016. As at 31 March 2024, the Company is still awaiting the decision of the ERC.

On August 28, 2020, the Company filed an application docketed as ERC Case No. 2020-014 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, for the Period 2017 to 2019". The Company filed application for the confirmation of total under recovery of ₱48,360,882. As at 31 March 2024, the Company is still awaiting the decision of the ERC.

On May 17, 2023, the Company filed an application docketed as ERC Case No. 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 g) Local Franchise Tax, Under ERC Resolution No. 2, Series of 2021 for the Period 2020 to 2022." The Company filed the application for the confirmation of an over-all total under recovery of ₱73,564,161.

Performance-Based Rate Making (PBR)

The Company entered the PBR regime in 2007. The PBR is an internationally accepted rate setting methodology adopted by the ERC to replace the Return on Rate Base (RORB) for both transmission and distribution businesses as mandated by the EPIRA. It provides electric utilities with adequate and efficient capital and operating expenditures to meet growing electricity demand through timely rate adjustments.

Maximum Average Price (MAP)

On March 31, 2014, the Company filed an application docketed as ERC Case No. 2014-027 RC for approval of the Translation into Distribution Rates of Different Customer Classes for the Fourth Regulatory Year of the ERC-Approved Annual Revenue Requirement for DECORP (the Company) Under the PBR for the Regulatory Period 2011-2015. On February 9, 2015, the ERC issued its Decision on this case, giving the Company the option to implement a MAP of ₱2.4472/kWh or its proposal of ₱1.7918/kWh for the Regulatory year 2015. The Company implemented the latter rate.

Given the need by the Company to undertake capital projects in order to address the load growth, network non-growth, network control/ safety metering as well as renewal, replacement and refurbishment of existing distribution assets, the Company filed an application on November 20, 2018 docketed as ERC Case No. 2018-110 RC for approval of its capital projects for the regulatory years 2016 to 2019.

Projects	**2016**	**2017**	**2018**	**2019**
Network	₱44,356,785	₱51,065,110	₱32,497,857	₱31,175,406
Other network	59,217,708	66,189,452	83,182,536	82,930,907
Non-network	10,274,675	40,018,541	57,819,750	32,361,518
	₱113,849,168	₱157,273,103	₱173,500,143	₱146,467,831

The proposed capital expenditures will not have a direct impact on the current rates of the Company until approved by the ERC.

On March 28, 2022, the Company filed an application docketed as ERC Case No. 2022-020 RC, “In the Matter of the Application for Approval of the Annual Revenue Requirement and Performance Incentive Scheme in Accordance with the Provisions of the Rules for Setting Distribution Wheeling Rates (RDWR)” covering the Fifth Regulatory Period from July 1, 2022 to June 30, 2026.

On August 25, 2022, the Company filed an application docketed as ERC Case No. 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”. The Company filed the application for the confirmation of an over-all under recovery of ₱22,557,035 for the period July 1, 2015 to June 30, 2022.

On February 10, 2024, the Company filed an Urgent Omnibus Motion to Withdraw its application docketed as ERC Case No. 2022-020RC, “In the Matter of the Application for Approval of the Annual Revenue Requirement and Performance Incentive Scheme in Accordance with the Provisions of the Rules for Setting Distribution Wheeling Rates (RDWR)” covering the Fifth Regulatory Period from July 1, 2022 to June 30, 2026.

Other revenues

Other revenues include rent income from electric property and sale of electric materials and accessories (see Note 20).

18. EMPLOYEE BENEFITS

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. Under the plan, the employees are entitled to retirement benefits ranging from one hundred percent (100%) to one hundred fifty percent (150%) of the Plan Salary for every year of Credited Service on attainment of a retirement age of 60 or 35 years of service, whichever is earlier.

The retirement benefits obligation recognized in the interim condensed statements of financial position is as follows:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Present value of obligation	**₱129,839,462**	₱129,839,462
Fair value of plan assets	**(43,578,898)**	(43,578,898)
	₱86,260,564	₱86,260,564

The retirement benefits expense recognized in the statements of comprehensive income included under “Operations and maintenance” (see Note 19) is as follows:

As at March 31, 2025 and December 31, 2024, the cumulative remeasurement loss on retirement benefits presented in the statements of financial position amounted to ₱2,962,764.

The movements in the retirement benefits obligation recognized in the statements of financial position are as follow:

	March 31, 2025 (Unaudited	December 31, 2024 (Audited)
Balance at beginning of period	**₱86,260,564**	₱72,982,180
Retirement benefits expense	**-**	15,918,363
Contributions paid	**-**	(2,639,979)
Remeasurement gain	**-**	-
Balance at end of period	**₱86,260,564**	₱86,260,564

The movements in the present value of the retirement benefits obligation are as follow:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Present value of obligation, January 1	**₱129,839,462**	₱113,921,099
Current service cost	**-**	8,855,255
Interest cost	**-**	7,063,108
Benefits paid	**-**	
Actuarial gain	**-**	
Present value of obligation, December 31	**₱129,839,462**	₱129,839,462

The movement in the fair value of plan assets is presented below:

	March 31, 2025	December 31, 2024

	(Unaudited)	(Audited)
Fair value of plan assets, January 1	**₱43,578,898**	₱40,938,912
Interest income included in net interest cost	**-**	
Benefits paid	**-**	
Contributions	**-**	2,639,979
Actuarial gain	**-**	
Fair value of plan assets, December 31	**₱43,578,898**	₱43,578,898

The fair value of plan assets consists of:

- Investment in government securities which consists of fixed rate treasury notes and retail treasury bonds;
- Corporate stocks which consist primarily of stocks listed in Philippine Stock Exchange (PSE);
- Deposit in banks which consists of savings deposit and certificate of time deposits; and
- Other securities and debt instruments which consist primarily of investment in corporate bonds.

The Company's plan assets are administered by a trustee bank, which is responsible for the general administration of retirement plan including the management of the fund. The trustee bank does not currently employ any asset-liability matching.

Risk Arising from the Retirement Plan

The defined benefit plan is underfunded by ₱86,260,564 as at March 31, 2025 and December 31, 2024, respectively. While there is no minimum required funding, the amount without fund may expose the Company to cash flow risk for ten years when a significant number of employees are expected to retire.

Credit Risk

The plan assets exposure to credit risk arises from its investments in financial assets which comprise of investment in government securities, corporate stocks, deposit in banks and other securities and debt instruments. The maximum credit risk exposure is equivalent to the carrying amount of financial instruments. The credit risk arises from possible default of the issuer of the financial assets.

The credit risk is minimized by ensuring that the exposure to the various financial assets as recommended by the trustee bank.

Share Price Risk

The plan assets exposure to share price risk arises from corporate stocks which are traded at PSE. The share price risk results from the volatility of the share prices in the PSE.

The share price risk is minimized by ensuring that investments in shares of stock are limited only to blue chip companies or companies with good fair values. The trustee bank ensures that the equity investments are invested in mix of various equity to reduce exposure to industry or sector-related risk.

19. OPERATIONS AND MAINTENANCE

This account consists of:

	March 31, 2025 (Unaudited)	March 31, 2024 (Unaudited)
Salaries and wages	**₱42,314,743**	₱39,211,733
Outside services	**7,425,358**	7,630,490
Professional fees	**564,000**	34,358,258
Repairs and maintenance	**3,714,823**	4,243,696
Retirement benefits expense – note 18	**-**	-
Telephone and water	**1,707,684**	1,243,386
Transportation	**1,251,122**	1,284,497
Office supplies	**1,337,652**	868,799
Rent	**1,162,071**	1,061,700
Representation expense		
Insurance	**526,872**	575,276
Electric materials	**1,768,755**	669,706
Training and seminars	**121,060**	125,488
Donations	**207,718**	65,000
Association and membership fees	**-**	69,630
Advertising and promotion	**-**	-
Provision for ECLs – note 8	**-**	-
Others	**5,015,868**	3,676,768
	₱67,117,726	₱95,084,427

Others pertain mainly to expenses related to uniform, subscriptions, injuries and damages.

20. OTHER INCOME (CHARGES)

This account consists of:

	March 31, 2025 (Unaudited)	March 31, 2024 (Unaudited)
Interest income – note 7	**₱1,069,417**	**₱1,063,802**
Fair value loss on financial assets at FVPL – note 9		**-**
Interest expense – note 13-	**(30,764)**	**-**
Others:		
Bank charges		**975**
Gain on sale of equipment – note 5		
Gain on foreign exchange	**(1,351)**	**2,000**
Miscellaneous income	**1,986,177**	**552,463**
	₱3,001,414	**₱1,619,240**

Miscellaneous income consists of deductions on other payables upon settlement, equipment rental and other fees.

21. AGREEMENTS

The details of purchased power are as follow:

	March 31, 2025 (Unaudited)	March 31, 2024 (Unaudited)
Generation cost		
GMCP	**₱269,019,453**	₱260,349,213
WESM	**166,726,802**	146,154,984
EDC	**111,586,155**	136,415,018
OMSC	**44,855,143**	48,354,209
Transmission cost:		
NGCP	**120,203,405**	93,263,372
	₱712,390,958	₱684,536,796

Electricity Supply Agreement between the Company and Sun Asia Energy, Inc. (SEI), with the latter assigning their rights to the ESA to Onemanaoag Solar Corporation (OMS)

On January 14, 2016, the Company entered into a contract with SEI, wherein the Company committed to purchase clean power generated by SEI's solar power plant project that would be embedded into Company's franchise area.

On July 14, 2016, the Company and SEI filed a Joint Application to the ERC for the approval of their Electricity Supply Agreement (ESA). The application was docketed as ERC Case No. 2016-154 RC and was approved with modification by the Commission in its Decision dated December 19, 2017.

Through an Assignment Agreement dated July 13, 2018, SEI assigned all of its rights, titles, and interest in and to the ESA, among others, in favor of Onemanaoagsolar Corporation. A manifestation was filed by the SEI informing ERC of the said assignment.

On November 29, 2022 and March 10, 2023, ERC granted OMS Provisional Authority to Operate (PAO) for Phases 1 and 2 of their embedded solar power plant projects, respectively. Thereafter, the supply commencement date became effective in accordance with the ESA.

Power Supply Agreement with Energy Development Corporation (EDC)

On February 21, 2022, the Company entered into a 10-year contract with EDC, wherein the Company agreed to purchase 20 MW (10 MW base load and 10 MW load following) of its power requirement from EDC.

On November 7, 2022, the Company and EDC filed a Joint Application to the ERC for the approval of their Power Supply Agreement. The application was docketed as ERC Case No. 2022-082 RC and was provisionally approved by the ERC through the issuance of a Resolution dated December 20, 2022. EDC commenced the supply of electricity to the Company on December 26, 2022.

Renewable Power Supply Agreement with SNAP

On December 20, 2011, the Company entered into a contract with SNAP wherein the Company agreed to purchase electric power from the latter, which became effective from October 26, 2012 until October 25, 2022.

Purchased Power Supply Agreement (PPSA) for Distribution Utility Buyers (the "Original PPSA")

The Company and GNPower Ltd. Co. (GNPC) entered into:

(a) the "Original PPSA" in July 2006 wherein GNPC agreed to build, own and operate an electric power generation facility for the purpose of supplying its customers with environmentally clean electric power which commenced in 2010. Further, GNPC agreed to supply and sell, while the Company agreed to receive and purchase the product;

(b) a Memorandum of Agreement (the "MOA") in July 2006, setting out the conditions for the effectiveness of the PPSA; and

(c) a Commercial Protocol Agreement No. 1 (the "Commercial Protocol Agreement") in 2007 (the Original PPSA, as amended, modified and supplemented by the MOA and Commercial Protocol Agreement, the "PPSA") for the purchase and sale of the product that commenced in 2010/2011.

Amendment to Original PPSA

Pursuant to Project Assignment Agreement dated June 11, 2008, GNPC transferred the rights, obligations, benefits, assets, liabilities and interest in the Original PPSA to GMCP.

On February 9, 2009, the Company and GMCP amended the Original PPSA termination date to be 180 months, unless extended pursuant to Section 2.4 or 2.5, from the date specified in the Commencement Date Notice as set forth in Schedule 1 or December 31, 2012, if the GMCP had not provided the Company with the Commencement Date Notice by December 31, 2012, or such later date as the parties agreed in writing.

WESM Direct Membership

The Company became a direct member of the WESM effective November 26, 2009 upon completion of the requirements of PEMC, the autonomous group market operator of WESM. This membership gives the Company the privilege to purchase directly from the market.

Transmission Service Agreement with NGCP

The Company entered the Contract with NGCP wherein the latter would provide the necessary transmission services to the Company, provided that the Company shall pay the applicable charges for such services and remain liable for any unpaid amounts despite the termination of the agreement.

Service Agreement with TransCo

The Company entered into service agreement with the TransCo. Under the agreement, TransCo shall provide transmission services to the Company effective June 26, 2006, and shall continue to be in full force and effect until terminated in accordance with the Provision of Open Access Transmission Service which governs the TransCo's provision of transmission services to qualified grid users.

On December 1, 2008, the franchise to operate and maintain the physical assets of TransCo for

50 years was granted to NGCP by virtue of R.A. No. 9511, An Act Granting NGCP a Franchise to Engage in the Business of Conveying or Transmitting Electricity through High Voltage Back-bone System of Interconnected Transmission Lines, Substations and Related Facilities and for other purposes. With the affectivity of R.A. No. 9511, transmission services to the Company have been are provided by NGCP since December 2008.

Company as lessor

The Company entered into various lease agreements to lease out its electric poles in various towns of Pangasinan. The lease agreements are for a period of one year subject to renewal and rental rate of ₱270 to ₱340 per pole.

Total rental income for the three-month ended March 31, 2025 and 2024 amounted to ₱4,607,678 and ₱1,456,643, respectively, and is included in the “Other revenues” account under the “Revenues” section in the statements of comprehensive income (see note 17).

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company’s financial instruments include cash and cash equivalents, trade and other receivables, rental deposit, trade and other payables, customers’ deposits and dividend payable which are used for working capital management purposes and operations. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The Company is exposed to a variety of financial risk which results from both its operating and investing activities. The Company’s risk management is in close cooperation with the BOD, and focuses on actively securing the Company’s short-to medium-term cash flows by minimizing the exposure to financial markets.

Credit risk

Credit risk is the risk that the Company will incur a loss from customers or counterparties that fail to discharge their contractual obligations. The Company manages credit risk by setting limits on the amount of risk the Company is willing to accept from counterparties and by monitoring exposures in relation to such limits.

Credit risk exposure

The table below shows the maximum exposure to credit risk of the Company as at:

		March 31, 2025			
		Basis of recognizing ECL	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Cash in banks and cash equivalents	(a)		**₱2,368,887,566**	**₱-**	**₱2,368,887,566**
Trade receivables	(b)	Lifetime ECL	**462,566,231**	**14,515,757**	**448,050,474**
Other receivables	(b)		**62,247,790**		**62,247,790**
Rental deposits	(c)		**679,643**		**679,643**
			₱2,894,381,230	**₱14,515,757**	**₱2,879,865,473**

		December 31, 2024			
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks and cash equivalents	(a)		₱2,178,998,214	₱-	₱2,178,998,214
Trade receivables	(b)	Lifetime ECL	586,356,765	14,515,757	571,841,008
Other receivables	(b)		62,666,082	-	62,666,082
Rental deposits	(c)		687,718	-	687,718
			₱1,426,170,756	₱21,220,837	₱2,817,193,022

(a) Cash in banks and cash equivalents are assessed to have low credit risk at each reporting period. Cash in banks and cash equivalents are held by reputable banking institutions.

(b) For trade and other receivables, the Company has applied the simplified approach to measure the loss allowance at lifetime ECLs. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

(c) Rental deposits are assessed to have low credit risk at each reporting period since these are held by related parties.

The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade and other receivables

The Company applies the simplified approach to measuring ECL which uses a lifetime ECLs for all trade receivables. The loss allowance for trade receivables as at December 31 is determined as follows:

Liquidity risk

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 at March 31, 2025 and December 31, 2024 and 2022, the financial liabilities have contractual maturities as follow:

	March 31, 2025		December 31, 2024	
	Due within one year	**Due beyond one year**	Due within one year	Due beyond one year
Trade payables	**₱290,550,239**	**₱-**	₱249,274,778	₱-
Other payables*	**130,097,124**	**-**	163,790,780	-
Dividend payable	**-**	**-**	-	-
Customers’ deposits	**240,763,052**	**337,024,731**	240,763,052	337,846,798
E	**₱661,410,415**	**₱334,722,270**	₱653,828,610	₱337,846,798

x

**Excluding statutory payables and other liabilities to government agencies amounting to ₱32,908,499 as at March*

31, 2025 and ₱42,580,380 as at December 31,2024.

23. OTHER MATTERS

EPIRA of 2001

R.A. No. 9136, otherwise known as the EPIRA Act (Act) of 2001 was signed into law on June 8, 2001. The covering Implementing Rules and Regulations (IRR) have already been deliberated upon and approved by the Joint Congressional Power Commission. The Act provides for, among others, the significant changes in the power sector, such as the (a) unbundling of the generation, transmission and distribution sectors; (b) privatization of National Power Corporation (NPC)'s generation, transmission, and other disposable assets, including independent power producers or IPP contracts, (c) creation of ERC to regulate the electric power industry; (d) creation of a wholesale electricity spot market within one year; (e) open and nondiscriminatory access to transmission and distribution systems; and, (f) mandated rate reduction and lifeline rate for marginalized end-users. The price will have regulated elements for transmission and distribution, and competitive components for the electrical energy itself and for ancillary or support services.

The law requires public listing of not less than 15% of common shares of generation and distribution companies within five (5) years from the effectivity of the Act. It provides cross ownership restrictions between transmission and generation companies and between transmission and distribution companies, and a cap that no distribution utility is allowed to source bilateral power supply contracts more than fifty percent of its total demand from an associated firm engaged in generation except for contracts entered into prior to the effectivity of the Act. Specifically relating to distribution utilities, the Act provides for the unbundling of electricity tariff rates and the determination of stranded costs and its recovery through universal charge.

On June 27, 2017, the ERC issued Resolution No. 10, Series of 2017, "A Resolution Extending the Compliance Period Under Resolution No. 9, Series of 2011, for Generation Companies and DU, which are not Publicly Listed to Offer and Sell to the Public a Portion of Not Less Than Fifteen Percent (15%) of their Common Shares of Stocks, Pursuant to Section 43(t) of R.A. No. 9136 and Rule 3, Section 4(m) of its IRR". In this resolution, ERC allowed an extension of one (1) year or until the resolution of the petition, whichever is earlier, for generation companies and distribution utilities to offer and sell to the public a portion of not less than fifteen percent (15%) of their common shares of stocks.

On December 7, 2018, the ERC per ERC Case No. 2015-006 RM had set the continuation of the public consultation on the "Petition to Amend ERC Resolution No.9, Series of 2011, Allowing Registration of Shares at the SEC as a Mode of Public Offering". The ERC invited the SEC to discuss securities rules and regulations on public offering and public listings of generation companies and distribution utilities.

On June 4, 2019, the ERC issued Resolution No. 4, Series of 2019, "A Resolution Amending Resolution No. 9, Series of 2011 Requiring Generation Companies and Distribution Utilities Which are not Publicly Listed to Offer and Sell to the Public a Portion of Not Less than Fifteen Percent (15%) of Their Common Shares of Stock Pursuant to Section 43 (t) of R.A. No. 9136 and Rule 3, Section 4 (m) of its IRR." The resolution amended Section 2.3 of Article II to include offering of common shares of stocks for sale to the public in accordance with the 2016 IRR of Securities Regulation Code as a mode of public offering: (i) publication in any newspaper, magazine or printed reading material which is distribute within the Philippines; (ii) presentation in any public or commercial place; (iii) advertisement or announcement on radio, television, telephone, electric communications, information communication technology or any other forms of communications; or (iv) distribution and/or making available flyers, brochures or any offering material in a public or commercial place or to prospective purchasers through the portal system, information communication technology and other means of information distribution.

In compliance with the above resolution, the Company applied for registration of its public offering of 15% or 2,200,000 of its common shares with the Securities and Exchange Commission (SEC). The registration of DECORP's shares was rendered effective by the SEC on December 27, 2023 under SEC MSRD Order No. 72, Series of 2023, in which the public offering was scheduled from January 8, 2024 to January 12, 2024.

* * *

ANNEX B

PART II: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussions and analysis of financial position and results of operation of Dagupan Electric Corporation ("DECORP" or the "Company") should be read in conjunction with the unaudited interim condensed financial statements as of and for the period ended March 31, 2025 with comparative figures as of December 31, 2024 and for the three months ended March 31, 2024.

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) Accounting Standards. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations which have been approved by the Financial and Sustainability reporting Standards Council (FSRSC).

The financial information appearing in this report and in the accompanying interim condensed financial statements is presented in Philippine Peso. All values are rounded to the nearest million pesos except earnings per share.

Financial Highlights and Key Performance Indicator
(Amounts in million, except earnings per share and operational data)

Condensed Statements of Financial Position

			Increase (Decrease)	
	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)	Amount	%
Total assets	₱7,352	₱7,326	₱27	.36
Current assets	3,198	3,180	17	0.52
Cash and cash equivalents	2,369	2,180	189	9
Non-current liabilities	936	943	-7	-0.70
Current liabilities	746	740	5	0.72
Total liabilities	1,682	1,683	1	-0.08

Condensed Statements of Income

	Unaudited			
	Three Months Ended March 31		Increase (Decrease)	
	2025	2024	Amount	%
Revenues	₱909	₱888	₱21	2
Costs and expenses	869	844	25	3
Other income, net of expenses	3	2	1	85
Income before income tax	43	45	-2	-5
Net income	22	28	6	-21
Earnings per share (EPS)	1.51	1.91	-.41	-21

Condensed Statements of Cash Flows

	Unaudited			
	Three Months Ended March 31		Increase (Decrease)	
	2025	2024	Amount	%
Net cash provided by (used in) operating activities	₱252	₱115	₱137	119
Net cash provided by (used in) investing activities	63	36	27	77
Net cash provided by (used in) financing activities	0	1,173	-1,173	-100

Operational Data

	Unaudited			
	Three Months Ended March 31		Increase (Decrease)	
	2025	2024	Amount	%
Number of Customers				
Residential	129,746	126,890	2,853	2
Commercial	13,603	13,200	403	3
Industrial	35	34	1	3
Streetlight	48	54	-6	-11
Electricity sales (MWh)	115,106	109,076	3,251	2
System loss (%)	7.10	6.85	-0.25	-4

Key Performance Indicators ("KPI")

Financial KPI	Definition	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Debt to equity	Total liabilities / Total equity	.30	.30
Current ratio	Current assets/Current Liabilities	4.29	4.30

		Unaudited	
		March 31, 2025	December 31, 2024
Net profit margin	(Net income / Revenues) x 100	2%	3%
Return on equity	(Net income / Average shareholders' equity) x 100	0.4%	1%
Return on assets	(Net income / Average total assets) x 100	0.08%	0.4%

2025 compared with 2024

Results of Operations

The results of operations for the three months ended March 31, 2025 and 2024 are discussed below:

Condensed Statements of Income

	Unaudited			
	Three Months Ended March 31		Increase (Decrease)	
	2025	2024	Amount	%
Revenues	₱909	₱888	₱21	2
Costs and expenses	869	844	25	3
Other income, net of expenses	3	2	1	85
Income before income tax	43	45	-2	-5
Net income	22	28	6	-21
Earnings per share (EPS)	1.51	1.91	-.41	-21

Revenues

Revenues of DECORP consist of: 1. pass-through charges or generation, transmission, system loss, and other related revenues; 2. distribution wheeling charges, which include distribution, supply, and metering; and 3. other charges such as service reconnection and pole attachment rental.

Revenues of DECORP for the first quarter of 2025 were ₱909 million, which was ₱21 million or 2% higher in the same period in 2024 due to a higher volume of electricity distributed and a higher pass-through transmission charge.

	2025		2024		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Generation	₱528	58	₱536	60	8	-1
Transmission	106	12	90	10	16	18
System Loss	49	5	47	5	2	4
Distribution	212	23	204	23	7	4
Other pass-through charges	7.8	0.8	8.2	0.9	-0.42	-5
Other revenues	6	0.7	2	0.2	4	200
Total	₱909	100	₱888	100	₱21	2

The generation charge, accounting for 58% of the total revenues, for the first quarter of 2025 dropped by 1% compared to the same period of the previous year. The decrease in the cost of producing electricity was driven by a sharp decline in Wholesale Electricity Spot Market (WESM) prices, which effectively balanced out the impact of increased fuel prices and the weaker peso.

The transmission charge, which was 10% of the total revenues, went up by 16% due to higher ancillary service charges from additional capacity sourced by the National Grid Corporation (NGCP) from new Ancillary Service Procurement Agreements ("ASPAs") and the reserve market.

DECORP's average retail rate was ₱8.89 per kWh and ₱9.15 per kWh in the first quarter of 2025 and 2024, respectively. The decline in the retail rate was due to lower generation charges and compliance with ERC Resolution No. 18, Series of 2024, "A Resolution Directing Distribution Utilities to Refund All Collected and Unutilized Regulatory Reset Experts Cost and Cease Any Future Collection Thereof,"

The following summarizes the customer volume and the corresponding electricity consumption per customer type for the three months ended March 31, 2025 and 2024:

	No. of Customers		**Electricity Sales (in MWh)**		**% Change**	
Customer Type	**2025**	**2024**	**2025**	**2024**	**No. of Customers**	**Electricity Sales**
Residential	129,743	126,890	59,905	55,605	2.25	8
Commercial	13,603	13,200	36,704	34,301	3.05	7
Industrial	35	34	17,413	18,070	2.94	-4
Streetlights	48	54	1,084	1,100	-11	-1
Total	143,429	140,178	115,106	109,075	2.32	6

The energy sales of DECORP totaled 115,106 MWh for the quarter ending March 31, 2025, reflecting a 6% increase from 109,075 MWh for the quarter ending March 31, 2024.

The energy sales in the residential segment, which accounted for 52% of DECORP's energy sales mix, increased by 8%, or from 55,605 MWh in 2024 to 59,905 MWh in 2025. The increase in energy consumption during the first quarter of 2025 was attributed to the growth in the customer base.

The commercial segment's sales went up to 36,704 MWh in 2025, or a 7% increase from the 34,301 MWh in 2024. The increase in energy consumption reflected both the expanding customer base and the surge of investment in the Ilocos Region, of which Pangasinan accounted for the majority of these investments, particularly within the micro, small, and medium-sized industries.

Electricity sales in the industrial segment closed the period with 17,413 MWh, or a 4% decrease from the 18,070 MWh in the first quarter of 2024.

Costs and Expenses

The costs and expenses of DEORP for the three months ended March 31, 2025 amounted to ₱869 million, an increase of 3% or ₱25 million from the ₱844 million in the same period in 2024. The following are the details of the costs and expenses:

	Unaudited					
	For the Three Months Ended March 31					
	2025		**2024**		**Increase (Decrease)**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Purchased power	₱712	82	₱684	81	28	4

Depreciation	53	6	53	6	0.43	1
Salaries, wages, and employee benefits	42	5	39	5	3	8
Taxes other than income tax	37	4	12	1	24	203
Outside services	7	1	8	1	-0.21	-3
Repairs and maintenance	4	0	4	1	-0.53	-12
Others	14	2	44	5	-30	-69
Total	**₱869**	**100**	**₱844**	**100**	**25**	**3**

The cost of purchased power went up by 3% or ₱28 million from ₱684 million in the first quarter of 2024 to ₱712 million in the same period in 2025, in line with the fluctuations in the pass-through revenues. The increase was due to higher volume purchased and transmission charges partially mitigated by the decline in the average generation cost.

Salaries, wages, and employee benefits reached ₱42 million in 2025, higher by ₱3 million or 8% than the previous year. The increase was due to the additional manpower and the annual employee merit adjustments.

The increased taxes other than income tax were due to the payment of deficiency taxes resulting from the Bureau of Internal Revenue's (BIR) review of the Company's tax obligations for the taxable year 2021.

The costs related to the initial public offering of the Company were included in other costs and expenses of the previous year, resulting in lower other costs and expenses for the quarter ending March 31, 2025.

Interim Statements of Financial Position

	March 31	**December 31**	**Increase (Decrease)**	
	2025 (Unaudited)	**2024 (Audited)**	**Amount**	**%**
ASSETS				
Noncurrent Assets				
Utility plant and equipment	₱3,892	₱3,878	₱14	0.36
Other property and equipment	82	86	-4	-4
FVOCI	152	152	0	0
Deferred tax assets	28	28	0	0
Current Assets				
Cash and cash equivalents	2,369	2,180	189	9%
Trade and other receivables	510	635	-124	-20
Financial assets at FVPL	184	184	0	0
Inventories	74	116	-42	-36
Prepayments and other current assets	60	66	-6	-9

TOTAL ASSETS	**₱7,352**	**₱7,326**	**₱27**	**0.36**
EQUITY AND LIABILITIES				
EQUITY				
Capital stock	₱1,466	₱1,466	₱0	0
Additional paid-in capital	1,142	1,142	0	0
Revaluation reserve	1,463	1,480	-17	-1
Remeasurement gain (loss) on retirement benefits	3	3	0	0
Retained earnings				
Appropriated				
Unappropriated	1,596	1,551	45	3
	5,670	**5,642**	**1,422**	**34**
LIABILITIES				
Current liabilities				
Trade and other payables	694	703	-9	-1
Dividends payable	0	0	0	0
Income tax payable	51	37	14	39
	746	**741**	**5**	**0.72**
Noncurrent liabilities				
Customers' deposit	337	338	-0.82	-0.24
Deferred tax liabilities	513	519	-6	-1
Retirement benefits obligation	86	86	0	0
	936	**943**	**-7**	**-.70**
TOTAL EQUITY AND LIABILITIES	**₱7,352**	**₱7,326**	**₱27**	**0.36**

Changes in Financial Position

Utility plant and equipment and others closed at ₱3,892 million as at March 31, 2025, a net increase of 0.36% or ₱14 million from ₱3,878 million as at December 31, 2024. The capital expenditures amounted to ₱63 million for the expansion of distribution assets and the upgrade and rehabilitation of the existing electrical facilities. The additional expenditures were offset by the depreciation of ₱53 million.

Cash and cash equivalents grew to ₱2,369 million as at March 31, 2025 from ₱2,180 million as at December 31, 2024. The growth of ₱189 million attributed to the ₱252 million generated from DECORP's operational activities, partially offset by the ₱63 million utilized for financing activities during the period.

The trade and other receivables primarily reflect the March 2025 billing cycle. The reduction in receivables reflect the lower retail in March 2025 compared to December 2024.

2024 compared with 2023

	Unaudited	

	Three Months Ended March 31		Increase (Decrease)	
	2024	**2023**	**Amount**	**%**
Revenues	₱888	₱1,034	-₱146	-14
Costs and expenses	844	892	-48	-5
Other income, net of expenses	2	4	2	50
Income before income tax	45	146	-101	-58
Net income	17	41	-24	-58
Earnings per share (EPS)	1.16	3.29	-2.13	-65

Revenues

The sale of electricity and other revenues amounted to ₱888 million for the three-month period ended March 31, 2024, which was ₱146 million or 14% lower than the ₱1,034 million sales for the three-month period ended March 31, 2023. The details of the revenues are as follows:

	For the Three Months Ended March 31					
	2024		**2023**		**Increase (Decrease)**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Generation	₱536	60	₱704	68	-168	-24
Transmission	90	10	88	9	2	2
System Loss	47	5	56	5	-9	-16
Distribution	204	23	178	17	26	15
Other pass-through charges	8.2	0.9	6	0.6	2.2	36
Other revenues	2	0.2	2	0.2	0	0
Total	₱888	100	₱1,034	100	-146	-14

The generation revenues for the period ended March 31, 2024, accounting for 60% of the total revenues, went down by 24% from the same period of the previous year. The decrease was attributed to the significant decline in fuel costs.

DECORP's average retail rate was ₱9.15 per kWh and ₱12.28 in the first quarter of 2024 and 2023, respectively. The reduction in the average retail rate was due to the lower generation charges during this period.

The following summarizes the customer volume and the corresponding electricity consumption per customer type for the three months ended March 31, 2024 and 2023:

	No. of Customers		**Electricity Sales (in MWh)**		**% Change**	
Customer Type	**2024**	**2023**	**2024**	**2023**	**No. of Customers**	**Electricity Sales**
Residential	126,890	123,942	55,605	46,575	2.4	19
Commercial	13,200	13,182	34,301	30,325	0.1	13
Industrial	34	30	18,070	15,671	13	15
Streetlights	54	57	1,100	1,100	-5	0

Total	140,178	136,797	109,075	93,671	2.32	16

Costs and Expenses

The costs and expenses of DECORP for the three months ended March 31, 2024 amounted to ₱844 million, a decrease of 5% or ₱48 million from the ₱892 million in the same period in 2024. The following are the details of the costs and expenses:

	Unaudited					
	For the Three Months Ended March 31					
	2024		**2023**		**Increase (Decrease)**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Purchased power	₱684	81	₱779	87	-95	-12
Depreciation	53	6	50	6	3	6
Salaries, wages, and employee benefits	39	5	39	4	1	25
Taxes other than income tax	12	1	4	0.4	8	200
Outside services	8	1	6	0.7	2	33
Repairs and maintenance	4	1	3	0.3	1	33
Others	44	5	11	1	33	300
Total	**₱844**	**100**	**892**	**100**	**25**	**3**

Purchased power

The Company has three (3) bilateral contracts with the following generators to supply its electricity requirements: 1.) GNPower Mariveles Energy Center, Ltd. Co. (GMEC), a coal-fired power plant; 2) One Manaoag Solar Corporation (OMSC), a solar power plant; and 3.) Energy Development Corporation (EDC), a geothermal power plant. The Company also purchased electricity from the Wholesale Electricity Spot Market (WESM) for its requirements that could not be supplied by their generators. Payments made to the National Grid Corporation of the Philippines (NGCP) for transmission services are also included in this account.

The significant reduction in the costs of electricity supplied by GMCP, due to the decline in fuel costs, resulted in a 12% or ₱94 million reduction in this account.

Salaries and wages

This account consists of salaries and benefits provided to the employees of the Company. For the three-month period ended 31 March 2024 and 2023, the salaries and wages amounted to ₱39.2 million and ₱38.8 million, respectively.

Outside services

This account consists of payments to service providers for distribution of statement of accounts and disconnection notices, withdrawal of meters of delinquent customers, distribution line expansions and revamps, security services, and janitorial services. For the three-month period ended 31 March 2024 and 2023, outside service amounted to ₱7.6 million and ₱6.1 million, respectively.

Professional fees

This account consists of payments for legal services, financial advisory services, actuarial valuation of retirement fund, and audit of financial statements. The payment for legal and financial advisory services for the registration of the Company's common shares with the SEC leading to the initial public offering of its common shares significantly increased the professional fees.

Taxes other than income tax

This account consists of payments of national and local government taxes. The increase was due to the payment of documentary stamp tax for the issuance of common shares related to the shares sold by way of initial public offering. It also includes the monthly amortization of payment of local franchise and real property taxes for the year 2024.

Interim Statements of Financial Position

	March 31	**December 31**	**Increase (Decrease)**	
	2024 (Unaudited)	**2023 (Audited)**	**Amount**	**%**
ASSETS				
Noncurrent Assets				
Utility plant and equipment	₱3,835	₱3,846	-₱11	0.3
Other property and equipment	79	85	-6	-7
FVOCI	152	152	0	0
Deferred tax assets	26	26	0	0
	4,093	**4,110**	**-17**	**-0.4**
Current Assets				
Cash and cash equivalents	2,139	887	1,252	141
Trade and other receivables	511	518	-7	-1
Financial assets at FVPL	175	175	0	0
Inventories	77	83	-6	7
Prepayments and other current assets	95	77	18	23
	2,997	**1,740**	**1,257**	**72**
TOTAL ASSETS	**₱7,089**	**₱5,849**	**₱1,240**	**21**
EQUITY AND LIABILITIES				
EQUITY				
Capital stock	₱1,466	₱1,246	₱220	18
Additional paid-in capital	1,142	189	953	504
Revaluation reserve	1,532	1,550	-18	-1
Remeasurement gain (loss) on retirement benefits	3	3	0	0
Retained earnings				
Appropriated	400	400	0	0

Unappropriated	884	832	52	6
	5,427	**4,220**	**1,207**	**28**
LIABILITIES				
Current liabilities				
Trade and other payables	660	636	24	4
Dividends payable	0	0	0	0
Income tax payable	63	46	17	37
	723	**682**	**41**	**6**
Noncurrent liabilities				
Customers' deposit	335	335	0	0
Deferred tax liabilities	533	539	-6	-1
Retirement benefits obligation	73	73	0	0
	941	**947**	**-6**	**0.6**
TOTAL EQUITY AND LIABILITIES	**7,091**	**5,850**	**1,241**	**21**

Changes in Financial Position

Utility Plant and Equipment

The Company invested ₱35 million on capital expenditures for the three-month period ending 31 March 2024 for the continuous extension of the distribution assets to accommodate the growth of customers and their electricity consumption. The total Utility Plant and Equipment, despite the investment, decreased by ₱ 11 million or 30%, due to the higher cost of depreciation than capital expenditures.

Other Property and Equipment

This Other Property and Equipment as of March 31, 2024, likewise decreased by ₱5.6 million or 7% due to depreciation.

Cash and Cash Equivalents

The Company's Cash and Cash Equivalent account increased by ₱1.3 billion or 141%. The increase was primarily due to the receipt of the proceeds from the initial public offering of the Company that was held from January 8 to 12, 2024 following the SEC's approval of the Company's registration of its shares on December 27, 2023. The proceeds shall be used solely in accordance with the purpose stated in the use of the proceeds of the public offering.

Prepayments and Other Current Assets

The Prepayments and Other Current Assets increased by ₱18 million or 24% due to the annual payments of property insurance, real property tax, and local franchise tax for the year 2024. This account is amortized monthly to recognize the expense portion in its applicable period.

Trade and Other Payables

The Trade and Other Payables increased by 4% from ₱636 million as at December 31, 2023 to ₱660 million as of March 31, 2024. This account includes the cost of power that the Company purchased from its generators under a bilateral agreement, the costs of energy drawn from the

Wholesale Electricity Market (WESM), and payments for transmission services provided by theNational Grid Corporation of the Philippines (NGCP). The increase in this account was due to the higher cost of accrual of expenses from these generators and transmission service providers.

Capital Stock and Additional Paid-In Capital

The increase in capital stock and additional paid-in capital by ₱220 million and ₱953 million, respectively, for the period ending March 31, 2024, resulted from the sale of 2,200,000 common shares of DECORP through an initial public offering. The SEC rendered the sale effective

Liquidity risk

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 at 31 March 2025 and 31 December 2024, the financial liabilities have contractual maturities as follow:

	March 31, 2025		December 31, 2024	
	Due within one year	**Due beyond one year**	Due within one year	Due beyond one year
Trade payables	**₱290,550,239**	**₱-**	₱249,274,778	₱-
Other payables*	**130,097,124**	**-**	163,790,780	-
Dividend payable	**-**	**-**	-	-
Customers' deposits	**240,763,052**	**337,024,731**	240,763,052	337,846,798
	₱661,410,415	**₱334,722,270**	₱653,828,610	₱337,846,798

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 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 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.

ANNEX C

DAGUPAN ELECTRIC CORPORATION
SUPPLEMENTARY INFORMATION
MARCH 31, 2025
(UNAUDITED)

* *The Company does not prepare any consolidated financial statements*

** *The Company does not have guarantees of securities of other issuers*

*** *The Company does not belong to a group of companies*

Dagupan Electric Corporation
Revised SRC Rule 68
Annex 68-J
Schedule A – Financial Assets
March 31, 2025
Unaudited

	No of Shares of Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
Financial assets at fair value through other comprehensive income (FVOCI)				
Equity Securities				
Tarlac Electric Inc.	400,000	152,000,000	152,000,000	
Total -FVOCI		**152,000,000**	**152,000,000**	
Financial assets at fair value through profit or loss (FVPL)				
Debt Securities				
Petron Corporation		98,680,726	98,680,726	
Aboitiz Equity Ventures		17,830,000	17,830,000	
BPI -PHILAM		29,155,665	29,155,665	
Equity Securities				
BPI -PHILAM		8,207,843	8,207,843	-
Other equity and debt securities				
Sun Life Asset Management Co., Inc.		17,992,996	17,992,996	
Landbank of the Philippines		4,581,464	4,581,464	
BPI -PHILAM		7,821,693	7,821,693	
Total -FVPL		**184,270,387**	**184,270,387**	
Cash and Cash Equivalents		**2,368,887,566**	**2,368,887,566**	**1,069,417**
Trade and Other Receivables		**510,298,264**	**634,507,090**	

Dagupan Electric Corporation
Revised SRC Rule 68
Annex 68-J
Schedule B – Amounts Receivables from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
March 31, 2025
(Unaudited)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at the End of the Year
			Amounts Collected	Amounts Written-off	Current	Non-Current	

Receivables from directors, officers, employees, related parties, and principal stockholders are within the ordinary course of the company

Dagupan Electric Corporation
Revised SRC Rule 68
Annex 68-J
Schedule C – Amounts Receivables from Related Parties which are Eliminated during the Consolidation of Financial Statements
March 31, 2025
(Unaudited)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at the End of the Year
			Amounts Collected/Paid	Amounts Written-off	Current	Non-Current	

Not Applicable

Dagupan Electric Corporation
Revised SRC Rule 68
Annex 68-J
Schedule D – Long Term Debt
March 31, 2025
(Unaudited)

Type of Obligation	Amount Shown Under Caption "Current Portion of Long Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption "Long-term Debt" in related Statement of Financial Condition

The Company has no long-term loans

Dagupan Electric Corporation
Revised SRC Rule 68
Annex 68-J
Schedule G – Capital Stock
March 31, 2025
(Unaudited)

Title of Issue	Number of Shares Authorized	Outstanding as Shown Under the Related Statement of Condition Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers, and Employees	Others
Common Stock	15,000,000	14,662,000			12,863,000	1,799,000

Dagupan Electric Corporation
AB Fernandez St., Dagupan City, Province of Pangasinan
Schedule H - Reconciliation of Retained Earnings Available for Dividend Declaration
As of March 31, 2025
(Unaudited)

Items	Amount
Unappropriated Retained Earnings, as adjusted to available for dividend	
distribution, beginning of the period	1,466,186,123
Add: Net income during the period closed to retained earnings	22,109,937
Less: Non-actual/unrealized income net of tax	
Fair value gain (loss) on financial assets at FVPL	
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	17,277,667
Net income actually earned during the period	39,387,604
Less:	
Effect of prior period adjustments	
Cash dividend declaration during the period	-
Stock dividend declaration during the period	
Appropriation of retained earnings during the period	
Reversal of appropriation	
	39,387,604
Total Retained Earnings, End, Available for Dividend Declaration	**1,505,573,727**

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Dagupan Electric Corporation
For the Period Ended March 31, 2025 and 2024
(Unaudited)

Ratio	Formula	2025	2024
Current Ratio	Current Assets / Current Liabilities	4.29	4.15
Acid Test Ratio	(Cash and Cash Equivalents + Marketable Securities + Accounts Receivable) / Current Liabilities	4.11	3.91
Solvency Ratio	(Net Profit After Tax + Non-Cash Expenses) / Liabilities	0.04	0.05
Debt-to-Equity Ratio	Total Liabilities / Total Equity	0.3	0.31
Asset-to-Equity Ratio	Total Assets / Total Equity	1.3	1.31
Interest Rate Coverage Ratio*	Earnings Before Interests and Taxes / Interest Expense	N/A	N/A
Return on Equity	(Net Income / Average Shareholders' Equity) x 100	0.39%	1%
Return on Assets	(Net Income / Average Total Assets) x 100	0.30%	0.4%
Net Profit Margin	(Net Income / Revenues) x 100	2%	3%
Net Sales Growth	[(Net sales of Current Period - Net Sales of Previous Period) / Net Sales of Previous Period] x 100	2%	-14%
Net income percentage	[(Net income of current period - Net income of previous period) / Net income of previous period] x 100	-21%	-73%
Increase in shareholders' equity	[(Shareholders' equity of current period - Shareholders' equity of previous period) / Shareholders' equity of previous period] x 100	0.49%	29%

** The Company has no loans*

DAGUPAN ELECTRIC CORPORATION
Aging of Accounts Receivable
March 31, 2025
(Unaudited)

No. of Days Outstanding	Amount
Current	327,681,579
0-30 days	28,773,395
31-60 days	146,615,846
>90 days	7,227,444
Total	**510,298,264**

The following document has been received:

Receiving: RICHMOND CARLOS AGTARAP
Receipt Date and Time: May 13, 2025 04:31:57 PM

Company Information

SEC Registration No.: 0000018890
Company Name: DAGUPAN ELECTRIC CORP.
Industry Classification: E40100
Company Type: Stock Corporation

Document Information

Document ID: OST10513202583316998
Document Type: Notice of Inability to File AR or QR
Document Code: SEC_Form_17-L
Period Covered: May 13, 2025
Submission Type: As needed
Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for

NOTIFICATION OF INABILITY TO FILE OR ANY PORTION OF SEC FORM 17-A OR 17-Q

SEC Registration Number

1	8	8	9	0

COMPANY NAME

D A G U P A N   E L E C T R I C   C O R P O R A T I O N

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

A B   F E R N A N D E Z   S T   D A G U P A N   C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-L	SEC	

COMPANY INFORMATION

Company's email Address	Company's Telephone Number	Mobile Number
decorp@decorp.com.ph	(632) 8374 3034	9285066639

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
55	Every 3rd Tuesday of April	31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Lilian D. Saralde	lds@decorp.com.ph	(632) 8374 3039	9285066639

CONTACT PERSON's ADDRESS

VERIA I Bldg., 62 West Avenue, Quezon City

Note 1 *: In case of death, resgination 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 frrom liability for its deficiencies.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-L

NOTIFICATION OF INABILITY TO FILE ALL OR ANY PORTION OF SEC FORM 17-A OR 17-Q

Check One:

Form 17-A [ ] Form 17-Q [✓]

Period-Ended Date of required filing **March 31, 2025**

Date of this report **May 15, 2025**

Nothing in this Form shall be construed to imply that the Commission has verified any information contained herein.

If this notification relates to a portion or portions of the filing checked above, identify the item(s) to which the notification relates: **SEC FORM 17-Q**

1. SEC Identification Number **18890** 2. BIR Tax Identification No. **000-202-524**

3. **DAGUPAN ELECTRIC CORPORATION**
   Exact name of issuer as specified in its charter

4. **DAGUPAN CITY, PANGASINAN, PHILIPPINES**
   Province, country or other jurisdiction of incorporation

5. Industry Classification Code: [ ] (SEC Use Only)

6. **AB FERNANDEZ ST., DAGUPAN CITY** **2400**
   Address of principal office Postal Code

7. **(632) 83743039**
   Issuer's telephone number, including area code

8. **NOT APPLICABLE**
   Former name, former address, and former fiscal year, if changed since last report.

9. Are any of the issuer's securities listed on a Stock Exchange?

   Yes [ ] No [✓]

   If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

   ……………………………………………………………………………………………………

Part I - Representations

If the subject report could not be filed without unreasonable effort or expense and the issuer seeks relief pursuant to SRC Rule 17-1, the following should be completed. (Check box if appropriate)

(a) The reasons described in reasonable detail in Part II of this Form could not be estimated without unreasonable effort or expense. [ ]

(b) The subject annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth day following the prescribed due date. [✓]

(c) The accountant's statement or other exhibit required by paragraph 3 of SRC Rule 17-1 has been attached if applicable. [ ]

Part II - Narrative

State below in reasonable detail the reasons why SEC Form 17-A or SEC Form 17-Q, or portion thereof, could not be filed within the prescribed period. (Attach additional sheets if needed

The request to file the 17-Q beyond the prescribed period is to allow us sufficient time to complete the report for the first quarter of 2025.

Part III - Other Information

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification

Lilian D. Saralde
Compliance Officer
Veria I Building, 62 West Avenue, Quezon City
Tel No. (632) 8374 3039

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes [✓] No [ ] Reports:

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes [ ] No [✓]
If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

SIGNATURE

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DAGUPAN ELECTRIC CORPORATION
Registrant's full name as contained in charter

Rene Llames

RENE L. LLAMES
President and CEO

Date: May 13, 2025