



DAGUPAN ELECTRIC CORPORATION

(A corporation duly organized and existing
under and by virtue of the laws of the Philippines)

The Registration of Fourteen Million Six Hundred Sixty-Two Thousand
(14,662,000) Common Shares
with a Par Value of One Hundred Pesos (₱100.00) per share; and

A Public Offering of Two Million Two Hundred Thousand
(2,200,000) Primary Common Shares
at an Offer Price of Five Hundred Thirty-Three Pesos (₱533.00) per share

The Offer Shares shall **NOT** be listed on any Exchange
and may only be traded over-the-counter.

Sole Underwriter / Selling Agent and
Receiving Agent for and in behalf of the Issuer



Consultant to the Issuer



The date of this Prospectus is 22 December 2023.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

Dagupan Electric Corporation

AB Fernandez St.
Dagupan City, Pangasinan
Philippines 2400
Tel No. (075) 522 2782

This Prospectus pertains to the registration of Fourteen Million Six Hundred Sixty-Two Thousand (14,662,000) Dagupan Electric Corporation (“DECORP” or the “Company”) common shares with a par value of One Hundred Pesos (₱100.00) per share, of which:

A Public Offering is being made for Two Million Two Hundred Thousand (2,200,000) Primary Common Shares at an Offer Price of Five Hundred Thirty-Three Pesos (₱533.00) per share (the “Offer Price”); and

Twelve Million Four Hundred Sixty-Two Thousand (12,462,000) common shares are the Company's current issued and outstanding shares.

Upon conclusion of the Offer, the Company shall have a total outstanding capital stock of Fourteen Million Six Hundred Sixty-Two Thousand (14,662,000) common shares duly registered with the Securities and Exchange Commission (“SEC”).

The aforementioned registration and public offering are being made in compliance with the public offering requirement under Section 43(t) of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act (“EPIRA”), that “distribution companies which are not publicly listed shall offer and sell to the public a portion not less than fifteen percent (15%) of their common shares of stock.”

The entire Offer Shares shall be issued out of the unissued portion of the Company's authorized common capital stock and, upon conclusion of the Offer, shall represent fifteen percent (15%) of the Company's issued and outstanding capital stock.

The public offering of Two Million Two Hundred Thousand (2,200,000) primary common shares shall be made through any of the modes of public offering enumerated in Section 3.1.17 of the Securities Regulation Code Implementing Rules and Regulations (“SRC-IRR”), pursuant to the Energy Regulatory Commission's (“ERC”) Resolution No. 04, Series of 2019.

The Offer Shares shall **not** be listed on the Philippine Stock Exchange (“PSE”) or in any Exchange and may only be traded over-the-counter.

The Offer Price of Five Hundred Thirty-Three Pesos (₱533.00) per share was determined through a fixed-price method wherein the Offer Price was based on scenarios on indicative public offer size presented by the Consultant, confirmed/recommended by the Sole Underwriter, and approved/ decided by the Company.

The Company expects to raise **Gross** Offer Proceeds of One Billion One Hundred Seventy-Two Million Six Hundred Thousand Pesos (₱1,172,600,000.00) and **estimated Net** Offer Proceeds of One Billion One Hundred Fifty-Four Million Four Hundred Sixteen Thousand Ninety-Eight Pesos (₱1,154,416,098.00), which the Company intends to use in the following order of priority: (i) to fund capital expenditures over the next three (3) years; and (ii) to finance the Company's business-related diversification. For a more detailed discussion on the use of proceeds from the Offer, see the "*Use of Proceeds*" of this Prospectus.

The Offer Shares shall be offered to the public through the Sole Underwriter / Selling Agent or the Company's Corporate Secretary (in his capacity as the Official Registrar of Stockholders). The Sole Underwriter has committed to fully underwrite the Offer on a firm basis, and accordingly, shall receive a firm underwriting fee equivalent to Two Million Five Hundred Thousand Pesos (₱2,500,000.00), exclusive of a five percent (5%) Gross Receipts Tax and out-of-pocket expenses. For a more detailed discussion on the role of the Underwriter and the fees to be received by it, see "*Plan of Distribution*" and "*Use of Proceeds*" of this Prospectus.

The entire amount of the Offer Shares shall be available for subscription and purchase by any Eligible Investor, *i.e.*, any natural person of legal age and a Philippine national or any domestic corporation, association, or partnership. In the case of domestic corporations and associations, sixty percent (60%) of its total voting shares and total outstanding capital stock must be owned and held by Filipinos.

All of the shares to be issued and sold pursuant to the Offer shall have identical rights and privileges.

The Company's Board of Directors is authorized to declare cash or stock dividends. In case of the latter, the approval of the stockholders representing two-thirds (2/3) of the outstanding capital stock of DECORP shall be required. The Company has adopted a dividend policy pursuant to which the stockholders of DECORP may be entitled to receive, upon declaration by the Board of Directors, dividends equivalent to approximately thirty to fifty percent (30%-50%) of the prior year's net income after tax, subject to the availability of unrestricted retained earnings.

The Company cannot provide assurance that it will pay any dividends in the future. In making a decision to declare dividends, the Board may consider various factors including the Company's cash, return on equity, retained earnings, and the Company's overall financial condition at the end of the year, and such other factors as the Board may deem appropriate. The Company's Board may, at any time, modify such dividend policy depending on the results of operations and future projects and plans of the Company. For a more detailed discussion on the Company's dividend policy, see "*Dividend Policy*" of this Prospectus.

Before making an investment decision, investors are advised to carefully consider the risks associated with an investment in the Offer Shares. These risks include: (i) risks related to the Company and its industry, such as regulatory and policy risks, financial risks on capital intensity, cashflow risks, reliance on key personnel or managers, operational risks on infrastructure failures and human error, technological risks, grid modernization challenges and integration, and legal and liability risks; (ii) risks related to the Philippines such as energy supply and fuel risks, political risks, financial and economic risks; and (iii) risks related to share price, such as market sentiment and volatility, and future sales of DECORP shares. For a more detailed discussion of the risks involved in an investment in the Offer Shares, see “*Risk Factors*” of this Prospectus.

Unless otherwise stated, all information contained in this Prospectus has been supplied by the Company. The Company, through its Board of Directors, having made reasonable inquiries and care in the preparation of this Prospectus, accepts full responsibility for all information contained herein and confirms that: (i) this Prospectus contains all material information with regard to the Company, its business and operations, and the Offer Shares; (ii) to the best of its knowledge and belief, the information contained in this Prospectus are true and correct and are not misleading in any material respect; (iii) the opinions and intentions expressed herein are true and honest; (iv) there are no other facts, the omission of which makes this Prospectus, in whole or in part, misleading in any material respect.

Unless otherwise indicated, all information in this Prospectus are true and correct only as of the date hereof. Neither the delivery of this Prospectus nor any sale of Shares made pursuant hereto shall, under any circumstance, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company as of the said date.

The Sole Underwriter warrants that it has, to the best of its ability, exercised the level of due diligence required under existing regulations in ascertaining that all material information contained in this Prospectus are true and correct, and that no material information was omitted which was necessary in order to make the statements contained herein not misleading.

The Offer Shares are offered solely on the basis of the information and representations made in this Prospectus. No dealer, salesman, or other person has been authorized by the Company or the Sole Underwriter to issue any advertisement, give any information, or make any representation in connection with the Offer other than those contained in this Prospectus and, if issued, given, or made, such advertisement, information, or representation must not be relied upon as having been authorized by the Company or the Sole Underwriter.

The contents of this Prospectus do not constitute investment, legal, or tax advice. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of the Company and the terms of the Offer, including, but

not limited to, the merits and risks involved, the prospective investor's own determination of the suitability of any such investment with particular reference to his or its own investment objectives and experience, and any other factors which may be relevant to the decision to invest in the Offer Shares. Prospective investors should be aware that they may be required to bear the financial risks of any participation in the Offering. They should also consult their own independent counsel, accountant, and other advisors as to the legal, tax, business, financial, and other related aspects of a purchase of the Offer Shares, among others.

This Prospectus includes forward-looking statements based largely on the Company's current expectations and projections about future events and financial trends affecting its business. In light of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. Actual results could substantially differ from those anticipated in the Company's forward-looking statements.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT.

The Company is organized under and by virtue of the laws of the Republic of the Philippines, with principal office address at AB Fernandez St., Dagupan City 2400 with telephone no. (075) 522 2782.

Any inquiries regarding this Prospectus should be addressed to Ms. Lilian D. Saralde at her e-mail address at lds@decorp.com.ph.

By:

DAGUPAN ELECTRIC CORPORATION

Represented by:

Rene Llames

Mr. Rene Bernard L. Llames

President

SUBSCRIBED AND SWORN to before me this DEC 22 2023 day of 2023 in Makati City City, Philippines, affiant exhibiting to me his Driver's License No. X01-05-002065 valid until July 28, 2032 as competent evidence of his identity.

Doc. No. 344;
Page No. 70;
Book No. 1;
Series of 2023.

[Signature]
MIGUEL ANGELO S. GABIONZA
Notary Public
Notarial Commission No. M-034
Commission Expires on Dec 31 2023
Roll of Attorneys No. 68531
P.T.R. No. 9565035 01/02/2023 Makati City
I.B.P. OR No. 181104 12/29/2022 Makati Chapter
M.C.L.E. Compliance No VII 0015722 04/19/2022
20F 139 Corporate Center 139 Valero St
Salcedo Village Makati City 1227 Metro Manila

MIGUEL ANGELO S. GABIONZA
NOTARY PUBLIC
ROLL NO. 68531
MAKATI CITY, PHILIPPINES

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GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

Application	an Application to Purchase a specified number of the Offer Shares which, when accepted and approved by the Company, shall constitute a valid purchase agreement between the Applicant and the Company for the subscription for or purchase of such number of Offer Shares as approved and at the time, in the manner, and subject to the terms and conditions set forth in the Application and in this Prospectus
Applicant	means any person, natural or juridical, that submits a duly accomplished Application, together with all the requirements set forth therein
Company or Corporation	Dagupan Electric Corporation (“DECORP”)
Common Shares	the common shares of DECORP with complete voting rights and a par value of One Hundred Pesos (₱100.00) per share
DECORP	Dagupan Electric Corporation (“DECORP”)
DOE	Department of Energy
EPIRA	Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act
ERC	Energy Regulatory Commission
Consultant to the Issuer	IGC Securities Inc.
Fixed Price Method	a public offering pricing method wherein the Offer Price is set/ fixed and disclosed to the public well ahead of the Offer Period, as opposed to price discovery through a book-building process.
Franchise	Republic Act No. 9969 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”
Issuer	Dagupan Electric Corporation (“DECORP”)
kV	Kilovolt equal to one thousand (1,000) volts
kW	Kilowatt is equivalent to one thousand (1,000) watts and is commonly used in the power business when describing generation or load consumption.
kWh	Kilowatt-hour is the energy delivered by one (1) kilowatt of power for one (1) hour.
MW	Megawatt is equivalent to one million (1,000,000) watts and is commonly used in the power business when describing generation or load consumption.
MVA	Megavolt-Amperes is the unit used to measure the apparent power in a circuit. It is a product of the voltage and current in a circuit. In simple terms, it is the amount of power that a transformer can handle.
NGCP	<p>The National Grid Corporation of the Philippines is the transmission service provider in charge of operating, maintaining, and developing the country's state-owned power grid, controlling the supply and demand of power by determining the power mix through the selection of power plants to put online (<i>i.e.</i>, to signal power plants to produce power, as power plants will only produce power or feed power to the transmission grid when directed by NGCP), and updates the daily power situation outlook for Luzon, Visayas, and Mindanao power grids.</p> <p>It must provide non-discriminatory access to its transmission system. It is subject to the standards set by the Philippine Grid Code and the Transmission.</p>
Offer Shares	Two Million Two Hundred Thousand (2,200,000) DECORP primary common shares
Offer Price	Five Hundred Thirty-Three Pesos (₱533.00) per share

Offer Period (Expected)	Shall be from 08 January 2024, 9:00 in the morning to 12 January 2024 at 12:00 noon.
Official Registrar of the Company	shall be the Corporate Secretary of DECORP
Peso or ₱	Philippine Currency
Performance Based Rate Setting Methodology (“PBR”)	the methodology used in setting the maximum distribution rates that may be charged by the private distribution utilities
Power Sector Assets and Liabilities Management Corporation (“PSALM”)	a wholly-owned and controlled government entity tasked with managing the orderly sale and privatization of all existing generation assets of the National Power Corp. (“NPC”), as mandated by the EPIRA
Prospectus	means the offering circular or memorandum dated 22 December 2023 filed by the Company with the SEC and circulated in connection with the public offering of the Offer Shares, as amended and supplemented, if applicable
Receiving Agent for and in behalf of the Issuer	Penta Capital & Investment Corporation
SEC	Securities and Exchange Commission
Selling Agent	Penta Capital & Investment Corporation
Sole Underwriter	Penta Capital & Investment Corporation
Underwriting Agreement	pertains to the draft Underwriting Agreement between DECORP and Penta Capital & Investment Corporation to be executed upon the effectivity of the Registration Statement, pursuant to the Mandate Letter dated 29 September 2023 signed by the parties
Wholesale Electricity Spot Market (“WESM”)	is a centralized venue for buyers and sellers to trade electricity as a commodity, where prices are determined based on actual demand and availability of supply

EXECUTIVE SUMMARY

The following summary is subject to more detailed information presented in this Prospectus. It does not contain all the information that a prospective investor should consider before investing in the Company's securities. We encourage prospective investors to read this Prospectus in its entirety, paying particular attention to the "Risk Factors" of investing as well as the Company's audited financial statements.

COMPANY BACKGROUND

Dagupan Electric Corporation ("DECORP"), formerly known as Lim and De Leon Company, is a domestic corporation duly organized under and by virtue of the laws of the Republic of the Philippines.

In 1961, DECORP was first granted a franchise to operate an electric light, heat, and power system in the Municipality of Calasiao and City of Dagupan, Pangasinan under Republic Act ("RA") No. 3221. In 1964, it was authorized to distribute electricity in the Municipalities of Sta. Barbara, San Jacinto, and San Fabian, Pangasinan for a twenty-five (25)-year franchise period under RA No. 4013, which was later extended for another twenty-five (25) years under Certificate of Franchise No. 141 issued by the National Electrification Commission ("NEC") in 1990. In 1990, DECORP was permitted to deliver electricity in Barangays Cruz and Bolingit in the City of San Carlos, Pangasinan under NEC's Certificate of Franchise Number 226. In 2000, DECORP started its service in the Municipality of Manaoag, Pangasinan, when it took over the operations of Manaoag Utility Company, Inc. under Certificate of Franchise No. 143 granted by the National Electrification Administration.

On 06 February 2010, DECORP's franchise term was renewed for another twenty-five (25) years under RA No. 9969 to construct, operate, and maintain a distribution system for the conveyance of electric power to the end-users in the City of Dagupan, the Municipalities of Calasiao, Sta. Barbara, San Fabian, San Jacinto, and Manaoag, and Barangays Cruz and Bolingit of San Carlos City, all in the province of Pangasinan.

PRODUCTS AND MARKETS

DECORP distributes electricity through its highly reliable distribution infrastructure, which serves more than 349.33 sq.km. or 6.5% of the total Pangasinan land area comprising of one (1) city, five (5) municipalities, and two (2) barangays. It provides electricity to a diverse group of consumers within its franchise areas, consisting of residential, commercial, and industrial end-users.

As of 2022, DECORP distributes electricity to one hundred thirty-one thousand three hundred sixty-five (131,365) customers comprising one hundred thirteen thousand

one hundred ninety-seven (113,197) residential consumers and twelve thousand one hundred sixty-nine (12,169) non-residential consumers. The total energy delivered to these customers was 416,931 MWH consisting of 219,749 MWH to residential consumers and 197,181 MWH to non-residential consumers.

COMPETITIVE STRENGTHS

- Natural Monopoly
- Infrastructure with High System Capacity
- Interconnected Network of Substation and Sub-transmission Facilities
- Skilled Management and Workforce
- Community Engagement and Strong Relationships with Customers
- Proven Track Record of Compliant and Reliable Service
- Flexibility, Adaptability, and Operational Efficiency

KEY STRATEGIES OF THE BUSINESS

- Reliability and Service Quality
- Distributed Energy Resources and Renewable Energy Integration
- Development of Customer Engagement Activities
- Regulatory Compliance
- Innovation, Technology, and Grid Modernization
- Workforce Development
- Risk Management and Long-Term Planning

FUTURE PLANS AND PROJECTS

- Advance Distribution Management System and Related Communication Structure
- Construction of 20/25 MVA, 69 kV/13.8 kV Substation in Sta. Barbara, Pangasinan
- Primary Line Expansion from the Proposed Sta. Barbara Substation to Minien East, Sta. Barbara.
- Line Extension, Rehabilitation, and Upgrades
- Purchase and Installation of Meters and Metering Equipment
- Purchase and Installation of Distribution Transformers
- Continuous Rehabilitation of Acquired LUELCO Distribution Lines
- Purchase of Information System Equipment
- System Integration and Customer Interface Improvement
- Purchase of Additional and Replacement Vehicles
- Rehabilitation of Labrador-Binmaley-Calasiao 69 kV Subtransmission line
- Primary Line Rehabilitation from Sagud Bahley to Nibaliw Vidal, San Fabian
- Purchase and Installation of Service Drops
- Purchase and Installation of Grounding and Earthing Equipment
- Purchase and Installation of Equipment to Improve Insulation-Coordination of

Distribution Lines

- Replacement of Street Lightings from Mercury Vapor to High Pressure Sodium
- Purchase of Tools and Laboratory Equipment
- Buildings and Ground Improvements
- Purchase of Communication and Office Furniture and Equipment

RISKS OF INVESTING AND OTHER STRATEGIC ISSUES

- **Risks Related to the Company and its Industry**
 - Regulatory and Policy Risks
 - Financial Risks on Capital Intensity
 - Cashflow Risks
 - Reliance on Key Personnel or Managers
 - Operational Risks on Infrastructure Failures and Human Error
 - Technological Risks Grid Modernization Challenges and Integration
 - Legal and Liability Risks
- **Risks Related to the Philippines**
 - Energy Supply and Fuel Risks
 - Political Risks
 - Financial and Economic Risks
- **Risks Related to the Offer Shares**
 - Market Sentiment and Volatility
 - Future Sales of DECORP Shares

COMPANY INFORMATION

The Company's principal office is located at Veria II Building, AB Fernandez West, Dagupan City, Pangasinan with telephone no. (075) 522 2782 and e-mail address at corporate@decorp.com.ph.

INVESTOR RELATIONS OFFICE

The Company's Investor Relations Office ("IRO") shall be tasked with the dissemination of accurate, timely, and comprehensive economic information to aid investors in making investment recommendations and decisions. The IRO shall also be responsible for receiving and responding to investor and shareholders queries. The Company's IRO is Ms. **Lilian D. Saralde** who can be reached at (02) 8374 3039 or through electronic mail at lds@decorp.com.ph.

SUMMARY OF THE OFFER	
Issuer	Dagupan Electric Corporation
Sole Underwriter	Penta Capital & Investment Corporation
Consultant to the Issuer	IGC Securities Inc.
Selling Agent	Penta Capital & Investment Corporation
Other Distribution	DECORP's Corporate Secretary (in his capacity as Official Registrar of Stockholders)
Receiving Agent for and in behalf of the Issuer	Penta Capital & Investment Corporation
Independent Auditor	Diaz Murillo Dalupan and Company
Legal Counsel to Issuer	Villanueva Gabionza & Dy Law Offices
Legal Counsel to the Sole Underwriter	Atty. R. John Christopher Jimenez Salom
The Offer	Two Million Two Hundred Thousand (2,200,000) DECORP primary common shares equivalent to fifteen percent (15%) of the Company's post-offer issued and outstanding capital stock
Offer Price	Five Hundred Thirty-Three Pesos (₱533.00) per share
Offer Period (Expected)	shall commence on 08 January 2024 at 9:00 in the morning and end on 12 January 2024 at 12:00 noon.
Plan of Distribution	<p>The Offer Shares shall be offered to the public through the Sole Underwriter / Selling Agent or the Company's Corporate Secretary (in his capacity as the Official Registrar of Stockholders).</p> <p>The Sole Underwriter has committed to fully underwrite the Offer on a firm basis.</p> <p>For a more detailed discussion, see "<i>Plan of</i></p>

	<i>Distribution</i> " of this Prospectus.
Eligible Investors and Restrictions on Foreign Ownership	<p>The entire Offer Shares shall be available for subscription and purchase by any Eligible Investor, <i>i.e.</i>, any natural person of legal age and a Philippine national or any domestic corporation, association, or partnership. In the case of domestic corporations and associations, sixty percent (60%) of its total voting shares and total outstanding capital stock must be owned and held by Filipinos.</p> <p>The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in nationalized or partly nationalized activities, including land ownership.</p> <p>As a public utility company and a corporation that owns land, the Company is required by law to limit foreign ownership in the Company to a maximum of forty percent (40%) of its outstanding capital stock.</p>
Use of Proceeds	<p>The estimated Net Offer Proceeds of One Billion One Hundred Fifty-Four Million Four Hundred Sixteen Thousand Ninety-Eight Pesos (₱1,154,416,098.00) shall be used for the following purposes in order of priority: (i) to fund capital expenditures over the next three (3) years, and (ii) to finance the Company's business-related diversification.</p> <p>See "<i>Use of Proceeds</i>" of this Prospectus for additional details on how the total net proceeds shall be applied.</p>
Minimum and Maximum Subscription	<p>The minimum subscription shall be Four Hundred (400) DECORP common shares for individuals and Five Thousand (5,000) DECORP common shares for corporations, associations, and partnerships.</p> <p>The maximum subscription shall be Fifty Thousand (50,000) DECORP common shares for individuals and Four Hundred Thousand (400,000) DECORP common shares for corporations, associations, and partnerships.</p>

	For a more detailed discussion, see “ <i>Plan of Distribution</i> ” of this Prospectus.
Tax Considerations	See “ <i>Philippine Taxation</i> ” of this Prospectus for more information on the Philippine tax consequences of the purchase, ownership, and disposal of the Offer Shares.
Lock-Up and Selling/Transfer Restrictions	Shareholders who own an equivalent of at least ten percent (10%) of the issued and outstanding common shares of the Company as of the Issue Date cannot sell, assign or in any manner dispose of their shares for a period of one hundred eighty (180) days after the Issue Date.
Registration	The Company filed an application with the SEC for the registration of Fourteen Million Six Hundred Sixty-Two Thousand (14,662,000) DECORP common shares with a par value of One Hundred Pesos (₱100.00) per share.
Dividends	<p>The Company has adopted a dividend policy pursuant to which stockholders may be entitled to receive, upon declaration by the Company’s Board of Directors, dividends equivalent to approximately thirty to fifty percent (30-50%) of the prior year’s net income after tax based on the Company’s audited financial statements, subject to the availability of unrestricted retained earnings and except when: (i) justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserves for probable contingencies.</p> <p>For a more detailed discussion, see “<i>Dividends and Dividend Policy</i>” of this Prospectus.</p>

<p>Subscription Procedures and Right to Accept, Reject/Scale Down Applications</p>	<p>All Applications to purchase or subscribe to the Offer Shares must be evidenced by a completed Application to Purchase form accomplished by the Applicant or the Applicant's duly authorized representative.</p> <p>The actual number of Offer Shares that an Applicant will be allowed to purchase shall be subject to the confirmation of the Company.</p> <p>The Company, by itself or through the Sole Underwriter, shall have the unrestricted and unqualified right to accept or reject, in whole or in part, any application to subscribe for or purchase any specified number of Offer Shares, or to scale down the number of Offer Shares for which such application is made.</p> <p>An Application, once expressly accepted and approved by the Company shall constitute a valid purchase agreement between the Applicant and the Company for the subscription for or purchase of such number of Offer Shares as approved and at the time, in the manner, and subject to the terms and conditions set forth in the Application and in this Prospectus.</p> <p>For a more detailed discussion, see "<i>Plan of Distribution</i>" of this Prospectus.</p>
<p>Payment Terms for the Offer</p>	<p>Payments for the Offer Shares shall be payable in full in Philippine currency by local personal or corporate check, a manager's check, or a cashier's check drawn against a bank authorized by the Bangko Sentral ng Pilipinas, and all such checks must be made payable to the order of "<u>DAGUPAN ELECTRIC CORPORATION</u>" and crossed for deposit to "Payee's Account Only" and dated as of the date of the Application.</p> <p>Any payment received pursuant to the Application should not be construed as an approval or acceptance by the Company of the Application.</p>
<p>Lodgement of Offer Shares</p>	<p>All of the Offer Shares shall be lodged with the</p>

and Issuance of Stock Certificates	<p>Corporate Secretary as the Official Registrar of Stockholders of the Company.</p> <p>Stock certificates for the Offer Shares covered by the fully or partially accepted applications shall be issued by the Corporate Secretary of the Company.</p>	
Refunds	<p>In case of refunds, the Company shall make the refund checks available for pickup at the Sole Underwriter's office or the Corporate Secretary's office five (5) banking days after the end of the Offer Period.</p> <p>Refund checks that remain unclaimed after sixty (60) days from the date such checks are made available for pickup shall be mailed at the Applicant's risk to the address specified by the applicant in the Application.</p>	
Expected Timetable of the DECORP Public Offering	Filing of DECORP Registration Statement with SEC	07 November 2023
	Issuance of the Order of Effectivity of the Registration Statement by the SEC	27 December 2023
	Start of the Offer Period	08 January 2024, 9:00 a.m.
	End of the Offer Period	12 January 2024, 12:00 noon
	Filing of the Written Notice of Completion of the Offering to the SEC	Not later than 17 January 2024
	Issue Date	Not later than 02 February 2024

SUMMARY OF FINANCIAL INFORMATION

The selected financial information set forth in the following table has been derived from the Company's Audited Financial Statements for the six (6) months ended 30 June 2023, and for the years ended 31 December 2020, 2021 and 2022, and should be read in conjunction with the financial statements and notes thereto, as well as the Section entitled "*Management's Discussion and Analysis of Financial Conditions*" of this Prospectus.

The foregoing financial statements of the Company were all audited by by Diaz Murillo Dalupan and Company in accordance with the Philippine Financial Reporting Standards.

The amounts stated hereunder shall be understood to be in Philippine Pesos.

STATEMENTS OF FINANCIAL POSITION					
	As of 30 June	As of 31 December			
	2023	2022	2021 (As Restated)*	2021	2020
ASSETS					
Non-Current Assets					
Utility, plant and equipment – net	3,792,407,196	3,813,175,882	3,853,845,858	1,901,002,302	1,804,536,135
Other property and equipment – net	85,244,690	92,838,330	97,463,800	82,226,052	70,080,978
Financial assets at fair value through other comprehensive income ("FVOCI")	152,000,000	152,000,000	152,000,000	152,000,000	-
Deferred tax assets	26,260,910	24,463,555	20,711,837	20,711,836	22,094,090
	4,055,912,796	4,082,477,767	4,124,021,495	2,155,940,190	1,896,711,203
Current Assets					
Cash and cash equivalents	2,062,129,014	1,821,967,472	1,634,777,956	1,634,777,956	1,584,491,626
Short-term investments	-	-	-	-	23,000,000
Trade and other receivables – net	582,983,527	754,917,648	535,027,812	535,027,812	731,166,208
Financial assets at fair value through Profit or Loss ("FVPL")	270,202,414	270,202,414	272,688,428	272,688,428	59,241,447
Inventories	95,187,572	96,971,421	81,417,136	81,417,136	106,168,435
Prepayments and other current assets	66,680,548	57,626,758	67,608,646	67,608,646	59,433,313
	3,077,183,075	3,001,685,713	2,591,519,978	2,591,519,978	2,563,501,029
TOTAL ASSETS	7,133,095,871	7,084,163,480	6,715,541,473	4,747,460,168	4,460,212,232
EQUITY AND LIABILITIES					
Equity					
Capital stock	1,246,200,000	1,246,200,000	1,246,200,000	1,246,200,000	1,246,200,000
Additional paid-in capital	189,124,320	189,124,320	189,124,320	189,124,320	189,124,320
Revaluation reserve	1,584,176,624	1,618,731,957	1,688,423,618	212,362,639	219,579,595
Remeasurement loss on retirement benefits	-5,870,347	-5,870,347	-5,870,347	-5,870,347	3,426,044
Retained earnings					
Appropriated	400,000,000	400,000,000	-	-	600,000,000
Unappropriated	623,619,588	1,967,758,063	2,033,431,917	2,033,431,917	1,140,622,558
	4,037,250,185	5,415,943,993	5,151,309,508	3,675,248,529	3,398,952,517
Current Liabilities					

Trade and other payables	704,957,608	700,865,191	585,019,555	585,019,555	553,384,097
Income tax payable	28,947,210	-	1,319,918	1,319,918	44,535,302
Dividend payable	1,400,000,000	-	-	-	-
	2,133,904,818	700,865,191	586,339,473	586,339,473	597,919,399
Non-Current Liabilities					
Customers' deposits	334,528,627	333,802,951	335,299,575	335,299,575	330,207,950
Deferred tax liabilities	549,331,241	560,849,685	584,080,239	92,059,913	96,265,686
Retirement benefits obligation	78,081,000	72,701,660	58,512,678	58,512,678	36,866,680
	961,940,868	967,354,296	977,892,492	485,872,166	463,340,316
TOTAL EQUITY AND LIABILITIES	7,133,095,871	7,084,163,480	6,715,541,473	4,747,460,168	4,460,212,232

**The restated values of the 2021 financial position to reflect the valuation of properties. For a more detailed discussion on the restated values, see "Independent Auditors" of this Prospectus.*

STATEMENTS OF COMPREHENSIVE INCOME					
	For the Six (6) Months Ended 30 June		For the Years Ended 31 December		
	2023	2022	2022	2021*	2020
REVENUES	2,184,871,791	2,148,272,226	4,678,351,420	3,404,944,908	2,838,107,209
OPERATING EXPENSES					
Purchased power	1,650,465,603	1,785,283,336	3,865,894,454	2,707,510,988	2,007,611,813
Operations and maintenance	146,641,452	126,560,958	263,544,470	223,463,745	215,492,541
Depreciation	99,607,724	92,534,217	185,360,524	95,398,084	88,476,015
Taxes other than income tax	29,664,266	12,958,158	52,440,862	28,884,148	41,229,103
	1,926,379,045	2,017,336,669	4,367,240,310	3,055,256,975	2,352,809,472
INCOME FROM OPERATIONS	258,492,746	130,935,557	311,111,110	349,687,933	485,297,737
OTHER INCOME (CHARGES)	27,722,890	9,426,000	33,804,680	17,186,787	31,296,986
INCOME BEFORE INCOME TAX	286,215,636	140,361,557	344,915,790	366,874,720	516,594,723
PROVISION FOR INCOME TAX	76,427,888	44,912,531	103,511,859	83,687,968	152,209,743
NET INCOME	209,787,748	95,449,026	241,403,931	283,186,752	364,384,980
OTHER COMPREHENSIVE INCOME					
Remeasurement gain (loss) on retirement benefits, net of tax	-	-	-	(9,296,391.00)	5,040,340
TOTAL COMPREHENSIVE INCOME	209,787,748	95,449,026	241,403,931	273,890,361	369,425,320
Earnings Per Share	16.83	7.66	19.37	22.75	29.24

**The 2021 Comprehensive Income figures were not restated.*

RISK FACTORS

Prospective investors should carefully consider and study the risks described below in addition to the other information contained in this Prospectus, particularly, the Company's financial statements and notes relating thereto, before making any investment decision relative to the Offer Shares. Investment in the Offer Shares involves a number of risks. This section does not purport to disclose all the risks and significant aspects of investing in the Offer Shares.

The occurrence of any of the events discussed hereunder and any other additional risks not presently known to the Company may have material adverse effects on the Company's business operations.

An investor deals in a range of investments, each of which may carry a different level of risk. Since this risk disclosure does not purport to disclose all the risks and other significant aspects of investing in the Offer Shares, prospective investors should undertake his or her own research and study on said securities before commencing in any trading activity. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance.

There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying price and the selling price of these securities.

The Offer Shares shall not be listed on any Exchange and may only be traded over-the-counter. A prospective investor must undertake his or her own study on the buying and selling of securities before undertaking any investment activity. He or she should seek professional advice if he or she is uncertain of or has not understood any aspect of the Offer Shares or the nature of risks involved in the buying or selling of securities, especially high-risk securities. Every investor must consult with his or her own counsel and financial advisors as to the legal, tax, business, and financial aspects of investing in the Offer Shares. The prospective investor may request for information on the Offer Shares and the Issuer from the SEC which are made available to the public. This section seeks to discuss the major risks relating to the Offer Shares as determined by the Company, as well as the means by which it intends to address the said risks.

The following risks related to the Company are listed in the order of priority within each sub-category.

RISKS RELATED TO THE COMPANY AND ITS INDUSTRY

Regulatory and Policy Risks

As a regulated entity, DECORP has the obligation to provide open and non-discriminatory access to its distribution system to end-users within its franchise area. DECORP also has the obligation to supply electricity in the least cost manner to its captive market, subject to the collection of retail rate duly approved by the ERC

As a regulated entity, DECORP is obliged to secure ERC's approval before initiating any planned capital expenditure projects. In this context, DECORP confronts a substantial risk of encountering bureaucratic hurdles and regulatory delays. It is essential to recognize that the ERC's rules and guidelines are consistently designed to strike a balance between the interests of consumers and investors.

Changes in regulations and policies at the state or local level can impact the Company's operations, pricing structures, and investment plans. For example:

Aspect	Risk
Open and non-discriminatory access of the distribution system	<p>The mandatory migration of contestable customers to the retail market under the rules on Retail Competition and Open Access can create vulnerability to the Company due to some legal issues and a lack of public acceptance. This could result in uncertainties in power supply contracts and problems in the development of the distribution system to grant access to contestable customers.</p> <p>The requirement for regulatory approvals to initiate planned capital expenditures could lead to delays in the implementation of the projects necessary to provide electric distribution services to any end-users within the franchise areas.</p>
Distribution wheeling charges and connection charges	A delay in the issuance of the rules on setting the distribution wheeling rates for privately owned electricity distribution utilities may limit the Company's ability to adjust rates, which may affect its revenue stream and profitability.
Supply electricity in the least cost manner	Existing policies requiring participants such as the Company to source a fraction of its requirements from renewable energy without regard to its existing supply contracts may increase the cost of providing electricity to its end-users.

	The ambiguities or uncertainties in certain provisions of the guidelines for the procurement of assets and services may risk the Company's ability to comply with the rules and result in unnecessary investment.
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DECORP is committed to mitigating these risks by diligently adhering to the relevant ERC rules and regulations. The Company will proactively provide all requisite documents and reports to expedite the approval process for its capital expenditure projects, thereby minimizing any avoidable delays.

Financial Risks on Capital Intensity

Electric distribution utilities require significant capital investments for infrastructure maintenance, upgrades, and expansions, exposing the Company to financial risks if funding sources are constrained.

DECORP is committed to enhancing its service offerings to meet not only the demands of its current customer base but also the evolving requirements of potential customers. The Company is consistently developing expansion strategies to enhance its planning and load growth studies. While pursuing this strategy may enable DECORP to serve a larger customer base, it also exposes the Company to various risks and challenges.

One potential risk is that the expansion may yield lower growth or profitability than initially projected, and there is no guarantee that new business endeavors will achieve the desired level of profitability, if at all. Additionally, acquiring new assets and implementing projects may necessitate specific management skills, procedures, and systems, which may not be successfully deployed in a timely manner or at all. The success or failure in executing these strategies and managing associated risks could significantly impact the Company's business, financial health, and operational results.

DECORP is dedicated to bolstering the capabilities of its employees, both at the managerial and staff levels, as well as actively investing in market research. These measures are aimed at aligning the company's expansion strategies with market demands and ensuring a more successful execution of its growth initiatives.

Cashflow Risks

Non-payment or delays in payments by customers can indeed have a notable impact on DECORP's operations and financial stability. As an electric distribution utility, the Company relies on timely payments from its customer base to cover its operating expenses, ensure its working capital needs are met, and meet maturing obligations.

The critical nature of electricity as a basic necessity often works in DECORP's favor, as customers tend to prioritize paying their electricity bills to avoid the inconvenience of disconnection.

However, it is crucial for DECORP to acknowledge and proactively manage the risk associated with non-payment or payment delays to maintain financial health. DECORP commits to robust billing and collection systems that facilitate prompt and efficient payment processing. Clear and transparent communication channels with customers will be maintained, providing advance notice of payment due dates and potential consequences of non-payment. DECORP commits to continuously monitor its accounts receivables and establish mechanisms to address delinquent accounts promptly, which may include collection efforts or disconnection procedures as a last resort.

Reliance on Key Personnel or Managers

DECORP's key management, senior executives, and professionals, namely, its Chief Executive Officer, Chief Operating Officer, Network Operations Manager, Retail Services Manager, Finance Manager, Human Resource Manager, and Logistics Manager, constitute a crucial pillar of the company's success and operational stability. These individuals bring valuable expertise, experience, and leadership to the organization, shaping its strategic direction and day-to-day operations. The loss of key personnel or the Company's inability to attract and retain top talent could have profound implications for the Company's business. It could potentially disrupt the continuity of effective leadership, hinder strategic execution, and impede the Company's ability to adapt to industry changes and challenges, thereby posing significant risks to its overall business, financial health, and operational results.

DECORP commits to creating and adopting comprehensive talent retention programs, including competitive compensation packages, performance-based incentives, and career development opportunities. Succession planning will also be in place to identify and groom internal talent for leadership roles, ensuring a smooth transition should key individuals depart. DECORP will also maintain knowledge transfer mechanisms and documentation of critical processes to minimize disruptions in case of personnel changes.

Operational Risks on Infrastructure Failures and Human Error

Aging infrastructure, equipment malfunctions, and natural disasters pose significant risks to the reliability of power distribution services, ultimately impacting customer satisfaction. As power utilities in the Philippines grapple with aging power grids and equipment, the vulnerabilities become evident. Aging infrastructure and equipment are more susceptible to breakdowns and failures, resulting in power outages that inconvenience customers and undermine trust in the utility provider.

Moreover, natural disasters, such as typhoons, earthquakes, and volcanic eruptions are frequent occurrences in the Philippines. These calamities can inflict severe damage on

power infrastructure, leading to widespread outages and creating safety hazards for both utility personnel and the public. In addition to these external risks, human errors during maintenance, repairs, or equipment installations can also contribute to accidents, outages, and safety hazards. These mistakes can arise from a lack of adequate training, poor communication, or lapses in supervision.

DECORP commits to implementing a proactive maintenance schedule and robust disaster preparedness and response plans. Comprehensive training programs, strict supervision, and quality control measures will also be employed to identify and rectify potential errors before they result in accidents or outages. DECORP will establish clear lines of communication and reporting incidents, near misses, and safety concerns to foster a culture of transparency that encourages prompt reporting and facilitates swift issue resolution and risk mitigation.

Technological Risks, Grid Modernization Challenges and Integration

While the transition to a smart grid and the integration of new technologies in the power distribution sector bring about significant advancements, they also introduce a host of challenges and risks. The adoption of smart grid technologies, including advanced metering infrastructure and real-time data analytics, can lead to complexities in system management. Potential technical glitches and system failures may occur, which could disrupt power distribution and impact the quality of service.

Moreover, the integration of various systems and technologies can create operational challenges, including compatibility issues, data interoperability concerns, and uncertainties regarding the long-term performance, longevity, and safety of the infrastructure. These challenges necessitate a proactive approach to risk mitigation to ensure the successful implementation and sustained reliability of the smart grid.

DECORP commits to the implementation of robust cybersecurity measures to safeguard future smart grid infrastructure from cyberattacks and data breaches. Testing and quality assurance protocols will also be established to identify and rectify technical glitches before they disrupt operations. Interoperability standards and protocols will be adhered to by the Company to facilitate seamless integration along with observation of monitoring and maintenance programs to assess the performance, longevity, and safety of the infrastructure, allowing for timely upgrades and replacements as needed.

Legal and Liability Risks

The Company may encounter various legal challenges that pose potential risks, including contract disputes, environmental violations, safety incidents, and regulatory compliance issues. Contract disputes can arise from disagreements with partners, suppliers, or clients, potentially leading to legal proceedings that could disrupt business operations and financial stability. Environmental violations may result from non-compliance with environmental regulations, potentially resulting in fines, penalties, and

reputational damage. Safety incidents, whether at the workplace or in service performance, can lead to personal injuries, property damage, and associated liability claims. Furthermore, regulatory compliance challenges may stem from changes in laws and regulations that require costly adjustments or create legal uncertainties for DECORP. The consequences of these legal challenges can include substantial financial liabilities and reputational risk, necessitating a proactive approach to risk mitigation.

DECORP commits to engage a robust legal and compliance team to closely monitor regulatory changes, address compliance concerns, and provide guidance on other contractual matters. The Company will also prioritize safety and environmental stewardship by investing in employee training and equipment maintenance to reduce the likelihood of safety incidents and environmental violations. Effective contract management practices will also be observed to help prevent disputes and provide a strong legal foundation.

RISKS RELATED TO THE PHILIPPINES

Energy Supply and Fuel Risks

The Philippines' energy landscape is characterized by a substantial reliance on imported fossil fuels, particularly for electricity generation. This dependency exposes the country's power sector to fluctuations in global fuel prices, which can have a cascading effect on the cost of electricity generation.

DECORP, as a player in this energy ecosystem, faces the risk of increased operational costs whenever global fuel prices surge. Such price volatility can disrupt financial planning and potentially strain the Company's finances. The challenge lies in managing this external risk and developing strategies to mitigate the impact of fluctuating fuel costs to its bottom line.

DECORP sources around 40% of its power requirements from renewable energy and will continue to diversify its energy mix and reduce its dependence on fossil fuels in the coming years. Hedging contracts or long-term supply agreements for fossil fuels may also be entered into to provide price stability and predictability, allowing the Company to budget more effectively and manage its exposure to market price fluctuations. Prudent financial planning, including setting aside reserves and creating contingency funds, can help DECORP weather periods of high fuel prices without compromising its financial stability.

Political Risks

The Philippines' political climate is marked by a degree of volatility and shifts in government leadership or policies and can significantly impact the business environment for electric utilities operating in the country. Political instability can

introduce uncertainty and unpredictability, particularly in the regulatory and policy domains.

Changes in the administration can lead to changes in regulations governing the utility sector, taxation policies, and asset nationalization. Such shifts in the political landscape can introduce challenges for DECORP, as it must adapt to new rules and navigate the evolving political and regulatory terrain to ensure the continuity and profitability of their operations.

DECORP commits to fostering open lines of communication and collaboration with government authorities, regulatory bodies, and policymakers to stay informed about potential changes. Financial flexibility and robust risk management practices will also be maintained to mitigate the financial impact of sudden policy shifts. Contingency plans and scenario analyses will continuously be developed to prepare the Company to respond swiftly and adapt to changing circumstances.

Financial and Economic Risks

Fluctuations in currency exchange rates can exert a notable influence on the financial performance of the DECORP, particularly when substantial foreign imports are involved. These currency fluctuations can introduce uncertainty into budgeting and financial planning, potentially impacting the cost of imported equipment, technology, or fuel. Such shifts in exchange rates can lead to unforeseen cost increases, affecting the Company's bottom line.

Furthermore, the performance of DECORP is intricately linked to the broader economic conditions within the country. During periods of economic downturn, reduced industrial activity and lower consumer spending can result in decreased demand for electricity, posing a challenge for the Company. Delays in payment from financially strained customers can further exacerbate financial stress for the industry, making it vital for the Company to adopt strategies to mitigate these multifaceted financial risks.

DECORP will consider currency hedging mechanisms to mitigate the impact of adverse exchange rate movements on its import costs and help stabilize budgetary projections and minimize the financial impact of currency volatility. Supplier base will also be reviewed and diversified by sourcing locally or from suppliers with pricing arrangements in the local currency to reduce exposure to exchange rate fluctuations. Fostering customer relationships and offering flexible payment arrangements will also be observed to help manage payment delays during economic downturns, ensuring a more stable revenue stream. Closely monitoring economic indicators and staying attuned to market trends can enable the Company to anticipate economic downturns and adjust its strategies accordingly.

RISKS RELATED TO THE OFFER SHARES

Market Sentiment and Volatility

Shares of DECORP are susceptible to substantial price fluctuations, driven by a variety of factors, including changes in market sentiment, shifts in economic conditions, fluctuations in energy prices, and regulatory developments. Energy prices, particularly for utilities, can be volatile, leading to variations in earnings and subsequently impacting share value. Regulatory developments, including changes in industry regulations or government policies, can introduce uncertainties and influence investor confidence. Therefore, it is crucial for the Company to proactively manage these risks to ensure a stable and favorable investment environment for its shareholders.

DECORP commits to maintaining transparent communication with shareholders and providing timely updates on Company performance and strategies to help manage market sentiment. Implementation of prudent financial management practices, including effective cost control and risk management, can stabilize earnings and reduce vulnerability to economic fluctuations. Likewise, closely monitoring and actively participating in regulatory discussions and policymaking can provide DECORP with the opportunity to shape regulations in its favor.

Future Sales of DECORP Shares

The absence of trading on the PSE for DECORP's shares can pose significant challenges for investors, particularly when they decide to sell their shares in the Company.

In such a scenario, selling shareholders may encounter difficulties in finding a willing counterparty to purchase these shares, which can potentially result in a lack of liquidity and limited opportunities for trading. This illiquidity can be particularly concerning for investors who require flexibility in managing their investments or those looking to exit their positions swiftly.

The Company can work to increase its visibility and promote its investment opportunities to a broader audience which may involve actively engaging with potential investors, including institutional investors and private equity firms, to stimulate interest in the Company's shares.

USE OF PROCEEDS

The Offer is being made in compliance with the public offering requirement under Section 43(t) of the EPIRA that "distribution utilities which are not publicly listed shall offer and sell to the public a portion not less than fifteen percent (15%) of their common shares of stock".

The Company expects to raise gross proceeds of One Billion One Hundred Seventy-Two Million Six Hundred Thousand Pesos (₱1,172,600,000.00) from the primary issuance of Two Million Two Hundred Thousand (2,200,000) common shares at an Offer Price of Five Hundred Thirty-Three (₱533.00) per share.

The Net Offer Proceeds from the Offer Shares, after deducting underwriting fee, legal fees, audit fees, taxes and all other Offer-related expenses, are estimated to One Billion One Hundred Fifty-Four Million Four Hundred Sixteen Thousand Ninety-Eight Pesos (₱1,154,416,098.00), and broken down as follows:

Computation of DECORP's Net Offer Proceeds	
Gross Proceeds	1,172,600,000.00
Less: Estimated Offer – Related Expenses	
Underwriting Fee	2,500,000.00
Legal Fee (paid to the Company's legal counsel)	10,000,000.00
Value Added and Gross Receipts Tax*	1,415,000.00
Documentary Stamp Tax	2,200,000.00
SEC Registration Fee	1,178,902.00
Audit Fee	750,000.00
Publication Costs	120,000.00
Printing Costs	20,000.00
Estimated Total Offer-Related Expenses	18,183,902.00
Estimated Net Offer Proceeds	1,154,416,098.00

**Value Added Taxes of 12% on Legal Fee and Audit Fee; Gross Receipts Tax of 5% on Underwriting Fee*

There are no other substantial expenses that need to be made in relation to the public offer of DECORP's shares in addition to the foregoing. If the Company expects to incur other material and substantial expenses, the Company undertakes to forthwith disclose the same to the SEC and/or amend its Registration Statement, if necessary.

Of the Gross Offer Proceeds, Two Hundred Twenty Million Pesos (₱220,000,000.00) shall be booked as "Capital Stock" in the books of the Company. The remainder shall be booked as "Additional Paid-in Capital".

The Company intends to use the estimated Net Offer Proceeds of One Billion One Hundred Fifty-Four Million Four Hundred Sixteen Thousand Ninety-Eight Pesos (₱1,154,416,098.00), for the following purposes in order of priority: (1) To fund capital

expenditures over the next (3) years, and (2) to finance the company's business-related diversification.

The table below shows the summary of the Use of Proceeds:

Capital Expenditures

The Company intends to use approximately Eight Hundred Million Pesos (₱800,000,000.00) of the Net Offer Proceeds to finance its capital projects over a three (3) year period to enable the company to provide continuous and reliable services to its customers.

The Company's capital expenditure projects to be paid out using a portion of the net proceeds of the Offer have been listed below.

	Use of Proceeds	Estimated Amounts (in ₱)	Percentage (%)	Estimated Timing of Disbursement (in ₱)	Brief Discussion
1	Advance distribution management system and related communication infrastructure	155,000,000.00	2024 - 34% 2025 - 34% 2026 - 32%	2024 - 52,550,000.00 2025 - 52,450,000.00 2026 - 50,000,000.00	The procurement and installation of hardware, software, and related equipment is intended for the advanced automation of DECORP's distribution system to improve the reliability of its service, in accordance with DOE DC No. 2020-02-0003, "Providing a National Smart Grid Policy Framework for the Philippine Electric Power Industry and Roadmap for Distribution Utilities"
2	Construction of 20/25 MVA, 69 kV/13.8kV Substation in Sta. Barbara, Pangasinan	142,000,000.00	2024 - 64% 2025 - 34% 2026 - 2%	2024 - 91,000,000.00 2025 - 48,000,000.00 2026 - 3,000,000.00	The construction of a new 20/25 MVA, 69kV/13.8kV substation in Sta. Barbara ("SB") is intended to: (1) improve the loading capacity of DECORP's existing 2 x 20/27/33 MVA substation in Calasiao; (2) act as a reserve capacity to take in feeder load transfers in case of unplanned outages of feeders connected to

					the Calasiao Substation; and (3) address the anticipated load growth of areas served by SB feeders.
3	Primary line expansion from the proposed Sta. Barbara Substation to Minien East, Sta. Barbara	11,000,000.00	2024 - 100%	2024 - 11,000,000.00	In conjunction with the construction of the new SB Substation, the proposed line expansion is intended to assist in meeting the growing power requirements of the customers and in improving the reliability of DECORP's services.
4	Line extension, rehabilitation, and upgrades	148,200,000.00	2024 - 100% 2025 - 100% 2026 - 100%	2024 - 45,000,000.00 2025 - 57,000,000.00 2026 - 46,200,000.00	This consists in several projects for the expansion and rehabilitation of distribution facilities to cater to the growing electricity demands, specifically from the remote areas in DECORP's franchise areas, and to support the various road improvement projects being carried out by the government.
5	Purchase and installation of meters and metering equipment	91,000,000.00	2024 - 100% 2025 - 100% 2026 - 100%	2024 - 29,000,000.00 2025 - 30,000,000.00 2026 - 32,000,000.00	The procurement and installation of meters and metering equipment is intended to accommodate the electric service connections of new customers and to comply with the various programs of DOE and ERC, such as the In-Service Testing requirements, Net Metering Program, Retail Competition and Open Access, and Green Energy Option Program
6	Purchase and installation of distribution transformers	68,000,000.00	2024 - 100% 2025 - 100% 2026 - 100%	2024 - 18,000,000.00 2025 - 27,000,000.00 2026 - 23,000,000.00	The procurement and installation of line distribution transformers is

					intended to meet the increasing demand of existing customers and the projected energy requirement of new customers.
7	Continuous rehabilitation of Acquired LUELCO Distribution Lines	21,000,000.00	2024 - 100%	2024 - 21,000,000.00	The procurement and installation of distribution lines and equipment is intended for the rehabilitation of the facilities acquired from LUECO to increase reliability and to adhere to the safety requirements of the Philippine Electrical Code
8	Purchase of information system equipment to accommodate the increasing IT network users, replacement of the majority of the hardware equipment due to old age, and upgrades	18,000,000.00	2024 - 36% 2025 - 33% 2026 - 30%	2024 - 6,500,000.00 2025 - 6,000,000.00 2026 - 5,500,000.00	The purchase of additional information system equipment such as computers, servers, fiber optic equipment, and wireless communication equipment is intended to address the growth of network users and the replacement of old and obsolete hardware.
9	System Integration and Customer Interface Improvement	15,000,000.00	2024 - 67% 2025 - 33%	2024 - 10,000,000.00 2025 - 5,000,000.00	The procurement of Enterprise Resource Planning ("ERP") software and related hardware for the automation and integration of the various business processes for the enhancement of customer interface.
10	Purchase of additional service vehicles and replacement of vehicles including trucks which are beyond their service lives	61,000,000.00	2024 - 100% 2025 - 100% 2026 - 100%	2024 - 22,000,000.00 2025 - 21,000,000.00 2026 - 18,000,000.00	The purchase of additional service vehicles, trucks, bucket trucks, and rough terrain cranes is intended to accommodate the increase in customer volume, expedite restoration of line faults, and replace vehicles beyond their service lives.
11	Rehabilitation of Labrador-Binmaley-	1,500,000.00	2024 - 54% 2025 - 46%	2024 - 815,000.00 2025 - 685,000.00	Due to the age and location of the

	Calasiao 69 KV sub transmission line				substations, and to ensure the continuous supply of electricity to DECORP's substation in Dagupan from NGCP's substation in Labrador, DECORP will implement a line rehabilitation program of the Labrador-Binmaley-Calasiao 69kV subtransmission line built by NAPOCOR in 1975
12	Primary line rehabilitation from Sagud Bahley to Nibaliw Vidal, San Fabian	1,200,000.00	2024 - 100%	2024 - 1,200,000.00	DECORP will implement the reconductoring of the primary lines in Nibaliw Vidal, San Fabian that situated near coastal areas where oxidation is high. These line will be rehabilitated with a higher allowable current carrying capacity, a higher resistance to corrosion, and the ability to withstand faults to improve the reliability of DECORP's distribution system.
13	Purchase and installation of service drops to replace old annealed and undersized service drops	22,000,000.00	2024 - 32% 2025 - 34% 2026 - 34%	2024 - 7,200,000.00 2025 - 7,400,000.00 2026 - 7,400,000.00	The purchase and installation of service drops is intended to accommodate the connection of new and anticipated growth in customer volume. It also includes the reconductoring of old, annealed, and undersized wires.
14	Purchase and installation of grounding and earthing equipment to improve lower ground resistance	1,800,000.00	2024 - 33% 2025 - 33% 2026 - 34%	2024 - 600,000.00 2025 - 600,000.00 2026 - 600,000.00	The procurement and installation of new grounding equipment facilities is intended to comply with the National Fire Protection Association and Institute of Electrical and Electronics Engineers standards

					for the protection of the equipment and nearby structure or people against surcharges from the occurrence of fault currents.
15	Purchase and installation of equipment to improve insulation-coordination of distribution lines to withstand lightning strikes, high humidity, and contaminants	13,000,000.00	2024 - 34% 2025 - 34% 2026 - 32%	2024 - 4,400,000.00 2025 - 4,400,000.00 2026 - 4,200,000.00	The procurement and installation of equipment, such as smart arresters, pin-post insulators, and armor rods, is intended to improve the insulation coordination of DECORP's distribution lines, which are mostly situated in areas that are prone to thunderstorms and lightning strikes.
16	Replacement of street lightings from mercury vapor to high pressure sodium	19,000,000.00	2024 - 34% 2025 - 33% 2026 - 33%	2024 - 6,500,000.00 2025 - 6,300,000.00 2026 - 6,200,000.00	The purchase and installation of high-pressure sodium is intended to replace the mercury vapor lamps, an inorganic chemical waste used in street lighting, to comply with RA No. 6969, otherwise known as the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990.
17	Purchase of tools and laboratory equipment	5,000	2024 - 100% 2025 - 100% 2026 - 100%	2024 - 2,500,000.00 2025 - 800,000.00 2026 - 1,700,000.00	The procurement of measurement equipment, such as power quality analyzers, is sought to ensure DECORP's distribution system's compliance with the standards set in the Philippine Distribution Code. This also includes the purchase of tools for the protection and safety of personnel and other equipment, particularly when exposed to energized lines and unavoidable hazards.
18	Buildings and ground improvements	5,200,000.00	2024 - 100% 2025 - 100%	2024 - 4,000,000.00 2025 - 1,200,000.00	The construction and/or renovation of

					structures is intended to create additional space for distribution transformers and other equipment and proper storage for wires that are located in open spaces, and to increase safety and security for other properties. It also includes the construction of perimeter fence, transformer stockyard, and concreting of roads.
19	Purchase of communication and office furniture and equipment	1,100,000	2024 - 100% 2025 - 100% 2026 - 100%	2024 - 400,000.00 2025 - 420,000.00 2026 - 280,000.00	The purchase of communication equipment, new service vehicles, and portable radios is intended to replace in existing equipment that are beyond their service lives
	Total	800,000,000.00			

As a privately held distribution utility operating under the performance-based regulation program of the Energy Regulatory Commission (“ERC”), DECORP filed its application on 28 March 2022 with the ERC to commence its regulatory reset process for the fifth regulatory period covering the years 2023 to 2026.

The application abovementioned included DECORP’s capital expenditure (“capex”) program or forecasts for regulatory years 2023 to 2026, in which the related capex for 2024 to 2026 would be funded by the net proceeds from the public offer.

In accordance with the Rules for Setting Distribution Wheeling Rates for Privately Owned Electricity Distribution Utilities Operating Under Performance Based Regulation and the Regulatory Asset Base (“RAB”) Roll Forward Handbook for Privately Owned Electricity Distribution Utilities issued by the ERC, which are both dated December 2021, DECORP determined its capex program based on the following:

1. Projects that provide distribution services to new customers or increase the capacity of the distribution system in order to meet growing demands from existing customers.
2. Projects that renew assets because they can no longer meet growing demands.
3. Renewal projects that replace existing assets due to their deteriorating condition.
4. Renewal projects that replace assets due to technological obsolescence.

5. Refurbishment projects that increase the serviceability of assets beyond their normal standard lives.
6. Projects to comply with regulatory and government requirements.

The following were the basis for determining the capital expenditure projects: (1) trending patterns established from historical expenditure records; (2) design and implementation efficiency; (3) supporting the anticipated growth in connections, coincident peak demand, and energy delivered; (4) whether it is sufficient to enable the Company to achieve or exceed the applicable target levels; and (5) whether it is necessary to meet regulatory and/or statutory requirements.

The costs of the above forecasted projects were determined using the standard replacement cost ("SRC") contained in the RAB Handbook. In the event that a certain asset does not have an SRC in the RAB Handbook, an SRC is developed based on the latest market prices. A reasonable allowance for consumer price index and exchange rates was applied to these SRCs to determine the annual estimated costs of these projects.

With respect to the Company's intended investment in the System Integration and Customer Interface Improvement Project, the Company has engaged the services of Achieve Without Borders, Inc. to supply an Odoo ERP software for the automation and integration of the various business processes of the Company. On 08 June 2023 and 01 August 2023, the Company signed a Product Proposal for the implementation of phase 1 of the ERP project and an Enterprise Subscription Agreement with Odoo Enterprises, respectively.

Business Related Diversification

One of the Company's strategic goals is to diversify its business into related products to spread its investment and reduce the impact of risks associated with market saturation and dependence on a single product.

The Company will allocate the remaining Net Offer Proceeds of Three Hundred Fifty-Four Million Four Hundred Sixteen Thousand Ninety-Eight Pesos (₱354,416,098.00) for potential investment opportunities in renewable energy.

In this connection, the Company is considering entering in a joint venture with a renewable energy supplier to build and operate up to 7.5 MW solar plants as embedded generation for DECORP. The projected costs of construction and operating expenses are as follows:

	Estimated Amount
Engineering, Procurement, and Construction (EPC) Costs	₱ 423,750,000
Lease of land	675,000
Local permits	3,500,000
Project management costs	5,400,000
Transmission lines	8,200,000
Operating expenses	22,076,250
Total estimated costs	463,601,250

The Company's intended investment in renewable energy represents a fraction of the total anticipated cost of the solar power plant.

General Working Capital (Alternative)

In the event the Company's intended investment in the solar power plant does not materialize, the remaining net proceeds (after deducting the expenses for the Capital Expenditure Projects) shall be used for the Company's general working capital for one month, as follows:

Purchased power and transmission services	₱ 323,203,946
Operating expenses	31,212,152
Total	354,416,098

No portion of the Net Offer Proceeds will be used to discharge any portion of the Company's debt to a bank or any other non-bank financial institution, third-party, or related party of DECORP.

No portion of the Net Offer Proceeds shall be used to reimburse any officer, director, employee, or stockholder for service rendered, assets previously transferred, money loaned or advanced or otherwise.

No portion of the Net Offer Proceeds shall be used to acquire assets or other businesses, other than the capital expenditure projects listed above, which have been submitted to the ERC for approval.

In the event that the net proceeds of the Offer are less than the amounts needed to cover the foregoing projects and expenses, the shortfall, to the extent possible, shall be funded by the Company from internal sources such as cash flows generated from operations.

Moreover, the proposed use of proceeds delineated above represents a best estimate of the use of such proceeds based on the most recent available information to the

Company and its current plans. The timing and the actual use of the Net Offer Proceeds may vary from the foregoing discussion and the Company's Board of Directors may find it necessary to reallocate within the purposes described above or alter its plans on the use of the Net Offer Proceeds taking into consideration the changes in market conditions, availability of acquisition opportunities, and such other future events or developments.

In the event of any substantial deviation or adjustment in the planned use of proceeds, the Company undertakes to inform its stockholders thereof, seek the SEC's approval before its implementation pursuant to the SEC *en banc*'s Resolution dated 03 June 2009, and amend its Registration Statement or Prospectus, if necessary.

The amounts which shall not immediately be used according to the timetable above shall be deposited in any of the Company's bank accounts in order to earn interest at the current legal interest rate imposed by the Bangko Sentral ng Pilipinas.

PLAN OF DISTRIBUTION

*The Offer Shares shall be offered to the public through the Sole Underwriter / Selling Agent or the Company's Corporate Secretary (in his capacity as the Official Registrar of Stockholders). The Offer Shares shall **not** be listed on any Exchange and may only be traded over-the-counter.*

THE ROLE OF THE UNDERWRITER

To facilitate the Offer, the Company has appointed Penta Capital & Investment Corporation (the "Sole Underwriter" or "PentaCapital"), as the Sole Underwriter and Selling Agent pursuant to the Mandate Letter dated 29 September 2023, with the authority to offer for subscription and purchase the Offer Shares to any number of Eligible Investors in the Philippines with a commitment to fully underwrite the entire issue on a firm basis.

PentaCapital shall also act as the Receiving Agent who shall receive and collate all applications submitted by the Sole Underwriter and Selling Agent and the Corporate Secretary of the Company, for and on behalf of the applicants for the Offering.

The Company will **not** be appointing a syndicate or sub underwriters in relation to the Offer.

PentaCapital is a leading independent investment house in the Philippines known for its unique expertise in project development & financing, especially for real estate, leisure, renewable energy, and infrastructure projects. It was organized in 1993 by a group of investment bankers and businessmen to engage in investment banking services with an initial paid-up capital of One Hundred Fifty Million Pesos (₱150,000,000.00).

PentaCapital has acquired a niche in the investment banking and financial services sectors, specifically: money market operations, consumer financing (through its subsidiary, PentaCapital Finance Corporation), debt and equity underwritings, financial advisory and project development financing, especially for build-operate-transfer, build-lease-transfer, and build-own-operate projects.

PentaCapital's consolidated net worth as of 30 June 2023 is at Seven Hundred Million Pesos (₱750,000,000.00).

PentaCapital has no past or existing relationship with the Issuer.

The Sole Underwriter does not have any right to designate or nominate any member to the Board of the Company.

UNDERWRITING OBLIGATION

As the Sole Underwriter, PentaCapital has committed to fully underwrite on a firm basis the entire primary offer of Two Million Two Hundred Thousand (2,200,000) DECORP common shares at Five Hundred Thirty-Three Pesos (₱533.00) per share, amounting to One Billion One Hundred Seventy-Two Million Six Hundred Thousand Pesos (₱1,172,600,000.00).

OTHER DISTRIBUTION

Other than through the Sole Underwriter and Selling Agent, the Offer Shares shall also be distributed by the Company through its Corporate Secretary in his capacity as the Official Registrar of the Stockholders, who shall facilitate the application process in Dagupan City.

Any applications submitted to or received by the Corporate Secretary shall be turned over to the Receiving Agent.

The Corporate Secretary shall not receive any compensation for facilitating the application process in Dagupan City.

INVOLVEMENT OF THE CONSULTANT

The Company has engaged IGC Securities, Inc. as Consultant primarily to present relevant market data/ financial information, research and analysis on comparable publicly-held utilities and past public offerings in relation to structuring a public offer and sale of at least fifteen percent (15%) of the Company's outstanding common shares and achieving the recommended valuation to be used as basis in deciding on the terms of the Offer, for mapping out the plan of distribution, and in the appointment of an Underwriter, among others.

UNDERWRITING FEE

The Sole Underwriter shall receive a total fee equivalent to Two Million Five Hundred Thousand Pesos (₱2,500,000.00), exclusive of a five percent (5%) Gross Receipts Tax and out-of-pocket expenses.,
There are no other direct or indirect commissions to be paid to PentaCapital in addition to the foregoing.

Pursuant to the Company and Underwriter's agreement, PentaCapital has no right to designate or nominate a member of the Board of Directors of the Company.

The Sole Underwriter has no contract or other arrangement with the Company by which the underwriter may put back to the Company any unsold securities of the offering.

ELIGIBLE INVESTORS AND ALLOCATION OF OFFER SHARES

The entire amount of the Offer Shares shall be available for subscription and purchase by any Eligible Investor, *i.e.*, any natural person of legal age and a Philippine national or any domestic corporation, association, or partnership. In the case of domestic corporations and associations, sixty percent (60%) of its total voting shares and total outstanding capital stock must be owned and held by Filipinos.

No part of the Offer Shares is designated to be sold to specified persons.

Neither shall any part of the Offer Shares be sold or distributed through brokers, dealers, and finders.

Since the Offer Shares shall only be traded over-the-counter, no portion of the Offer Shares shall be allocated to an Exchange or to any of its member firms.

MINIMUM AND MAXIMUM SUBSCRIPTIONS

The minimum subscription shall be Four Hundred (400) DECORP common shares for individuals and Five Thousand (5,000) DECORP common shares for corporations, associations, and partnerships.

The maximum subscription shall be Fifty Thousand (50,000) DECORP common shares for individuals and Four Hundred Thousand (400,000) DECORP common shares for corporations, associations, and partnerships.

SUBSCRIPTION PROCEDURES

All Applications to purchase or subscribe to the Offer Shares must be evidenced by a completed application form accomplished by the Applicant or the Applicant's duly authorized representative.

The Application to Purchase forms may be secured from the office of the Sole Underwriter at 10th Floor, ACT Tower, 135 Sen. Gil Puyat Avenue, Salcedo Village, Makati City, or from the Company's Corporate Secretary as the Official Registrar at AB Fernandez St., Dagupan City, Pangasinan.

An Application to Purchase Offer Shares shall not be deemed as a duly accomplished and completed Application unless submitted with all required relevant information and applicable supporting documents, namely:

For Individual Applicants:

1. Two (2) duly completed and executed specimen signature cards;
2. A photocopy of two (2) valid and current government-issued IDs.

For Corporate Applicants:

1. Two (2) duly completed and executed specimen signature cards of the authorized signatory(ies), duly authenticated by the Applicant's Corporate Secretary (or the equivalent corporate officer);
2. Copies of the Applicant's Articles of Incorporation and By-laws, or other constitutive documents, each as amended to date, and duly certified by its Corporate Secretary;
3. A copy of the Applicant's SEC Certificate of Registration, duly certified by its Corporate Secretary;
4. A duly notarized certificate of the Corporate Secretary of the Applicant attesting to the resolution of the Applicant's board of directors or equivalent body authorizing the purchase of the Offer Shares indicated in the Application and identifying the designated signatories authorized for the purpose, including his or her specimen signature;
5. A duly notarized certificate of the Corporate Secretary of the Applicant certifying to the percentage of the Applicant's capital or capital stock held by Philippine nationals; and
6. A photocopy of two (2) valid and current government-issued IDs of (a) the authorized signatory(ies), duly certified as a true copy by the Corporate Secretary and (b) the Corporate Secretary, duly certified as true copy by an authorized officer of the corporation.

Application forms with accompanying payments must be submitted to either of the following, no later than the end of the Offer Period:

1. PentaCapital in its capacity as the Sole Underwriter/Selling Agent at the 10th Floor, ACT Tower, 135 Sen. Gil Puyat Avenue, Salcedo Village, Makati City, Metro Manila; or
2. The Corporate Secretary of the Company in his capacity as the Official Registrar of Stockholders at AB Fernandez St., Dagupan City, Pangasinan.

PAYMENT TERMS

The Offer Price shall be payable in full in Philippine currency upon the submission of the duly executed application form and all other required accompanying documents.

Payments for the Offer Shares shall be by local personal or corporate check, a manager's check, or a cashier's check drawn against a bank authorized by the Bangko Sentral ng Pilipinas, and all such checks must be made payable to the order of

"DAGUPAN ELECTRIC CORPORATION." and crossed for deposit to "Payee's Account Only" and dated as of the date of the Application.

Any payment submitted to or received by the Sole Underwriter/Selling Agent or the Company's Secretary pursuant to an Application should not be construed as an approval or acceptance by the Company of the Application.

RIGHT TO ACCEPT/REJECT/SCALE DOWN APPLICATIONS

The actual number of Offer Shares that an Applicant will be allowed to purchase shall be subject to the confirmation of the Company.

The Company, by itself or through the Sole Underwriter, shall have the unrestricted and unqualified right to accept or reject, in whole or in part, any application to subscribe for or purchase any specified number of Offer Shares, or to scale down the number of Offer Shares for which such application is made.

An Application, once expressly accepted and approved by the Company shall constitute a valid purchase agreement between the Applicant and the Company for the subscription for or purchase of such number of Offer Shares as approved and at the time, in the manner, and subject to the terms and conditions set forth in the Application and in this Prospectus.

Notwithstanding the acceptance by Company of any Application, the actual subscription for or purchase by the Investor or Applicant of the Offer Shares shall become effective only upon the obligation of the Underwriter, under this Agreement, becoming unconditional and not being suspended, terminated or cancelled.

REFUNDS

In case of refunds, the Company shall make the refund checks available for pickup at the Underwriter's office or the Corporate Secretary's office five (5) banking days after the end of the Offer Period.

Refund checks that remain unclaimed after sixty (60) days from the date such checks are made available for pickup shall be mailed at the Applicant's risk to the address specified by the applicant in the Application.

LODGEMENT OF THE OFFER SHARES AND ISSUANCE OF STOCK CERTIFICATES

All of the Offer Shares shall be lodged with the Corporate Secretary as the Official Registrar of the Company.

Stock certificates for the Offer Shares covered by the fully or partially accepted applications shall be issued by the Corporate Secretary of the Company.

LOCK-UP AND SELLING/TRANSFER RESTRICTIONS

Shareholders who own an equivalent of at least ten percent (10%) of the issued and outstanding common shares of the Company as of the Issue Date cannot sell, assign or in any manner dispose of their shares for a period of one hundred eighty (180) days after the Issue Date.

DIVIDENDS AND DIVIDEND POLICY

OVERVIEW

Under Philippine law, dividends may be declared out of a corporation's unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them. "Unrestricted Retained Earnings" refer to "the undistributed earnings of a corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends." The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC.

The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose.

LIMITATIONS AND RESTRICTIONS

Section 42 of Republic Act No. 11232, otherwise known as the Revised Corporation Code, prohibits stock corporations from retaining surplus profits in excess of one hundred percent (100%) of their paid-in capital stock, except: (i) when justified by definite corporate expansion projects or programs approved by the Board of Directors; (ii) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or (iii) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation such as when there is a need for special reserve for probable contingencies.

Section 29 of Republic Act No. 8424, otherwise known as the National Internal Revenue Code ("NIRC"), as amended, previously imposed for each taxable year an improperly accumulated earnings tax ("IAET") of 10% of the improperly accumulated taxable income of corporations formed or availed of for the purpose of avoiding the income tax with respect to its stockholders or the stockholders of any other corporation, by permitting the earnings and profits of the corporation to accumulate instead of dividing them among or distributing them to the shareholders. The imposition of IAET was later repealed upon the effectivity of Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE Act").

DIVIDEND POLICY

On 29 September 2023, the Company adopted a dividend policy pursuant to which stockholders may be entitled to receive, upon declaration by the Company's Board of Directors, dividends equivalent to approximately thirty to fifty percent (30 – 50%) of the

prior year's net income after tax, primarily in cash, based on the Company's net income after tax, subject to the availability of the unrestricted retained earnings and except: (i) when justified by definite corporate expansion projects or programs approved by the Board of Directors; (ii) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or (iii) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation such as when there is a need for special reserve for probable contingencies.

However, the Board of Directors, in its discretion, may decide to declare dividends to be payable in properties or shares. In case of the latter, the ratification of the stockholders owning at least 2/3 of the outstanding capital stock shall be required.

The Company will conduct a periodic review of the available unrestricted balance of retained earnings for purposes of earmarking surplus profit for future capital expenditures or for distributing the same as special cash or stock dividends.

The Board of Directors may, at any time, modify the dividend policy or declare special dividends, depending on capital expenditure plans and/or any terms of financing facilities entered into to fund current and future operations and projects.

Under the Revised Corporation Code, the Company may not make any distribution of dividends other than out of its unrestricted retained earnings.

The Board of Directors will review the amount of dividends periodically in light of the following factors:

1. The Company's earnings, cash flow, return on equity and retained earnings;
2. The Company's results and financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
3. The Company's projected levels of capital expenditures and other investment programs;
4. Restrictions on payments of dividends that may be imposed on it by any future financing arrangements and current or prospective debt service requirements; and
5. Such other factors as the Board of Directors deems appropriate.

The declaration of dividends shall also take into account the need to maintain a level of capitalization that is commercially sound and sufficient to ensure that the Company can operate on a stand-alone basis.

DIVIDEND HISTORY

The table hereunder shows the Company's dividend history.

All values listed hereunder shall be understood to be in Philippine Peso.

YEAR	DIVIDEND TYPE	DIVIDEND RATE	RECORD DATE	PAYMENT DATE	TOTAL AMOUNT OF DIVIDENDS PAID
2014	Cash	₱10.75 per share	10 December 2014	December 2014	65,000,000.00
2015	-	-	-	-	-
2016	Property dividend	1 share for every 7 shares held*	31 December 2015	July 2016	284,324,320.00
	Stock dividend	48%**	31 December 2015	July 2016	291,200,000.00
	Cash dividend	₱8.27 per share	31 December 2015	July 2016	50,000,000.00
2017	-	-	-	-	-
2018	Stock dividend	5.5%**	29 June 2018	2018	55,000,000.00
	Cash dividend	₱5.55 per share	29 June 2018	2018	55,000,000.00
2019	-	-	-	-	-
2020	Cash	₱2.87 per share	31 December 2019	2020	30,000,000.00
	Stock dividend	19%**	31 December 2019	2020	200,000,000.00
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	Cash	₱128.39 per share	15 June 2023	June to September 2023	1,600,000,000.00

*DECORP Treasury shares were paid out as property dividends with an entitlement ratio of one (1) DECORP share from Treasury for every seven (7) DECORP shares held by eligible shareholders.

**The Company paid out as stock dividends such number of DECORP shares equivalent to the stock dividend rate multiplied by the total number of DECORP shares held by eligible shareholders.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

The Company has not issued or sold any of its shares for the past three (3) years.

DETERMINATION OF OFFER PRICE

The Offer Price of Five Hundred Thirty-Three Pesos (₱533.00) was determined through a fixed-price method wherein the Offer Price has already been set/fixed and disclosed to the public well ahead of the Offer Period, as opposed to price discovery through a book-building process. The Offer Price was based on scenarios for indicative public offer size presented by the Consultant, confirmed and recommended by the Sole Underwriter and approved by the Company.

The following factors, among others, were also taken into consideration in determining the Offer Price: (1) Compliance with the EPIRA to achieve a minimum fifteen percent (15%) public offering; (2) Post-offer ownership structure, including share dilution of existing shareholders; (3) Alignment of valuation metrics such as Price-to-Book Value Ratio, Price-to-Earnings Ratio and Dividend Yield with comparable publicly-held utilities; (4) Financial impact on the Company's cash, shareholder's equity, and net tangible book value, and also on key profitability, liquidity and leverage ratios; (5) Issue size in relation to the Company's planned use of proceeds; (6) the Company's after-tax earnings, overall earnings prospects and financial standing; and (7) the Company's ability to generate income and declare dividends.

Industry perspective and factors that are unique to electric distribution utilities were also taken into context:

- **Regulatory Environment**

The Company operates within a highly regulated environment. Regulatory decisions regarding rate structures and other factors can significantly impact financial performance, and consequently, its valuation and offer price.

- **Rate of Return and Earnings**

The Company's earnings are closely tied to its ability to recover costs and earn a reasonable return on its investments. The stability and predictability of these earnings can influence the offer price.

- **Capital Expenditures and Financing Costs**

The Company's plan for capital expenditures to maintain and upgrade its infrastructure can impact future revenue generation and operational efficiency. Capital structure, debt levels, and financing costs to sustain these expenditures can influence its cost of capital which in turn affect valuation models.

- **Risk Profile, Disclosure, and Transparency**

Providing a transparent and comprehensive information about the Company's financials, operations, and risks associated with operations, regulatory environment, and industry trends can build investor trust and impact.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the actual audited balances of the Company's total liabilities and shareholders' equity as of 30 June 2023, and the corresponding pro-forma balances after taking into account (a) the subsequent payment during the third quarter of the balance of cash dividends declared in June 2023, (b) the issuance of Two Million Two Hundred Thousand (2,200,000) primary common shares at the Offer Price of Five Hundred Thirty-Three Pesos (₱533.00) per share, and (c) the deduction of estimated fees and expenses related to the Offer.

For a more detailed discussion on the breakdown of estimated fees and expenses see "Use of Proceeds" of this Prospectus.

This table should be read in conjunction with the Company's Audited Financial Statements, including the notes thereto, included elsewhere in this Prospectus.

All values listed hereunder shall be understood to be in Philippine Peso.

	Actual as of 30 June 2023	Pro-Forma Post-Offer
TOTAL DEBT	3,095,845,686	1,695,845,686
Equity:		
Capital Stock	1,246,200,000	1,466,200,000
Additional Paid-In Capital	189,124,320	1,141,724,320
Revaluation Reserves	1,584,176,624	1,584,176,624
Remeasurement Loss on Retirement Benefits	(5,870,347)	(5,870,347)
Retained Earnings	1,023,619,588	1,005,435,686
TOTAL EQUITY	4,037,250,185	5,191,666,283

DILUTION

The Company shall offer Two Million Two Hundred Thousand (2,200,000) common shares to the public, all of which are new primary shares to be issued from the unissued portion of DECORP's authorized capital stock.

Upon conclusion of the Offer, DECORP's issued and outstanding common shares will increase from Twelve Million Four Hundred Sixty-Two Thousand (12,462,000) common shares to Fourteen Million Six Hundred Sixty-Two Thousand (14,662,000) common shares.

The book value or total equity attributable to shareholders based on the audited financial statements as of 30 June 2023 was Four Billion Thirty-Seven Million Two Hundred Fifty Thousand One Hundred Eighty-Five Pesos (₱4,037,250,185.00).

The net tangible book value attributable to stockholders based on the audited financial statements as of 30 June 2023 was Four Billion Thirty-Seven Million Two Hundred Fifty Thousand One Hundred Eighty-Five Pesos (₱4,037,250,185.00) or Three Hundred Twenty-Three Pesos and Ninety-Six Centavos (₱323.96) per share.

The net tangible book value per share is computed by dividing the net tangible book value attributable to shareholders by the issued and outstanding shares.

The net tangible book value will increase to Five Billion One Hundred Ninety-One Million Six Hundred Sixty-Six Thousand Two Hundred Eighty-Three Pesos (₱5,191,666,283.00) or Three Hundred Fifty-Four Pesos and Nine Centavos (₱354.09) per common share upon conclusion of the offer.

This represents an immediate increase of Thirty Pesos and Thirteen Centavos (₱30.13) per share in net tangible book value to existing shareholders and an immediate dilution of One Hundred Seventy-Eight Pesos and Ninety-One Centavos (₱178.91) per share to subscribers of the Offer Shares at Five Hundred Thirty-Three Pesos (₱533.00) per share.

The following table illustrates dilution to new investors on a per share basis:

Offer Price per Share	₱533.00
Net tangible book value per share as of 30 June 2023	₱323.96
Net tangible book value per share upon conclusion of the Offer	₱354.09
Difference in Offer Price per share and net tangible book value per share as of 30 June 2023	₱209.04
Dilution in net tangible book value per share to new investors	₱178.91

The following table shows the shareholdings and percentage ownership of the existing shareholders and new investors before the Offer and upon conclusion of the Offer:

	Pre-Offer		Post-Offer	
	No. of Shares	Percentage of Ownership	No. of Shares	Percentage of Ownership
Existing Shareholders	12,462,000	100%	12,462,000	85%
New Investors	nil	nil	2,200,000	15%
Total Outstanding Shares	12,462,000	100%	14,662,000	100%

SELECTED HISTORICAL FINANCIAL AND OPERATING INFORMATION

STATEMENTS OF FINANCIAL POSITION					
	As of 30 June	As of 31 December			
	2023	2022	2021 (As Restated)*	2021	2020
ASSETS					
Non-Current Assets					
Utility, plant and equipment – net	3,792,407,196	3,813,175,882	3,853,845,858	1,901,002,302	1,804,536,135
Other property and equipment – net	85,244,690	92,838,330	97,463,800	82,226,052	70,080,978
Financial assets at fair value through other comprehensive Income (FVOCI)	152,000,000	152,000,000	152,000,000	152,000,000	-
Deferred tax assets	26,260,910	24,463,555	20,711,837	20,711,836	22,094,090
	4,055,912,796	4,082,477,767	4,124,021,495	2,155,940,190	1,896,711,203
Current Assets					
Cash and cash equivalents	2,062,129,014	1,821,967,472	1,634,777,956	1,634,777,956	1,584,491,626
Short-term investments	-	-	-	-	23,000,000
Trade and other receivables – net	582,983,527	754,917,648	535,027,812	535,027,812	731,166,208
Financial assets at fair value through Profit or loss (FVPL)	270,202,414	270,202,414	272,688,428	272,688,428	59,241,447
Inventories	95,187,572	96,971,421	81,417,136	81,417,136	106,168,435
Prepayments and other current assets	66,680,548	57,626,758	67,608,646	67,608,646	59,433,313
	3,077,183,075	3,001,685,713	2,591,519,978	2,591,519,978	2,563,501,029
TOTAL ASSETS	7,133,095,871	7,084,163,480	6,715,541,473	4,747,460,168	4,460,212,232
EQUITY AND LIABILITIES					
Equity					
Capital stock	1,246,200,000	1,246,200,000	1,246,200,000	1,246,200,000	1,246,200,000
Additional paid-in capital	189,124,320	189,124,320	189,124,320	189,124,320	189,124,320
Revaluation reserve	1,584,176,624	1,618,731,957	1,688,423,618	212,362,639	219,579,595
Remeasurement loss on retirement benefits	(5,870,347)	(5,870,347)	-5,870,347	(5,870,347)	3,426,044
Retained earnings					
Appropriated	400,000,000	400,000,000	-	-	600,000,000
Unappropriated	623,619,588	1,967,758,063	2,033,431,917	2,033,431,917	1,140,622,558
	4,037,250,185	5,415,943,993	5,151,309,508	3,675,248,529	3,398,952,517
Current Liabilities					
Trade and other payables	704,957,608	700,865,191	585,019,555	585,019,555	553,384,097
Income tax payable	28,947,210	-	1,319,918	1,319,918	44,535,302
Dividend payable	1,400,000,000	-	-	-	-
	2,133,904,818	700,865,191	586,339,473	586,339,473	597,919,399
Non-Current Liabilities					
Customers' deposits	334,528,627	333,802,951	335,299,575	335,299,575	330,207,950
Deferred tax liabilities	549,331,241	560,849,685	584,080,239	92,059,913	96,265,686
Retirement benefits obligation	78,081,000	72,701,660	58,512,678	58,512,678	36,866,680
	961,940,868	967,354,296	977,892,492	485,872,166	463,340,316
TOTAL EQUITY AND LIABILITIES	7,133,095,871	7,084,163,480	6,715,541,473	4,747,460,168	4,460,212,232

* The restated values of the 2021 financial position to reflect the valuation of properties. For a more detailed discussion on the restated values, see "Independent Auditors" of this Prospectus.

STATEMENTS OF COMPREHENSIVE INCOME					
	For the Six (6) Months Ended 30 June		For the Years Ended 31 December		
	2023	2022	2022	2021	2020
REVENUES	2,184,871,791	2,148,272,226	4,678,351,420	3,404,944,908	2,838,107,209
OPERATING EXPENSES					
Purchased power	1,650,465,603	1,785,283,336	3,865,894,454	2,707,510,988	2,007,611,813
Operations and maintenance	146,641,452	126,560,958	263,544,470	223,463,745	215,492,541
Depreciation	99,607,724	92,534,217	185,360,524	95,398,084	88,476,015
Taxes other than income tax	29,664,266	12,958,158	52,440,862	28,884,148	41,229,103
	1,926,379,045	2,017,336,669	4,367,240,310	3,055,256,975	2,352,809,472
INCOME FROM OPERATIONS	258,492,746	130,935,557	311,111,110	349,687,933	485,297,737
OTHER INCOME (CHARGES)	27,722,890	9,426,000	33,804,680	17,186,787	31,296,986
INCOME BEFORE INCOME TAX	286,215,636	140,361,557	344,915,790	366,874,720	516,594,723
PROVISION FOR INCOME TAX	76,427,888	44,912,531	103,511,859	83,687,968	152,209,743
NET INCOME	209,787,748	95,449,026	241,403,931	283,186,752	364,384,980
OTHER COMPREHENSIVE INCOME					
Remeasurement gain (loss)	-	-	-	-	-
Retirement Benefits	-	-	-	(9,296,391)	5,040,340
TOTAL COMPREHENSIVE INCOME	209,787,748	95,449,026	241,403,931	273,890,361	369,425,320
Earnings Per Share	16.83	7.66	19.37	22.75	29.24

STATEMENTS OF CASH FLOWS					
	For the Six (6) Months Ended 30 June 2023		For the Years Ended 31 December		
	2023	2022	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax	286,215,636	140,361,557	344,915,790	366,874,720	516,594,723
Adjustments for:					
Depreciation	99,607,724	92,534,217	185,360,524	95,398,094	88,476,015
Retirement benefit expense	5,379,340	7,094,491	14,188,982	9,250,809	9,993,860
Provision for ECL	7,123,240	3,749,395	13,584,985	1,350,709	9,373,773
Franchise tax	28,975,788	0	1,965,902	933,602	3,443,675
Interest expense	-	-	166,596	484,723	437,511
Fair value loss on financial assets at FVPL	-	-	2,486,014	353,019	3,597,327
Interest income	(26,577,863)	(7,648,976)	(33,902,159)	(13,334,734)	(31,389,320)
Gain on sale of transportation equipment	-	-	(56,384)	-	(360,506)
Operating income before working capital changes	400,723,865	236,090,684	528,710,250	461,310,942	600,167,058
Decrease (Increase) in:					
Trade and other receivables	164,810,881	(85,650,767)	(233,474,821)	194,787,687	(367,379,387)
Short-term investments	-	-	-	23,000,000	(23,000,000)
Inventories	1,783,849	29,883,516	(15,554,285)	24,751,299	(39,612,255)
Prepayments and other	(9,053,790)	(5,596,266)	9,981,888	(8,175,333)	(18,291,572)

current assets					
Increase (Decrease) in:					
Trade and other payables	4,092,418	144,641,804	115,845,636	31,635,458	5,936,522
Customers' deposits	725,676	(2,165,692)	(1,496,624)	5,091,625	1,513,979
Cash generated from operations	563,082,899	317,203,279	404,012,044	732,401,678	159,334,345
Interest received	26,577,863	7,648,976	33,902,159	13,334,734	31,389,320
Franchise tax paid	(28,975,789)	(21,093,027)	(1,965,902)	(933,602)	(3,443,675)
Income tax paid	(49,278,033)	(35,309,649)	(108,583,495)	(124,222,422)	(130,741,321)
Interest paid	-	-	(166,596)	(484,723)	(437,511)
Contribution to retirement fund	-	-	-	-	(12,093,650)
Net cash provided by operating activities	511,406,940	268,449,579	327,198,210	620,095,665	44,007,508
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property and equipment	(71,245,398)	(71,544,772)	(140,065,078)	(204,009,335)	(219,913,465)
Acquisition of financial assets at FVPL	-	-	-	(213,800,000)	-
Acquisition of financial assets at FVOCI	-	-	-	(152,000,000)	-
Proceeds from sale of transportation equipment	-	-	56,384	-	633,929
Proceeds from redemption of financial assets at FVPL	-	-	-	-	23,548,950
Net cash used in investing activities	(71,245,398)	(71,544,772)	(140,008,694)	(569,809,335)	(195,730,586)
CASH FLOWS FROM A FINANCING ACTIVITY					
Cash dividend paid	(200,000,000)	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	240,161,542	196,904,807	187,189,516	50,286,330	(181,723,078)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	1,821,967,472	1,634,777,956	1,634,777,956	1,584,491,626	1,766,214,704
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	2,062,129,014	1,831,682,763	1,821,967,472	1,634,777,956	1,584,491,626

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Additional Paid-in Capital	Revaluation Reserve	Remeasurement Gain (Loss) on Retirement Benefits	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total Equity
Balance on 01 January 2022	1,246,200,000	189,124,320	1,688,423,618	(5,870,347)	0	2,033,431,917	5,151,309,508
Net income	0	0	0	0	0	95,449,026	95,449,026
Depreciation on appraisal increase transferred to unappropriated retained earnings	0	0	(46,937,540)	0	0	46,937,540	0
Income tax effect on the revaluation	0	0	11,734,385	0	0	0	11,734,385

increment charged to operations through additional depreciation charges							
	0	0	(35,203,155)	0	0	142,386,566	107,183,411
Balance on 30 June 2022	1,246,200,000	189,124,320	1,653,220,463	(5,870,347)	0	2,175,818,483	5,258,492,919
Balance on 01 January 2023	1,246,200,000	189,124,320	1,618,731,957	(5,870,347)	400,000,000	1,967,758,063	5,415,943,993
Net income	0	0	0	0	0	209,787,748	209,787,748
Depreciation on appraisal increase transferred to	0	0	0	0	0	0	0
Unappropriated retained earnings	0	0	(46,073,777)	0	0	46,073,777	0
Income tax effect on the revaluation increment charged to operations through additional depreciation charges	0	0	11,518,444	0	0	0	11,518,444
Cash dividend declared	0	0	0	0	0	(1,600,000,000)	(1,600,000,000)
	0	0	(34,555,333)	0	0	(1,344,138,475)	(1,378,693,808)
Balance on 30 June 2023	1,246,200,000	189,124,320	1,584,176,624	(5,870,347)	400,000,000	623,619,588	4,037,250,185

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

The following DECORP management discussion and analysis of the changes in financial position and operating results should be read in conjunction with the Company's financial statements for the six (6) months ended 30 June 2023 and for the years ended 31 December 2022, 2021, and 2020, as well as the notes thereto included elsewhere in this Prospectus.

This discussion contains forward-looking statements and reflects the current views of the Company with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" and elsewhere in this Prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CHANGES IN FINANCIAL POSITION

As of 30 June 2023 and As of 31 December 2022

Utility, Plant and Equipment amounted to ₱3,792 million as of 30 June 2023, ₱22.77 million or 0.55% lower than the ₱3,813 million as of 31 December 2022. The decrease was a result of the depreciation on costs and the appraisal increase being higher than the additional capital expenditures. The capital investment as of 30 June 2023 was ₱69 million, which comprises the continuous extension of distribution assets to accommodate the growth in customers, the construction of additional offices, and the construction of 69 kV lines.

The Other Property and Equipment amounted to ₱85.24 million as of 30 June 2023, which is ₱7.59 million or 8% lower than the ₱92.84 million as of 31 December 2022. The reduction on the value of these assets was due to the depreciation exceeding the additional investment. The capital expenditure as of 30 June 2023 was ₱2.2 million spent on acquisition of computers, scanners, and printers.

Cash and Cash Equivalents increased by ₱240 million or 13%, attributable to the net cash provided by the operating activities of the Company amounting to ₱511 million, reduced by its investment on capital assets amounting to ₱71 million and partial payment of dividends amounting to ₱200 million.

Trade and Other Receivables decreased by ₱172 million or 23% compared to the 31 December 2022 balance. The decline can be attributed to the significant reduction in the generation charge, which accounts for 60% of the receivables billed to customers.

Prepayments and Other Current Assets increased by ₱9.05 million or 16% due to the recognition of withholding tax and Value Added Tax ("VAT") withheld by the customers

that remain unused or not yet applied by the Company for payment of taxes as of 30 June 2023.

On 16 June 2023, the Company approved the declaration of cash dividends amounting to ₱1,600 million to stockholders of record as of 15 June 2023, payable on various dates until 29 September 2023. As of 30 June 2023, the Company had paid cash dividends amounting to ₱200 million.

The Unappropriated Retained Earnings decreased by ₱1,344 million or 68% while the total current liabilities increased by ₱1,433 million or 204%, which can be attributed primarily to the declaration and payment of dividends.

The total Non-Current Liabilities slightly increased by ₱5 million or 0.56%, which can be attributed to the collection of refundable consumption deposit, the increase in retirement benefit obligations, and the decrease in retirement benefit obligations.

As of 31 December 2022 and As of 31 December 2021

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

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

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

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

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

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

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

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

As of 31 December 2021 and As of 31 December 2020

In 2023, the Company had its properties ending 31 December 2021 appraised by an independent firm of appraisers. The valuation was performed in accordance with the International Valuation Standards (2022 Edition) and the Philippine Valuation Standards (2nd Edition, 2018). This valuation resulted in the restatement of the 2021 Financial Position, in which the balances of the affected accounts were presented in the 2022 Financial Statements to properly effect the prior period adjustments. The result of the revaluation of assets was adjusted to the accumulated depreciation of appraisals except for land, for which the resulting increase in value was adjusted to appraisal increase.

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

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

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

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

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

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

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

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

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

As of 31 December 2020 and As of 31 December 2019

Utility, Plant and Equipment increased by ₱133 million or 7.96% in 2020 due to the purchase of lots in Bacayao and Dagupan City, the construction of an additional substation and a control house in San Fabian, a new office in Calasiao to augment bill collection, a 69 kV sub-transmission line from Dagupan City to San Fabian, distribution line extensions to address customer growth, and replacement of assets.

The ERC, in its response to the economic and social disruption caused by the COVID-19 outbreak, directed distribution utilities to defer their collection of electricity bills from their customers throughout the quarantine period. The ERC further directed the distribution utilities to collect the deferred cumulative amounts in installments. Due to this response to the COVID-19 pandemic, Cash and Cash Equivalents decreased by ₱182 million or 10%, while Trade and Other Receivables increased by ₱358 million or 96%.

The trade restrictions and confinements brought on by the COVID-19 pandemic also disrupted the scheduled construction and maintenance of distribution assets of the company in 2020, resulting in the slow movement of materials in the inventory account. Thus, the inventory was ₱40 million or 60% higher than the previous year.

Despite the absence or delay in collection caused by government actions to alleviate the financial situation of electricity users as a result of the COVID-19 pandemic, the

Company continues to fulfill its obligations to its suppliers and other stakeholders using its internal funds. Additionally, notwithstanding the lack of collection, the Company's burden to meet its responsibilities was lessened by the ₱50 million or 24% decrease in the cost of power billed by its suppliers. This resulted in a modest increase of ₱6 million or 1% in the Trade and other payables account.

On 27 August 2020, the Company declared and paid cash and stock dividends amounting to ₱30 million and ₱200 million to stockholders of record as of 31 December 2019, respectively. The stock dividends increased the capital stock by ₱200 million or 19%.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

For the Six (6) Months Ended 30 June 2023 and For the Six (6) Months Ended 30 June 2022

Revenues

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

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

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

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

The Sale of Electricity amounted to ₱2,185 million for the six-month period ended 30 June 2023, which is ₱37 million or 1.7% higher than the ₱2,148 million sales in 2022 of

the same period. The details of the revenues for the six (6) months ended 30 June 2023 and 2022 are as follows:

For the Six (6) Months Ended 30 June (In Millions)		
	2023	2022
Generation	1,475.37	1,432.08
Transmission	168.08	190.86
System loss	117.76	119.36
Distribution	401.08	395.41
Other pass-through charges	18.16	4.91
Total electric revenues	2,180.45	2,142.63
Other revenues	4.42	5.65
Total revenues	2,184.87	2,148.27

The increase in Electric Revenues can be attributed to the increase in energy sales or energy consumption by 5,948 MWH or 2.8% from previous year. Although there was a reduction in the energy sold to residential customers by 1,581 MWH or 1.4% it was compensated by the 4,367 MWH or 4.6% increase in the energy sold to non-residential customers.

Customer Class	Energy Sales in MWH		No. of Customers	
	2023	2022	2023	2022
Residential	109,271	110,852	124,578	121,119
Small Commercial	41,593	38,276	12,591	12,086
Large Commercial	25,796	24,442	249	241
Bulk Power	33,657	30,793	31	27
Streetlights	2,223	2,228	56	59
Total	212,540	206,592	137,505	133,532

Operating Expenses

The total Operating Expenses of the Company for the six (6) month period ended 30 June 2023 amounted to ₱1,926 million, which is lower by ₱91 million or 5% than the ₱2,017 million operating expenses in 2022. The details of these expenses are as follows:

For the Six (6) Months Ended June 30 (In Thousand Pesos)		
	2023	2022
Purchased power	1,650,466	1,785,283
Depreciation	99,608	92,534
Salaries and wages	75,154	71,820
Taxes other than income tax	29,664	12,958
Outside services	16,368	17,336

Professional fees	13,526	2,241
Repairs and maintenance	7,626	7,024
Provision for ECLs	7,123	3,749
Retirement benefits	5,379	7,094
Telephone and water	4,027	3,513
Transportation	3,366	3,633
Office supplies	2,781	2,056
Rent	2,638	1,917
Insurance	2,275	1,133
Others	6,377	5,044
Total	1,926,379	2,017,337

Purchased Power consists of payments made by the Company for energy purchased from generators under power supply agreements approved by the ERC and the Wholesale Electricity Spot Market (“WESM”), and payments made to the system operator for the transmission of electricity services. Purchased Power decreased by ₱135 million or 8% for the six (6) months ended 30 June 2023 compared with that of the same period of the previous year. The decrease can be attributed to the addition of two (2) power suppliers to the Company’s generator portfolio. These energy producers supply solar and geothermal energy, which has far lower costs than WESM prices and coal generators during this period because of high fuel costs.

Salaries and Wages consist of salaries and benefits paid to regular employees of the Company. For the six (6) months ended 30 June 2023, Salaries and Wages increased by ₱3.3 million or 4.8% due to the annual salary increase given to the staff.

Taxes Other Than Income Tax include payments for registration fees, regulatory supervision fees, licenses, business permits, local franchise taxes, real property taxes, and other related taxes paid to national and local governments except income tax. This account increased by ₱16.7 million or 129% due to the recognition of real property taxes paid on poles and other related materials to the local governments covering the franchise areas where the Company operates.

Outside Services comprise payments to third-party contractors for the issuance of billing statements and disconnection notices, bill collection, meter reading, meter connection, security services, tree trimming, and distribution line maintenance. Outside Services decreased by ₱967,976 or 5.6 % due to a change in the procedure of disconnecting past-due accounts and a change in the contractor performing this service.

Professional Fees include payments to consultants and experts hired to perform legal, financial, and other professional services for the Company. In 2023, the Company hired the services of a consultant, legal consultant, underwriters, and auditors to prepare the Company for the public offering of its shares in compliance with the EPIRA, resulting in the increase in this expense by ₱11 million or 503%.

Repairs and Maintenance increased by ₱602 thousand or 9%, which was due to the increase in the maintenance of street lighting requirements.

The Company applies the simplified approach in measuring Expected Credit Loss (“ECL”), which uses a lifetime expected loss allowance for all trade and other receivables. The Company has written-off all Trade and Other Receivables of more than one (1) year past due since historical experience has indicated that these receivables are generally not recoverable. In 2023, the provision for ECLs increased by ₱3.3 million or 90%.

The Company maintains a funded, non-contributory defined benefit retirement plan covering all its regular and full-time employees. The fund is administered by a trustee bank authorized to invest the fund as it deems proper. The Retirement Benefit Cost is based on RA No. 7641, and it decreased by ₱1.7 million or 24% for the six (6) months ended 20 June 2023.

For the Years Ended 31 December 2022 and 31 December 2021

Revenues

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

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

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

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

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

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

Costs and Operating Expenses

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

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

For the Years Ended 31 December 2021 and 31 December 2020

Revenues

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

Customer Class	Energy Sales in MWH			Number of Customers		
	2021	2020	% Change	2021	2020	% Change
Residential	222,730	215,042	3.58%	119,137	115,080	3.53%
General Retail	72,932	68,832	5.96%	11,908	11,360	4.82%

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

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

Costs and Operating Expenses

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

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

For the Years Ended 31 December 2020 and 31 December 2019

Revenues

The Electric Revenues decreased by ₱437 million or 13% in 2020, which is mainly attributable to lower generation costs of power suppliers passed on to consumers and lower energy sales.

In 2020, the average generation rate that the Company's power providers charged fell from ₱5.23/kWh to ₱4.13/kWh or a reduction of 27%. Given that the generation charge accounts for 60% of total revenues and is revenue-neutral for the Company, the drop in the cost of electricity significantly reduced the overall electric revenues.

Considering the lockdowns, curfews, and restrictions during the COVID-19 crisis, the total energy sales decreased by 6 MWH or 2%. This was caused by the temporary suspension of business operations for commercial and industrial customers, which led to an 18% reduction in energy consumption, but this was offset by a 16% increase in energy consumption for residential users.

Total Other Income (Charge) decreased by ₱32 million or 51% lower than prior year due to the 67% decline in the interest rates offered by banks on savings and placements in various banks.

Costs and Operating Expenses

The total Operating Expenses decreased by ₱525 million or 18% in 2020, due to the following:

The Purchased Power, which includes electricity bought from generation companies and services availed from a transmission provider, decreased by ₱518 million or 21%. This can be attributed to a reduction in the generation charged by power suppliers from an average of ₱5.23/kwh to ₱4.13/kWh or a 27% decline.

The Operations and Maintenance Expenses decreased by ₱5.2 million or 2.4%, and the change can be attributed to the following:

- An increase of ₱4.5 million or 4% on Salaries and Wages due to the annual salary increase.
- Repairs and Maintenance decreased by ₱14.45 million or 39% due to the delays in maintenance projects caused by COVID-19 restrictions.
- Outside Services decreased by ₱2.4 million or 15% because of the reduction in the services availed for bill issuance and collection, and the disconnection of delinquent accounts brought on by the COVID-19 limitations.
- The COVID-19 crisis also reduced the requirement for Meter Reading services by ₱0.972 million or 23%
- The restrictions due to COVID-19 also reduced the requirement for Transportation Expenses by ₱1.13 million or 24% and delayed the need for Trainings and Seminars equivalent to a reduction of ₱0.521 million or 83%.
- The cost of Office Supplies increased by ₱0.864 million or 43%.

KEY PERFORMANCE INDICATORS

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

	30 June 2023	2022	2021	2020
Return on Equity	5.20%	4.46%	5.50%	10.72%
<i>Net Profit divided by Total Equity</i>				
Return on Assets	2.95%	4.08%	9.41%	8.52%
<i>Net Profit divided by Average</i>				

<i>Assets</i>				
Debt to Equity Ratio	0.77	0.31	0.30	0.31
<i>Total Liabilities divided by Total Equity</i>				
Current Ratio	1.44	4.28	4.42	4.29
<i>Total Current Assets divided by Total Current Liabilities</i>				
Average Collection Period	50 days	50 days	97 days	71 days
<i>Average Accounts Receivable divided by Average Sales per day (Sale of Electricity divided 365 days)</i>				

LIQUIDITY RISKS

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

The Company monitors and maintains a level of funds deemed adequate by management to finance the Company's operations and mitigate the effects of cash flows. Any excess funds are placed with reputable banks to generate interest income. As of 30 June 2023, the Company's financial liabilities have contractual maturities as follows:

	As of 30 June 2023	
	Due within one year (in ₱)	Due beyond one year (in ₱)
Trade payables	287,285,110	-
Other payables*	101,377,684	-
Dividends payable	1,400,000,000	
Customers' deposits	199,655,242	334,528,627
	₱1,988,318,036	₱334,528,627

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 Prospectus.

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

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

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

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

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

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

The Company does not have any material commitments for capital expenditures other than those described in this Section and other Sections of this Prospectus.

EXTERNAL AUDITOR

The current independent external auditor of the Company is Diaz Murillo Dalupan and Company, appointed by the Company's stockholders during their annual stockholders' meeting.

The recommendation for appointment, management, and oversight of a prospective external auditor are among the roles and obligations of the Audit Committee, in accordance with the Company's Corporate Governance Manual dated 02 October 2023

The following are the responsibilities of the Audit Committee with regard to selecting and overseeing external auditors:

1. Approving and recommending the appointment, reappointment, removal, and fees of an external auditor shall be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reason for the removal or change should be disclosed to the regulators and the public through the Corporation's website and required disclosures;
2. Assessing the integrity and independence of external auditors and exercising effective oversight in reviewing and monitoring the external auditor's independence and objectivity and effectiveness of the audit process;
3. Recommending to the Board of Directors the compensation of the external auditor;

4. Reviewing the external auditor's audit plan, fee schedule and any related services proposals;
5. Overseeing the work of an external auditor;
6. Ensuring that the external auditor meets the rotation requirements for partners and staff on the Company's audit;
7. Reviewing and discussing with management and the external auditor the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, as well as the external auditor's written communication to the Committee and to management;
8. Reviewing the external auditor's report, audit results and financial statements prior to approval of the Board of Directors;
9. Reporting on and recommending to the Board of Directors the annual financial statements and the external auditor's report on those financial statements, prior to Board approval and dissemination of financial statements to shareholders and the public; and
10. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total amount income of the external auditor and to the Corporation's overall consultancy expenses. The Audit Committee shall disallow any non-audit that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report.

THE BUSINESS

OVERVIEW

DECORP is a domestic corporation duly organized under and by virtue of laws of the Republic of the Philippines. It is a private electric distribution utility serving the electric power requirements of 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.

DECORP was first registered with the SEC on 30 May 1961, with an authorized capital stock of Five Hundred Thousand Pesos (₱500,000.00) divided into One Hundred (100) shares at a par value of Five Thousand Pesos (₱5,000.00) per share.

On 29 December 1983, the Company's authorized capital stock was increased to Twenty Million Pesos (₱20,000,000.00) divided into Two Hundred Thousand (200,000) shares with a par value of One Hundred (₱100.00) per share.

On 27 November 1987, the Company's authorized capital stock was increased to Forty Million Pesos (₱40,000,000.00) divided into Four Hundred Thousand (400,000) shares with a par value of One Hundred (₱100.00) per share.

On 18 May 1995, the Company's authorized capital stock was increased to One Hundred Million Pesos (₱100,000,000.00) divided into One Million (1,000,000.00) shares with a par value of One Hundred Pesos (₱100.00) per share.

On 02 October 2000, the Company's authorized capital stock was increased to Four Hundred Million Pesos (₱400,000,000.00) divided into Four Million (4,000,000.00) shares with a par value of One Hundred Pesos (₱100.00) per share.

On 08 April 2010, the Company's authorized capital stock was increased to One Billion Five Hundred Million Pesos (₱1,500,000,000.00) divided into Fifteen Million (15,000,000) shares, with a par value of One Hundred (₱100.00) per share.

HISTORY

DECORP is one of the distribution utilities in Luzon. It is engaged in the distribution of electricity and is granted a legislative franchise to operate and service certain areas in the province of Pangasinan.

Formerly known as Lim and De Leon, the company started serving Dagupan City and the Municipality of Calasiao, both in the province of Pangasinan, through Republic Act No. 3221 in 1961.

In 1964, the municipalities of San Fabian, San Jacinto and Santa Barbara were included as part of its franchise areas through Republic Act No. 4013, which was later extended for another twenty-five (25) years under Certificate of Franchise No. 141 issued by the National Electrification Commission (“NEC”) in 1990.

In 1990, the Company was permitted to deliver electricity in Barangays Cruz and Bolingit in the City of San Carlos, Pangasinan under NEC’s Certificate of Franchise No. 226.

In 2000, the Company started its service in the Municipality of Manaoag, Pangasinan, when it took over the operations of Manaoag Utility Company, Inc. under Certificate of Franchise No. 143 granted by the National Electrification Administration.

In 2010, by virtue of R.A. 9969, the Philippine Congress granted DECORP a consolidated franchise to construct, operate and maintain a distribution system for the conveyance of electric power to the end-users in the identified areas for a term of twenty-five (25) years. Following this, a Certificate of Public Convenience and Necessity (“CPCN”) was issued by the ERC to DECORP on 21 June 2011 valid for a period of twenty-five (25) years from 27 February 2010 up to 26 February 2035.

STRATEGIC INTENT

It is the Company’s strategic intent to excel as the preferred energy service provider by exceeding customer expectations using world-class practices appropriate to local conditions.

The Company’s strategic intent reflects DECORP’s corporate values of *Dedication and Distinction, Efficiency and Enlightenment, Consistent Customer Centeredness, Openness and Teamwork, Reasonable Rates and a Reward system based on Productivity and Providential principles*. It aims to achieve and sustain leadership in the Philippine energy industry by satisfying its stakeholders, relentlessly improving quality, innovation, and service excellence.

SERVICES

RA No. 9969 granted DECORP the sole authority to construct, operate, maintain a distribution system for the conveyance of electric power to the end-users in the City of Dagupan, the Municipalities of Calasiao, Sta. Barbara, San Fabian, San Jacinto, and Manaoag, and Barangays Bolingit and Cruz in the City of San Carlos, all in the province of Pangasinan.

By virtue of its franchise, DECORP has the exclusive right to operate an electric distribution system within the boundaries of its franchise areas. DECORP’s distribution system refers to the system of wires and associated facilities, including sub-

transmission lines that connect the transmission grid, currently operated by the NGCP, or on a generating facility to DECORP's electricity consumers

Electricity is generated at power plants where various sources are used to produce electrical energy, which is then transmitted by the transmission company to distribution utilities, like DECORP, which then distributes electricity to its captive and contestable customers. Throughout this process, the Company is responsible for maintaining a careful balance between supply and demand, regulating voltage levels, and minimizing power losses. They also incorporate safety measures to protect both the infrastructure and the consumers. Operation, maintenance, and expansion of this distribution system is necessary to ensure reliable and efficient electricity to consumers in its franchise area.

For optimal operation, DECORP is grouped into three (3) main subdivisions:

1. Network Operations Management ("NOM") oversees the reliable and efficient operations of the entire distribution system, which includes planning and design, substation operations, distribution network construction, revamp and maintenance.
2. Retail Services Management ("RSM") provides customer services such as applications and inspection, meter installation and maintenance, meter reading, billing and collection and customer assistance/complaints management.
3. Corporate Support Service ensures compliance to laws, rules, regulations, industry practices and sound business operations. It consists of Management Information System ("MIS"), Human Resource Development ("HRD"), Finance, Legal Services and Logistics.

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

DECORP has a total substation capacity of 181 MVA. At the distribution substations, the sub-transmission voltage is converted to 13.8 kV. Electricity is distributed through a network of approximately 706.408 km of primary overhead lines and 1,318.97 km of secondary overhead lines. A total of three thousand four hundred thirty-nine (3,439) distribution line transformers are used in the network to convert the distribution voltage levels to low voltage (230/460 Volts, single-phase and three-phase). The total line transformer capacity is 207.249 MVA.

Total substation capacity is shown below:

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

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

Circuit Description	Unit	Dec 2020	Dec 2021	Dec 2022
Subtransmission	Km	148.52	190.95	211.38
Primary Lines	Km	1,712.49	1,738.52	1,763.00
Secondary Lines	Km	2,634.70	2,702.53	2,780.00

Apart from the services described above, the Company has no publicly announced product or service in any stage of development.

MARKET

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

Residential customers comprise 91% of DECORP's consumers and contribute to 58% of its revenues. This customer class is applicable to captive retail service for residential purposes of a permanent nature to individual private dwellings and to individually metered apartments.

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

General Power customers comprise 0.18% of DECORP's consumer base and contribute to 13% of its revenues. This customer class is applicable to captive customer retail service for non-residential purposes used for general power, heating, and lighting in industrial, manufacturing, processing, machining, cold storage, water supply, and supermalls at secondary voltage with contracted capacity equal to or greater than 40kW.

Bulk Power customers comprise 0.02% of DECORP's consumer base and contributes 7% of its revenues. This customer class consists of customers connected and drawing power from the primary lines at 13.8 kV. This type of service is used for general power,

heating, space cooling, and lighting in industrial, manufacturing, processing, machining, cold storage, water and supply and supermalls, with demands equal to or greater than 250 kW.

Streetlights customers comprise 0.04% of DECORP's consumer base and contributes 2% of its revenues. This customer class consists of roadway lighting service where existing facilities have adequate capacity and suitable voltage.

DECORP's energy sales for the period ended 30 June 2023 is 212,540 MWH. Below table shows the total number of customers and energy sales per customer class:

Customer Class	No. of Customers	Energy Sales (MWH)
Residential	124,578	109,271
Small Commercial	12,591	41,593
Large Commercial	249	25,796
Bulk Power	31	33,657
Streetlights	56	2,223
Total	137,505	212,540

As of 31 December 2022, DECORP has a total of one hundred thirty-five thousand four hundred forty-five (135,445) customers, including four (4) contestable customers.

DECORP's energy sales for the period ended 31 December 2022 is 414,221 MWh with a total number of one hundred thirty-five thousand four hundred forty-five (135,445) customers. The table hereunder shows the total number of customers, energy sales, total sales per class and the respective percentages for the covered period:

Customer Class	No. of Customers	Energy Sales (MWH)	%	Total Sales in Millions	%
Residential	122,754	219,747	53.05%	2,821.965	53.83%
General Retail	12,357	78,746	19.01%	1,035.079	19.74%
General Power	247	47,507	11.47%	646.498	12.33%
Bulk Power	30	63,755	15.39%	679.781	12.97%
Streetlights	57	4,465	1.08%	59.279	1.13%
TOTAL	135,445	414,221	100%	5,242.602	100%

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

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

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

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

PERMITS, LICENSES, AND REGULATORY APPROVALS

As a franchise recipient and a regulated entity, the Company must ensure its adherence to the terms of its franchise, relevant laws, and all reporting and regulatory obligations imposed by its governing authorities and other governmental bodies. The Company’s permits and licenses are listed below.

Republic Act No. 9969 (the “Franchise”)

The Company was authorized to construct, operate, and maintain a distribution system for the conveyance of electric power to its customers within the franchise areas by virtue of the franchise granted by the Congress of the Philippines under RA No. 9969 for a period of twenty-five (25) years from 06 February 2010. Nonetheless, this Franchise may be modified, changed, or revoked by Congress when deemed necessary for the public good and should not be understood as an exclusive grant of the privileges outlined. Without such, DECORP may not continue to operate its business as an electric distribution company.

Certificate No. CPCN-11-02

In compliance with the requirement of the Franchise, the Company has applied for the necessary CPCN from ERC per ERC Case No. 2011-06 MC.

ERC approved the application and issued Certification No. CPCN-11-02 to DECORP on 21 June 2011, which shall be valid for a period of twenty-five (25) years from 27 February 2010 until 26 February 2035, subject to the rules and regulations issued by the ERC in accordance with the law.

Bureau of Internal Revenue (“BIR”) Registration

The BIR issued Certificates of Registration for the following branches of the Company:

	Office / Branch	Address	TIN
1	Dagupan City Head Office	AB Fernandez West Poblacion Oeste, Dagupan City 2400	000-202-524-00000
2	Manaoag Head Office	Vinuya Street, Poblacion, Manaoag 2430	000-202-524-00001
3	Quezon City Head Office	RM. 300 Veria I Bldg. 62 West Ave. West Triangle, Quezon City 1104	000-202-524-00002
4	Sta. Barbara Head Office	Maningding, Sta. Barbara 2419	000-202-524-00003
5	San Fabian Head Office	Sevidal Street, Poblacion, San Fabian 2433	000-202-524-00004
6	San Jacinto Head Office	Buada Bldg. Gomez St., San Guillermo (Poblacion West), San Jacinto 2431	000-202-524-00005
7	Calasiao Head Office	Mac Arthur Highway San Miguel, Calasiao 2418	000-202-524-00006

The Annual Registration Fees for the above-listed branches have been paid on 09 January 2023.

Business Permit

The Company has been issued business permits by the following local government units where it is operating:

	City / Municipality	Business Address	Permit Number / Business Plate	Date Issued	Validity
1	Sta. Barbara	Maningding	2844	31 Jan 2023	31 Dec 2023
2	Manaoag	Vinuya St., Poblacion	0808	01 Feb 2023	31 Dec 2023
3	San Fabian	Sevidal St., Poblacion	0702	01 Feb 2023	31 Dec 2023
4	Calasiao	San Miguel	1727	02 Feb 2023	31 Dec 2023
5	Dagupan	AB Fernandez West, Poblacion Oeste	1931	18 Feb 2023	31 Dec 2023
6	San Jacinto	Buada Bldg. Gomez St., Poblacion	287-2023	02 Mar 2023	31 Dec 2023

Other Licenses and Permit

The Company holds the following permits/licenses from other government agencies:

Agency	Particulars	Permit / License / Registration No.	Date Issued	Valid Until
Energy Regulatory Commission (ERC)	DECORP Meter Shop	Certificate of Authority No. 10-055	01 Jul 2022	30 Jun 2025
National Telecommunications Commission (NTC)	Portable Radio	P-AA-2547-2021 P-AA-2548-2021 P-AA-2549-2021 P-AA-2551-2021 P-AA-2552-2021 P-AA-2553-2021	01 Oct 2021	30 Sept 2024

		P-AA-2559-2021 P-AA-2560-2021 P-AA-2561-2021		
	Private Fixed / Land Base Radio	FX/FB-AA-00470-12	01 Oct 2021	30 Sept 2024
	Land Mobile Radio	ML-AA-00055-08 ML-AA-00056-08 ML-AA-00057-08 ML-AA-00061-08 ML-AA-00063-08 ML-AA-00064A-08 ML-AA-00064B-08 ML-AA-00065A-08 ML-AA-00065B-08 ML-AA-00066-08 ML-AA-10025-01 ML-AA-10030-01 ML-AA-10031-01 ML-AA-10032-01 ML-AA-10036-01 ML-AA-10037-01 ML-AA-10038-01 ML-AA-10055-01 ML-AA-0080-2020 ML-NC-06431-02 ML-NC-06501-03 ML-NC-06502-02 ML-NC-08311-02 ML-NC-0780-02 ML-NC-16953-02 ML-NC-12714-04 ML-NC-168454-05	01 Oct 2021	30 Sept 2024
	Private Repeater	RPT-AA-00468-12	28 Mar 2023	30 Sept 2024
	Land Mobile Radio	ML-AA-0164-2022 ML-AA-0165-2022 ML-AA-0166-2022	04 Apr 2023	03 Apr 2024
	Portable Radio	P-AA-2875-2022 P-AA-2876-2022 P-AA-2877-2022 P-AA-2878-2022 P-AA-2879-2022 P-AA-2880-2022 P-AA-2881-2022 P-AA-2882-2022	04 Apr 2023	03 Apr 2024
	Land Mobile Radio	ML-AA-0053-2020 ML-AA-0055-2020 ML-AA-0056-2020 ML-AA-0057-2020 ML-AA-0058-2020 ML-AA-0059-2020	09 May 2023	08 May 2024
	Land Mobile Radio	ML-AA-0081-2020 ML-AA-10051-01	08 May 2023	30 Sept 2024
	Land Mobile Radio	ML-AA-0175-2022	03 Jun 2023	02 Jun 2024

		ML-AA-0176-2022 ML-AA-0177-2022 ML-AA-0178-2022 ML-AA-0179-2022 ML-AA-0180-2022 ML-AA-0181-2022 ML-AA-0182-2022 ML-AA-0183-2022 ML-AA-0184-2022 ML-AA-0185-2022 ML-AA-0186-2022 ML-AA-0187-2022 ML-AA-0188-2022		
	Portable Radio	P-AA-3024-2022 P-AA-3025-2022 P-AA-3026-2022	03 Jun 2023	02 Jun 2024
	Land Mobile Radio	ML-AA-0370-2023 ML-AA-0371-2023 ML-AA-0372-2023 ML-AA-0373-2023 ML-AA-0374-2023 ML-AA-0375-2023 ML-AA-0376-2023 ML-AA-0377-2023	29 Jun 2023	28 Jun 2024
	Portable Radio	P-AA-5145-2023	29 Jun 2023	28 Jun 2024
	Portable Radio	P-AA-2550-2021 P-AA-2554-2021 P-AA-2555-2021 P-AA-2556-2021 P-AA-2557-2021 P-AA-2558-2021	29 Jun 2023	30 Sept 2024
	Land Mobile Radio	ML-AA-10027-01 ML-NC-10028-01 ML-AA-10045-01 ML-AA-10046-01 ML-AA-00060-08 ML-AA-00062-08 ML-AA-00067-08	29 Jun 2023	30 Sept 2024

The Company has no other franchises, licenses, concessions, patents, trademarks, or copyrights in addition to those disclosed above.

RESEARCH AND DEVELOPMENT

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

This is still true even with the emergence of technology and the government’s implementation of a national smart grid policy framework for the Philippine electric power industry and roadmap for distribution utilities due to the sufficiency of the available products and technologies in the market.

FORECAST

According to the 2019-2028 Power Supply Procurement Plan, the Company’s energy sales are expected to grow at a yearly average rate of 4% from 2019 to 2028. The growth in demand is mainly attributed to the projected increase in customer volume that will reach a forecasted number of one hundred seventy thousand and twenty-six (170,026) customers in 2028. The table below shows the forecast in customer volume beginning 2018 through 2028.

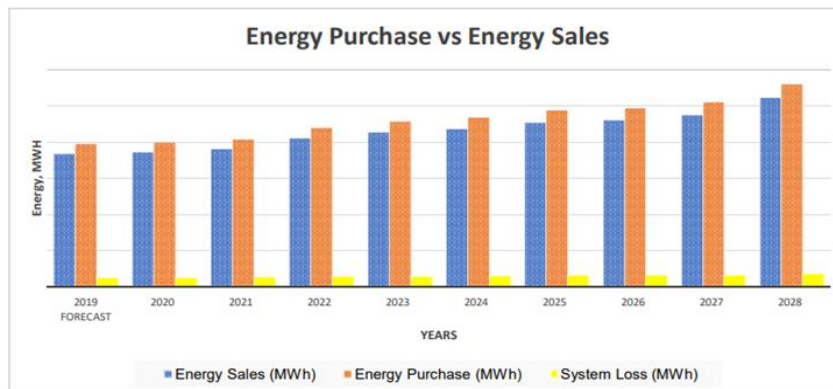
Number of Customer Connections in Franchise	ACTUAL	FORECAST									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Residential	106,828	111,120	115,175	119,393	123,779	128,342	133,088	138,026	143,163	148,509	154,071
Commercial	11,148	11,565	11,970	12,391	12,830	13,287	13,762	14,257	14,772	15,309	15,868
Industrial	18	19	19	20	20	20	20	20	20	20	20
Others	67	67	67	67	67	67	67	67	67	67	67
Contestable Customers served by RES	2	2	2	2	2	2	2	2	2	2	2
Total (Captive Customers)	118,061	122,771	127,231	131,871	136,696	141,716	146,937	152,370	158,022	163,905	170,026

Energy sales and purchases from 2009 to 2018 at an average of 4% due to the expected growth in customer volume. Using historical data as reference, energy consumption forecasts for 2019 to 2028 were done using indexation methodology for residential and small commercial, historical linear technique for street lighting customers and specific identification method for large commercial and industrial customers.

ENERGY SALES AND PURCHASE

ENERGY SALES AND PURCHASE	HISTORICAL									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Energy Sales (MWh)	234,087.10	255,268.92	253,529.01	269,471.72	285,560.20	286,572.66	300,792.77	334,333.09	352,275.23	365,257.04
Energy Purchase (MWh)	252,453.15	276,961.74	272,698.96	288,214.52	302,196.98	305,142.84	324,982.80	356,474.19	374,381.60	391,857.59
System Loss (MWh)	18,366.05	21,692.81	19,169.95	18,742.80	16,636.78	18,570.18	24,190.03	22,141.10	22,106.36	26,600.55

ENERGY SALES AND PURCHASE	FORECAST									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Energy Sales (MWh)	369,276.53	373,399.14	382,135.14	412,088.17	427,769.08	438,526.59	455,939.47	462,803.95	477,326.90	524,142.81
Energy Purchase (MWh)	396,583.31	400,882.72	410,127.14	442,129.75	458,850.07	470,223.75	488,778.95	495,914.18	511,310.45	561,360.70
System Loss (MWh)	27,306.77	27,483.58	27,992.00	30,041.57	31,080.99	31,697.16	32,839.48	33,110.23	33,983.55	37,217.89



However, it must be noted that the forecast provided hereunder may vary slightly from the actual figures.

COMPETITION

As the sole franchise grantee for the covered franchise area, DECORP enjoys a natural monopoly over power distribution in a substantial portion of Pangasinan, encompassing 349.33 km², equivalent to 6.5% of the total land area in the province.

Despite the promulgation of the Retail Competition and Open Access (“RCOA”) framework, its impact on the operational activities of distribution utilities has been negligible. RCOA allows contestable customers the freedom to choose their electricity supplier. However, the responsibility for transmitting electricity to these Contestable Customers remains with distribution utilities, such as DECORP. As of 31 December 2022, the Company is servicing four (4) contestable customers.

Retail services to both Captive and Contestable Customers likewise remains to be the function of distribution utilities.

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

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

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

SUPPLIERS

Power Supply Contracts

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

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

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

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

Transmission and Metering Supply Contracts

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

Below are the Company’s top regular suppliers for materials for transmission and metering:

Supplier	Materials Supplied
First Philec Inc.	Distribution transformers
Jocelyn Gorge, Inc.	Line and metering materials and accessories
London Industrial Products Inc.	Wires
The Hsin Enterprise Phils. Corp.	Poles and accessories
Lin Man Power Technology Inc.	Meters
Abright Resources Corporation	Poles and accessories
Communications Electrical Equipment & Supply Co., Inc.	Line materials and accessories
CEPALCO Energy Services Corp.	Meters
Magnus International Trading	Line materials and accessories
Super Manufacturing Inc.	Distribution transformers

Supplier selection depends on factors such as supplier performance history, market experience, alignment with the Company's current infrastructure and system design, and consideration of origin (for assessing importation costs, taxes, warranty, and post-sale service).

The Company is not exclusively tied to the aforementioned suppliers for its sourcing requirements and has the flexibility to engage other suppliers, as long as they meet the established criteria mentioned above.

TRANSACTIONS WITH RELATED PARTIES

DECORP has a lease agreement with Veria Realty Inc., a company also owned by key shareholders of DECORP. The lease is for a period of one (1) year subject to renewal.

EMPLOYEES AND LABOR RELATIONS

At present, the Company has two hundred three (203) employees broken down as follows:

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

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

In addition to the benefits as mandated by the law, the Company provides its employees with the following additional benefits:

- Annual mid-year bonus equivalent to 100% of monthly basic salary;
- A performance bonus that ranges from 50% to 150% of monthly basic salary;
- Annual vacation leaves of fifteen (15) days for employees with service period of more than three (3) years. For employees with less than three (3) years of service, they shall enjoy twelve (12) days of vacation leaves per year;
- Annual sick leave of nine (9) days where any unused sick leaves are converted and paid to cash;
- Annual medical allowance, including optical benefits;
- Monthly rice subsidy;
- Hospitalization benefits via Health Maintenance Organization (HMO) including 50% of one enrolled dependent; and
- Accident insurance coverage of Four Hundred Thousand Pesos (₱400,000.00).

PERFORMANCE TARGETS

The Company measures its performance according to the following targets:

- System Average Interruption Frequency Index (“SAIFI”) measures the average number of interruptions a customer experiences beyond five (5) minutes in a year. It is calculated by dividing the total number of interruptions by the total number of customers served during that period. A lower SAIFI value indicates better system reliability, as it means fewer interruptions per customer.

DECORP’s SAIFI target is 12.87 times per customer per year

- System Average Interruption Duration Index (“SAIDI”) measures the average duration of interruptions experienced by customers beyond five (5) minutes in a year. It is calculated by dividing the total duration of interruptions (in minutes) by the total number of customers served during that period. A lower SAIDI value indicates shorter and less frequent interruptions, which signifies better service quality.

DECORP’S SAIDI target is five hundred sixty-five and 98/100 (565.98) minutes per customer per year.

- System loss, also known as technical loss, represents the electrical energy lost as heat or other forms of energy during transmission and distribution through the utility's infrastructure. It is usually expressed as a percentage of the total energy input into the distribution system. Lower system loss percentages indicate more efficient distribution networks.

At present, DECORP’s system loss is capped at 5.50% at feeder level plus the actual sub-transmission and substation losses.

These performance targets are essential for regulatory purposes to ensure that the Company provides reliable and efficient service to their customers. DECORP is required to meet specific SAIFI and SAIDI targets to minimize the frequency and duration of power outages, and is encouraged to reduce system loss to improve the efficiency of operations.

DECORP’s performance indices are shown in the table hereunder:

Year	SAIFI (interruptions per customer)	SAIDI (minutes per customer)	System Loss
2020	2.95	104.15	6.68%
2021	4.54	113.12	7.26%
2022	2.61	65.65	6.67%

COMPETITIVE STRENGTHS

DECORP considers the following competitive strengths that contribute to its success and differentiation within the constantly growing industry:

- **Natural Monopoly**

Being the only distribution utility within its franchise area, the Company enjoys a natural monopoly of the market and benefits from economies of scale, where

the average cost of production decreases as output (number of customers served) increases.

- **Infrastructure with High System Capacity**

Extensive and well-maintained distribution infrastructure allows the Company to efficiently reach a wide range of customers across its franchise area and reliably accommodate a high value of demand, with a capacity to rescale its supply should the need arise.

- **Interconnected Network of Substation and Sub-transmission Facilities**

With the present number of substation and sub-transmission facilities that allows for load balancing and management, the Company is able to regulate voltage levels and adjust the flow of electricity to meet varying demand from different areas within the distribution network.

These facilities also account for reliability and redundancy for backup options where electricity can be rerouted through alternative pathways to maintain service reliability. In case of any outages or emergencies, these substations allow the Company to isolate affected sections of the network and restore service more efficiently, minimizing any impact on unaffected areas.

This interconnected network of facilities being operated and maintained by the Company enhances the resilience of the grid against various disruptions, including natural disasters and equipment failures.

- **Skilled Management and Workforce**

The Company takes great pride in its skilled management team and workforce which combines industry-specific knowledge of the sector with practical expertise in electric power distribution utilities. Such a competent and knowledgeable manpower contributes to efficient operations and high service quality provided by the Company to its customers.

- **Community Engagement and Strong Relationships with Customers**

The Company is actively involved in local community projects through partnerships or sponsorships which enhances its reputation and fosters strong, positive relationships with its long-standing customers. Proactive customer engagements are also being observed to further enhance customer satisfaction and loyalty.

- **Proven Track Record of Compliant and Reliable Service**

With DECORP having over seventy (70) years of experience in the industry, the Company has a strong track record of providing consistent and reliable electricity delivery to its customers. The Company has also constantly been compliant with industry and regulatory standards set by both ERC and DOE to ensure it operates safely and meets legal requirements, fostering trust with customers and regulators.

- **Flexibility, Adaptability, and Operational Efficiency**

The Company has the ability to adapt to changing energy market trends and consumer demands to remain relevant and competitive in the electric power distribution industry. It has also always been committed to efficient operations management, streamlined processes, and optimized grid management for significant cost savings which can be passed on to its customers through competitive pricing.

KEY BUSINESS STRATEGIES

DECORP commits to implementing the following business strategies to ensure reliable and efficient electricity delivery, respond to changing market dynamics, and meet customer demands:

- **Reliability and Service Quality**

The Company aims to ensure a reliable electricity supply and maintain high service quality by investing in infrastructure maintenance, grid modernization, and outage management systems to minimize disruptions and enhance customer satisfaction.

- **Distributed Energy Resources and Renewable Energy Integration**

The company intends to work on integrating solar panels, battery storage, and other Distributed Energy Resources into the current distribution network to promote energy diversification and reduce peak demand. It also aims to support renewable energy adoption to reduce carbon emission and incorporate clean energy sources into the energy mix.

- **Development of Customer Engagement Activities**

Developing more customer-centric strategies involving clear communication, interactive online platforms, and provision of energy efficiency tips are also in place. This plan is to keep engaging customers in energy conservation efforts that can lead to reduced peak demand and improved customer relationships.

- **Regulatory Compliance**

Given distribution utilities are navigating complex regulatory environments that oversee pricing, safety, environmental standards, and more, the Company recognizes the necessity of developing strategies to ensure compliance while maintaining financial viability.

- **Innovation, Technology, and Grid Modernization**

Being at the forefront of adopting new technologies, the Company aspires to implement in the near future smart grid technologies, advanced metering infrastructure, and distribution automation to enable real-time monitoring, remote control, and data-driven decision-making. This is to further enhance grid efficiency, reduce outages durations, and support demand response programs.

- **Workforce Development**

Investment in training and development is in place to build and retain a skilled workforce capable of managing advanced technologies, maintaining infrastructure, and addressing changing customer needs.

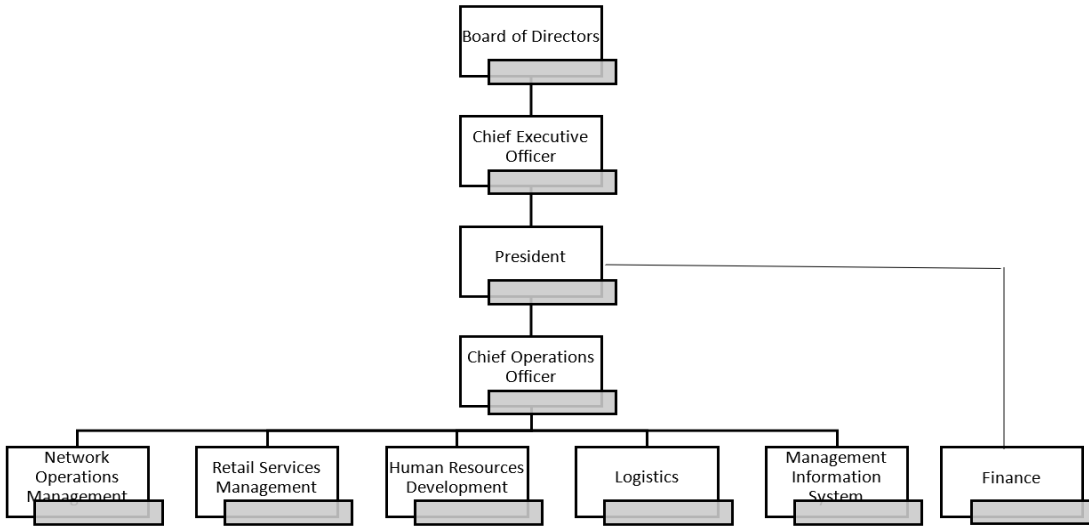
- **Risk Management and Long-term Planning**

The Company aims to continuously assess and mitigate risks related to changing energy markets, regulatory shifts, climate change, and cybersecurity threats. Developing long-term strategies will also be observed to forecast load growth, set infrastructure investment plans, and adapt to shifts in energy demand and supply.

ORGANIZATIONAL STRUCTURE

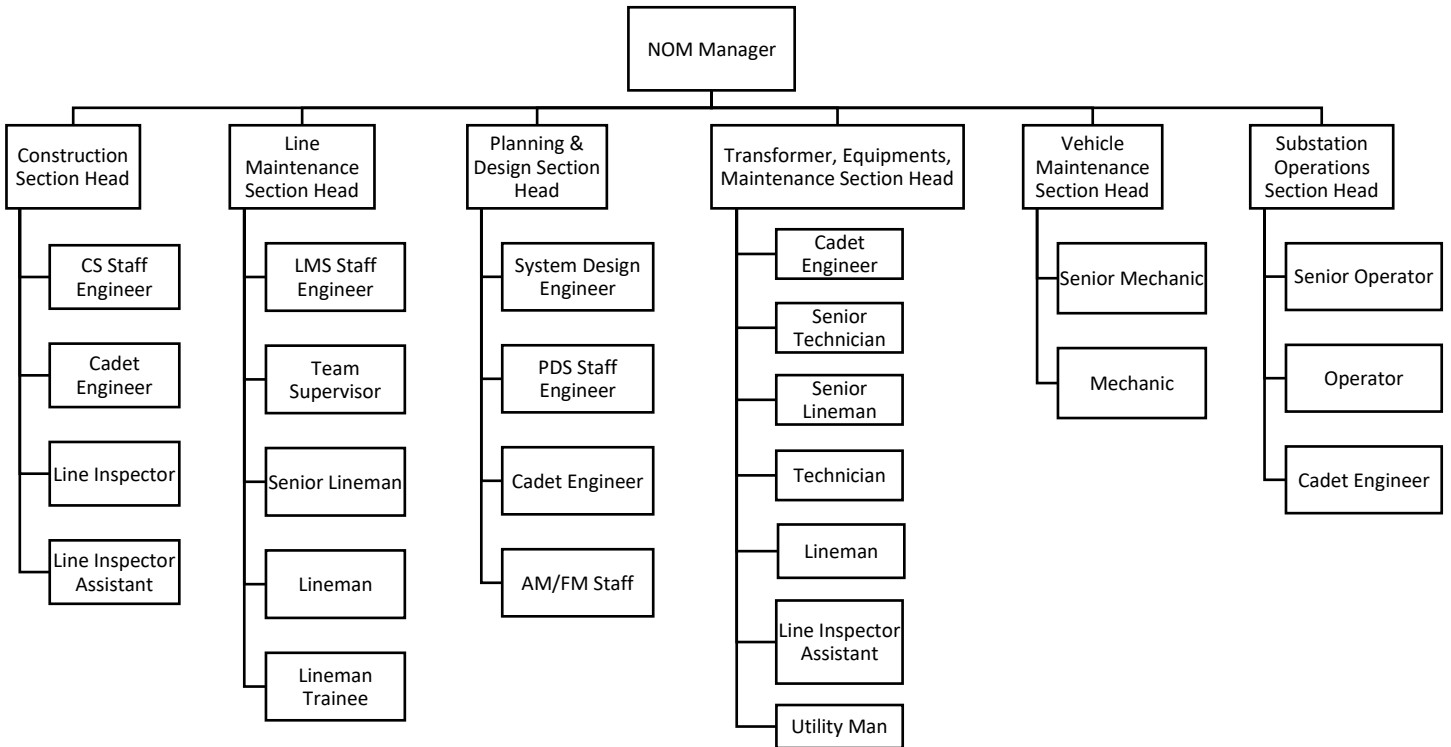
DECORP has assembled a strong management team. The Board of Directors is tasked with the formulation of major policies and the setting of long-term direction of the Company. The President and the Chief Executive Officer ensure the efficient functioning and operations of the company in line with corporate values, strategic intent, policies, and directions.

For optimal operation, DECORP is grouped into three (3) main subdivisions, Network Operations Management (“NOM”), Retail Services Management (“RSM”) and Corporate Support Services (“CSS”).



Network Operations Management

NOM oversees the reliable and efficient operations of the entire distribution system, which includes planning and design, substation operations, distribution network construction, revamps and maintenance.

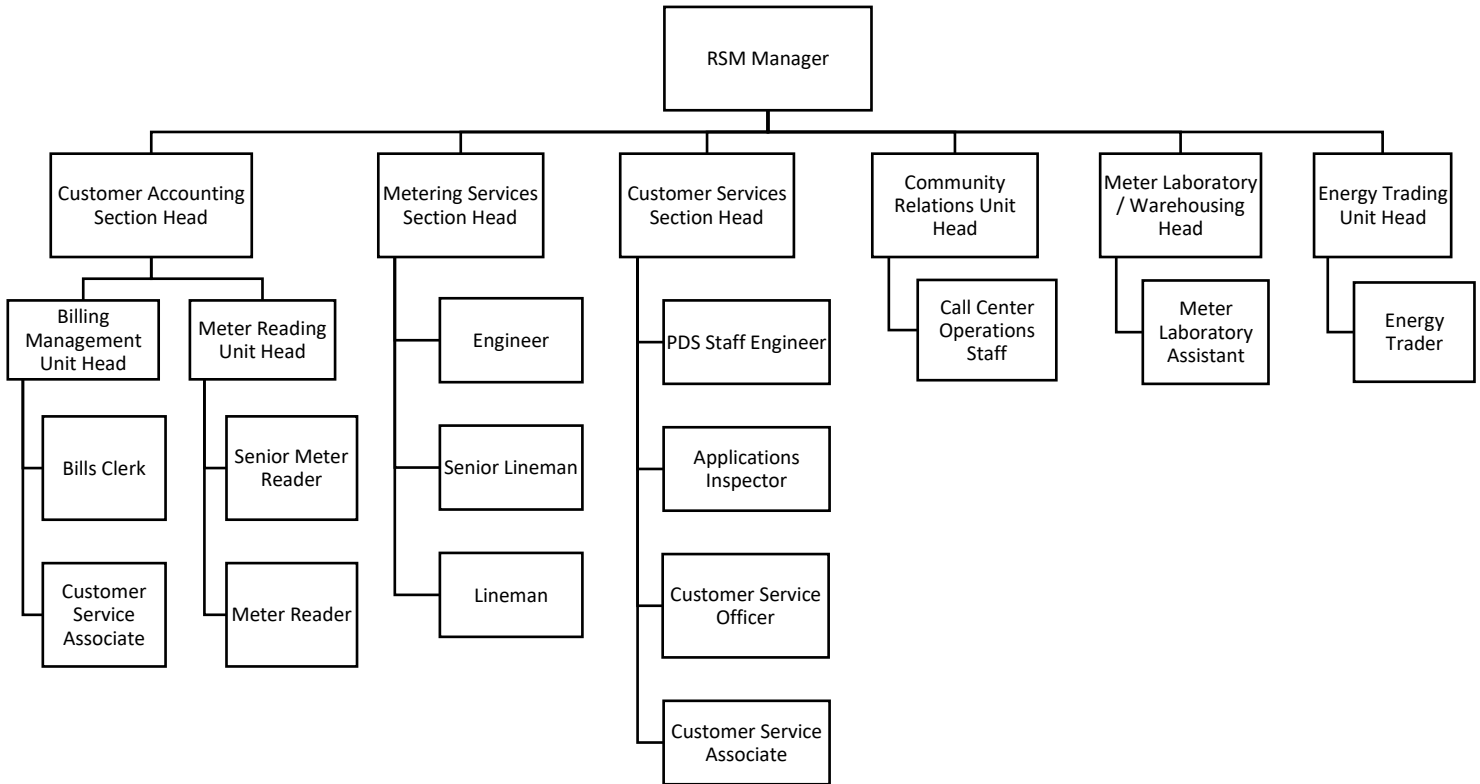


Each of these sections plays a critical role in the day-to-day operations and long-term planning of the electric distribution utility. Their coordinated efforts ensure the reliable delivery of electricity to customers while prioritizing safety, efficiency, and compliance with regulatory standards.

1. **Construction Section** – This section is responsible for planning, managing, and executing the construction of new electrical infrastructure, such as power lines and substations, to expand the distribution network. They ensure that all construction activities adhere to safety regulations and standards while they manage budgets and resources for construction projects.
2. **Line Maintenance Section** – This section conducts regular inspections and maintenance of power lines, poles, and related equipment to prevent outages and ensure system reliability. They are responsible for responding quickly to repair damaged lines and restore service during outages or adverse weather conditions.
3. **Planning & Design Section** – This section plans and designs the expansion and improvement of the distribution system to meet growing customer demand and ensure system reliability. They provide engineering expertise to design and optimize the layout of distribution lines, substations, and related equipment and ensure that all projects adhere to environmental regulations and considerations.
4. **Transformer, Equipment, Maintenance Section** – This section specializes in the maintenance, repair, and replacement of transformers throughout the distribution network. They ensure transformers are sized correctly to meet customer demand while preventing overloading.
5. **Substation Operations Section** – This section manages the maintenance and operation of electrical substations, which transform voltage levels and distribute electricity to customers. They maintain and repair transformers within substations to ensure proper voltage regulations. They also operate and monitor the equipment within substations for efficient power distribution.
6. **Vehicle Maintenance Section** – This section maintains and repairs the utility's fleet of vehicles, including trucks and equipment used for field operations. They ensure that vehicles meet safety standards and are in optimal working condition to support field crews.

Retail Services Management

RSM provides customer services such as applications and inspection, meter installation and maintenance, meter reading, billing and collection and customer assistance or complaints management.



These sections work collaboratively to ensure accurate billing, efficient metering services, excellent customer support, positive community engagement, reliable metering equipment, and successful energy trading. Their coordinated efforts are essential for the smooth operation and customer satisfaction within the electric distribution utility.

1. **Customer Accounting Section** – This section manages customer billing, invoicing, and payment processing for the electricity consumed by customers. It handles customer accounts, updates account information, and resolves billing discrepancies. It also coordinates the regular reading of meters to generate accurate billing statements.
2. **Metering Services Section** – This section installs, maintains, and replaces electric meters to accurately measure and record customer electricity consumption.
3. **Customer Services Section** – This section assists customers in establishing new electrical service connections, upgrades, or relocations. It also handles customer complaints and ensures timely resolution of service-related concerns.

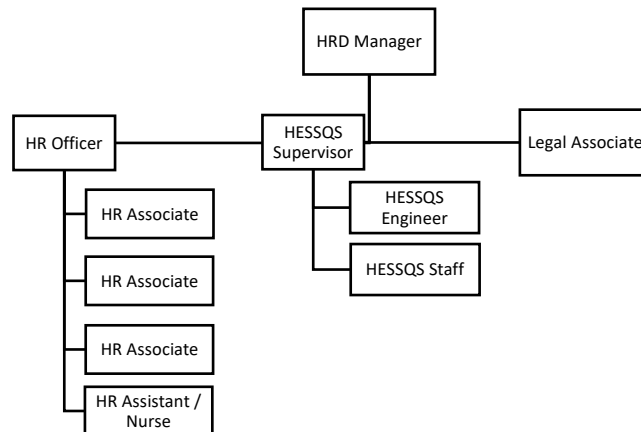
4. **Community Relations Section** – This section addresses customer inquiries, concerns, and complaints regarding billing, service interruptions, and other issues. It also organizes community events, information sessions, and educational programs about the utility's services and initiatives.
5. **Meter Laboratory / Warehousing Section** – This section manages the inventory, storage, and distribution of meters and related equipment. It conducts tests and calibrates meters to ensure accuracy and compliance with industry standards. It also ensures that meters meet regulatory and industry standards for accuracy and reliability.
6. **Energy Trading** – This section monitors energy markets to make informed decisions about buying and selling electricity. It manages contracts and negotiations for the purchase of electricity from various sources and mitigates risks associated with energy price fluctuations and supply reliability.

Corporate Support Services

Corporate Support Services ensures compliance to laws, rules, regulations, industry practices and sound business operations. It consists of Management Information System (“MIS”), Human Resource Development (“HRD”), Finance, Community Relations, and Logistics.

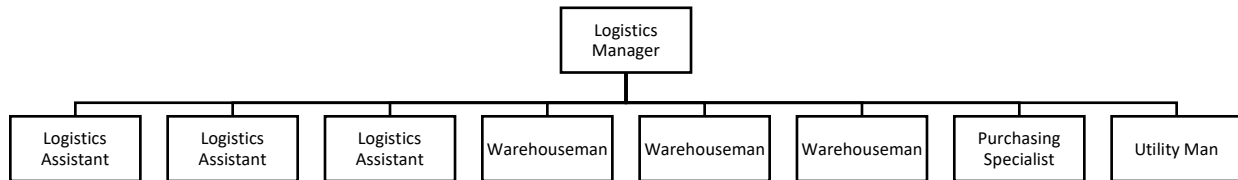
Human Resources

The HRD department plays a central role in managing the people-related aspects of the Company. Its functions encompass a wide range of activities aimed at attracting, developing, retaining, and supporting the workforce. The HRD is instrumental in creating a positive and productive work environment, aligning the workforce with organizational goals, and ensuring compliance with legal and ethical standards. Their efforts contribute significantly to an organization's success and its ability to attract, retain, and develop top talent.



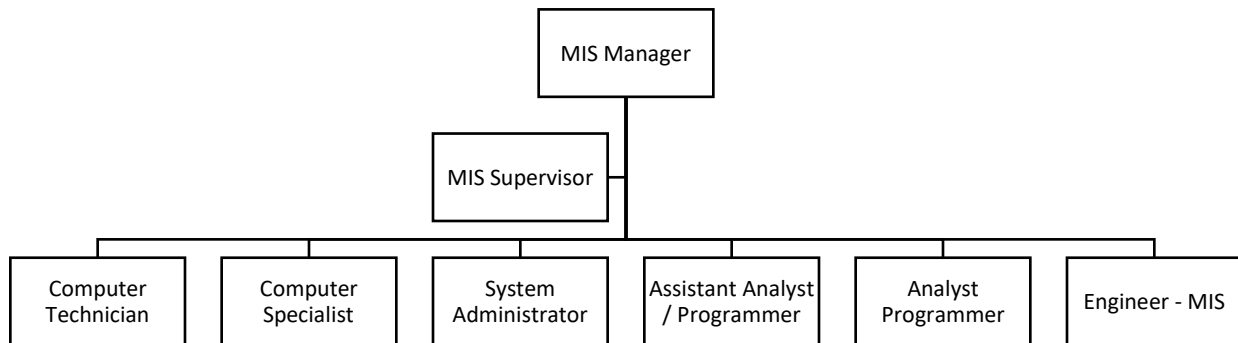
Logistics

The Logistics department plays a crucial role in managing the movement of goods, materials, and information throughout the supply chain efficiently and cost-effectively. They are responsible for orchestrating the movement of goods and materials from suppliers to customers while optimizing costs and service levels. Their efficient and effective management of the supply chain contributes to customer satisfaction and the overall success of the Company.



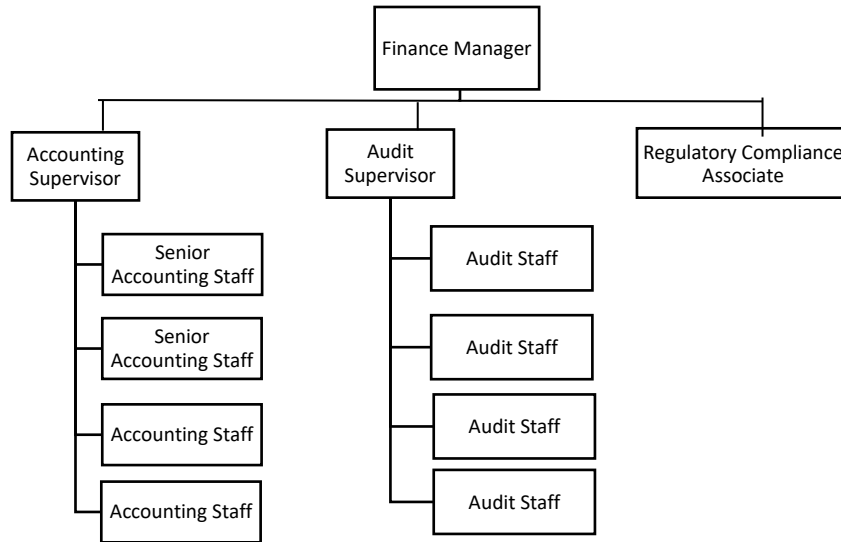
Management Information System

The MIS department plays a vital role by managing and facilitating the efficient flow of information and technology to support decision-making and operational processes. They are instrumental in managing technology and information resources to support the Company’s operations, decision-making, and strategic goals. Their functions contribute to the overall effectiveness, competitiveness, and security of the Company.



Finance

The Finance department plays a crucial role in managing the Company’s financial resources and ensuring financial stability. Divisions within this department work together to maintain financial integrity, transparency, and stability within the Company. They provide financial information, safeguards against financial risks, and support strategic decision-making processes.



FUTURE PLANS OR PROJECTS

Advance Distribution Management System and Related Communication Infrastructure

This project includes the procurement and installation of hardware, software, and related facility requirements for the advanced automation of the Company’s distribution system to improve the reliability of the service of the Company to its customers and to comply with the Department of Energy’s Circular No. 2020-02-0003, "Providing a National Smart Grid Policy Framework for the Philippine Electric Power Industry and Roadmap for Distribution Utilities”.

The Company intends to purchase an Advanced Distribution Management System comprising of a Geographic Information System, an Outage Management System, a Distribution Management System, a Workforce Management System, and a Fault, Location, Isolation, and Restoration Software. This digital automation will be connected through wireless communication and SCADA software for base stations and fiber optic cable from Dagupan Substation to San Jacinto Substation and from Calasiao Substation to Sta. Barbara Substation.

Implementing this project will improve the Company’s network reliability by ensuring the delivery of electric power to satisfy the consumer demand and enhancing the capability of the power system to respond to disturbances while maintaining optimal operation of the network. This will also enhance the ability of the network system to respond to changes in demand and supply and allow the smooth integration of emerging technologies to the distribution network.

This project is currently pending ERC’s approval.

Construction of 20/25 MVA, 69kV/13.8kV Sta. Barbara Substation

This project involves the construction of a 20/25 MVA, 69/13.8 kV substation at Brgy. Maninding, Sta. Barbara, Pangasinan. This will enable the Company to ease the loading of its 2 x 20/27/33 MVA Calasiao (Cal) Substation.

The proposed substation in Sta. Barbara will accommodate some of the feeders sourcing their power from Calasiao Substation to improve the latter's loading capacity and, more importantly, the N-1 redundancy requirement. This project will also reduce the subtransmission losses due to its proximity to the Balingueo Substation of NGCP, from which the Calasiao Substation draws its power. In cases of unplanned and planned feeder outages, the new substation will act as a reserve capacity to take in feeder load transfers from other feeders connected to the Calasiao Substation. Further, this new substation will address the anticipated load growth of the areas served by the Sta. Barbara feeders and maintain power quality within acceptable ranges.

This project is currently pending ERC's approval.

Primary Line Expansion from the Proposed Sta. Barbara Substation to Minien East, Sta. Barbara

Sta. Barabara is currently served by two (2) feeders sourced from the Calasiao Substation located at Brgy. San Miguel, Calasiao. This proposed line expansion will take off from the proposed Sta. Barbara Substation as express feeder and will serve the La Tondeña at Tebag, Sta. Barbara and other existing residential customers from Tebag Highway to Minien East, Sta. Barbara.

In conjunction with the proposed Sta. Barbara Substation, this additional feeder will help meet the growing power requirements of the existing customers and new connection requirements and will improve the reliability of the existing feeder serving a portion of Sta. Barbara. The new feeder will also accommodate feeder load transfers from other existing feeders in case of unplanned or planned outages.

This project is currently pending ERC's approval.

Line Extension, Rehabilitation, and Upgrades

This consists of several projects for the expansion of primary and secondary distribution lines to provide sufficient capacity to cater to the growing demands and accommodate additional loads from future customers, taking into account the significant increase in the number of applications for electric service from remote regions within the franchise areas. As part of the prime thrust towards socio-economic progress, it is the commitment of the Company to provide electricity to its service areas, including remote locations.

In order to cover the numerous road improvement projects being carried out by the government, such as road elevations and/or widening along national highways, urban roads, and rural roads, several rehabilitation projects for distribution lines were planned by the Company, which includes the replacement and relocation of poles, reconfiguration of pole top assemblies, and rerouting of primary and secondary lines.

These projects are currently pending ERC's approval.

Purchase and Installation of Meters and Metering Equipment

This project involves the installation of meters and metering accessories to accommodate the electric service connections of new customers from different rate classifications. The annual metering requirements are based on historical and forecasted data on load growth.

Renewal and replacement of meters and metering accessories are also considered in this project to address the regular change of meter concerns arising from defective meters and obsolescence.

The Company's compliance with certain regulations, such as but not limited to In-Service Testing, Net Metering Program, RCOA and Green Energy Option Program was also considered in this project to accommodate the service requests of customers from different rate classes.

These requirements will cover single-phase residential metering, self-contained metering, low-voltage secondary metering, and high-voltage primary metering for new customers and the replacement of old meters. Replacement of obsolete meters will continue until all the electro-mechanical meters have been replaced.

These projects are currently pending ERC's approval.

Purchase and Installation of Distribution Transformers

This project refers to the procurement and installation of line distribution transformers, including the upgrades of existing transformers based on the annual historical and forecasted data for customer growth and increments in power, the historical number of procured distribution transformers, line extensions, additional capacities, and transformer failure rate.

This project is currently pending ERC's approval.

Continuous Rehabilitation of Acquired LUELCO Distribution Lines

The Company and La Union Electric Cooperative ("LUELCO") signed a Memorandum of Agreement granting the Company the right to operate in certain barangays from San

Fabian and San Jacinto served by LUELCO, in compliance with RA 9969. The said Agreement ensures the legal transfer of ownership and operation of the distribution facilities from LUELCO to DECORP. The majority of the distribution lines acquired from LUELCO are situated in mountainous terrains, in the middle of rice fields, in areas traversing heavy vegetation, which is a threat to the safety of surrounding communities. The existing distribution lines, majority of which are #2 ACSR bare conductor, are severely prone to open conductor fault during current surges caused by accidental contact with vegetation, structures, or lightning strikes.

This project is to improve the reliability of the distribution system, to meet the growing demand of existing customers and new connection requirements, and to comply with the safety requirements of the Philippine Electrical Code.

This project is currently pending ERC's approval.

Purchase of Information System Equipment

The Company plans to purchase additional information system equipment, which includes computers, servers, networking equipment, fiber optic equipment, wireless communication equipment, printers, scanners, projectors, and network cameras, to address the growth of network users, the replacement of obsolete machines, communication, and security requirements.

This project is currently pending ERC's approval.

System Integration and Customer Interface Improvement

The Company has retained the services of an information technology ("IT") solutions provider to automate and integrate the following business processes of the Company: Finance, Procurement, Billing and Collection, Inventory Management, Fixed Asset Management, and Project Management.

The Company is in the process of transitioning its manual processes and tasks handled by internal software to the Enterprise Resource Planning ("ERP") business application that is being customized by the IT solution provider for the Company.

The ERP, which allows the integration of the business activities from various departments of the Company, can provide a standardized/centralized data, data security, compliance, increased productivity, organized workflows, operational efficiency, collaboration, and flexibility for the Company.

The Company also plans to integrate this ERP with Human Resources Information System, Customer Relationship Management, and Supply Chain Management software to equip the Company with quality information that will allow it to provide a holistic experience to its external and internal customers.

Purchase of Additional and Replacement of Service Vehicles

The transportation requirements of the Company include service vehicles, utility trucks with and without buckets, and rough terrain cranes. In order to accommodate the continuous increase in customer volume and load growth and to expedite the restoration of line faults, the Company intends to acquire additional service vehicles. The Company also plans to replace its service vehicles, bucket trucks, telescopic crane, and knuckle boom trucks, which are already beyond their service lives, to ensure the safety and reliability of these vehicles.

This project is currently pending ERC's approval.

Rehabilitation of Labrador-Binmaley-Calasiao 69kV Subtransmission Line

As built by the National Power Corporation in 1975, the Labrador-Binmaley-Calasiao 69kV subtransmission line, due to its age and location, is a safety hazard. It was built mostly along marshlands, ponds, riverbanks, and open fields and has been in continuous operation for forty (40) years, serving as the main 69 kV feed for the Company's Calasiao and Dagupan Substations until 2016, and thereafter solely serving the Company's Dagupan Substation. To ensure the continuous supply to DECORP's Dagupan Substation from NGCP's Labrador Substation, the Company will implement a line rehabilitation program consisting of reinforcement of leaning poles, replacement of rotten creosoted poles, relocation of poles, and re-configuration of pole-top assemblies.

This project is currently pending ERC's approval.

Primary Line Rehabilitation from Sagud Bahley to Nibaliw Vidal, San Fabian

The Company's primary lines in Nibaliw Vidal, San Fabian are situated near coastal areas where humidity and contaminants are very high and oxidation is a common problem. The Company plans to re-conductor the existing lines with a higher allowable current carrying capacity, higher resistance to corrosion, and the ability to withstand fault current to improve the reliability of the distribution system and effectively address the growth of customer volume and increased demand.

This project is currently pending ERC's approval.

Purchase and Installation of Service Drops

This project involves the procurement and installation of service drops to accommodate the connection of new customers. It also includes the re-conductoring of annealed and undersized service drops, in which as of 2022, 25% have been replaced. This activity will continue until all the old, annealed, and undersized wires have been re-conducted.

The Company is also upgrading the service drops into a larger conductor size, with higher current-carrying capacity, to address a customer's growing energy demand. This project is currently pending ERC's approval.

Purchase and Installation of Grounding and Earthing Equipment

As per the Philippine Electrical Code, earth grounding is an intentional connection from a circuit conductor to a ground electrode in earth while the equipment grounding ensures that operating equipment within the structure is properly grounded. The National Fire Protection Association ("NFPA") and Institute of Electrical and Electronics Engineers ("IEEE") have recommended a ground resistance of 5 ohms or less. The Company will procure and install new equipment grounding assemblies to improve the ground-loop resistance based on the NFPA and IEEE standards and to increase the mechanical strength of every equipment grounding assembly for the protection of equipment and nearby structure or people against surcharges from the occurrence of fault currents.

This project is currently pending ERC's approval.

Purchase and Installation of Equipment to Improve Insulation-Coordination of Distribution Lines

The Company's distribution lines are mostly situated in areas that have a high keraunic level or are prone to thunderstorms and lightning strikes. Its distribution lines are also located along or near coastal areas where humidity and contaminants are very high, and incidences of insulation failure are more likely to occur.

The Company plans to purchase and install equipment that can improve the insulation coordination of distribution lines, such as smart arresters, pin-post insulators, and armor rods. The installation of: (1) smart arresters for the suppression of surges brought by direct and indirect lightning strikes, (2) pin-post insulators to increase the leakage and dry-acting distance between insulators and line fixtures, and (3) armor rods for the improvement of the distribution lines' mechanical strength.

This project is currently pending ERC's approval.

Replacement of Streetlighting from Mercury to High-Pressure Sodium

Based on Republic Act No. 6969, otherwise known as the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990, mercury is classified as inorganic chemical waste. Mercury vapor lamps contain a large amount of mercury, which is hazardous to our environment. Thus, the Company proposes to procure high-pressure sodium to replace its mercury vapor lamps.

This project is currently pending ERC's approval.

Purchase of Tools and Laboratory Equipment

The Company plans to purchase line tools and equipment such as chainsaws, bolt cutters, grip all sticks, telescopic triangular hot sticks, bucket truck liners, ratchet hoists, cutting and crimping tools, load busters, and jack hammers for the protection and safety of personnel and other equipment, particularly when exposed to energized lines and other unavoidable hazards.

Further, the Company proposes to acquire laboratory equipment such as: (1) a Fluke 438-II Power Quality Analyzer to test and measure various electric parameters to ensure compliance within the acceptable ranges set by the PDC, (2) meter reading devices due to the growing number of customers in areas being served by the Company, and (3) binoculars to ensure the accurate and reliable reading of customers' electric consumption

These projects are currently pending ERC's approval.

Buildings and Ground Improvements

The Company plans to construct and/or renovate the buildings and grounds of the Company, such as the construction of a covered structure, a perimeter fence for the Bacayao lot extension, a loft in the VFL building, a transformer stockyard, and the concreting of roads in Bacayao. The proposed buildings and ground projects will address several issues, such as insufficient space for distribution transformers and other equipment, proper storage of wires that are currently located in an open space, and additional safety and security for the properties.

These projects are currently pending ERC's approval.

Purchase of Communication and Office Furniture Equipment

Communication during line switching, reporting of line troubles, updating and reporting of maintenance works, and other related matters concerning field work are vital in network operations. With the utilization of radio communication, work can become more systematic and organized so as to achieve quality service to costumers. The Company plans to replace the radio communication equipment on the existing vehicles, procure additional equipment, and replace portable radios used in various field tasks.

These projects are currently pending ERC's approval.

PROPERTIES**Real Estate (Land, Plant, and Building)**

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

	TCT No. / Tax Declaration No.	Location	Land Area	Liens/Mortgages /Encumbrance, if any	Use of Property
1	62155	Dagupan	1,483 sqm	None	Being used for office and substation
2	62156	Dagupan	1,483 sqm	None	Being used for office and substation
3	029-202000127	Dagupan	145 sqm	None	Being used for office and substation
4	198945	Calasiao	7,285 sqm	None	Being used for office and substation
5	198946	Calasiao	7,285 sqm	None	Being used for office and substation
6	198947	Calasiao	1,569 sqm	None	Being used for office and substation
7	235392	Calasiao	1,087 sqm 228 sqm	None	Being used for office and substation
8	026-2020001613	Calasiao	1,974 sqm	None	Being used for office and substation
9	026-2020001614	Calasiao	1,973 sqm	None	Being used for office and substation
10	026-2020001615	Calasiao	1,973 sqm	None	Being used for office and substation
11	026-2019000976	Calasiao	637 sqm	None	Being used for office and substation
12	218368	Sta. Barbara	1,000 sqm	None	Being used for office and pole yard
13	218369	Sta. Barbara	1,339 sqm	None	Being used for office and pole yard
14	218370	Sta. Barbara	1,672 sqm	None	Being used for office and pole yard
15	218371	Sta. Barbara	2,436 sqm	None	Being used for office and pole yard
16	222449	Sta. Barbara	6,533 sqm	None	Being used for office and pole yard
17	026-2018006642	San Fabian	420 sqm	None	Being used for substation
18	026-2018006643	San Fabian	584.75 sqm	None	Being used for substation
19	026-2018006644	San Fabian	584.75 sqm	None	Being used for substation
20	026-2018006645	San Fabian	584.75 sqm	None	Being used for substation
21	026-2018006646	San Fabian	584.75 sqm	None	Being used for substation

22	222801	San Jacinto	4,570 sqm	None	Being used for substation
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Below are the buildings and warehouses owned by the Company:

	Description	Location	Floor Area	Liens/Mortgages /Encumbrance, if any	Use of Property
1	VFL Building	Brgy. 1, Dagupan City	830 sq. m.	None	Being used as office
2	ANL Building	Brgy. 1, Dagupan City	850 sq. m.	None	Being used as office and meter shop
3	Workshop	Brgy. 1, Dagupan City	35 sq. m.	None	Being used as workshop
4	Control Building	Brgy. 1, Dagupan City	70 sq. m.	None	Being used for substation
6	Parking Shed	Brgy. 1, Dagupan City	220 sq. m.	None	Being used for service vehicles
7	LCL Building	Brgy. San Miguel, Calasiao	588 sq. m.	None	Being used as office
8	Control Building	Brgy. San Miguel, Calasiao	220 sq. m.	None	Substation
9	Warehouse	Brgy. San Miguel, Calasiao	966 sq.m.	None	Substation
10	Guardhouse 1	Brgy. San Miguel, Calasiao	7 sq. m.	None	Substation
11	Guardhouse 2	Brgy. San Miguel, Calasiao	8 sq.m.	None	Substation
12	Oil Storage Facility	Brgy. San Miguel, Calasiao	68 sq. m.	None	Substation
13	Motorpool	Brgy. San Miguel, Calasiao	310 sq. m.	None	Substation
14	Commercial Building	Brgy. San Miguel, Calasiao	45 sq. m.	None	Collection Office
15	Commercial Building	Brgy. Maningding, Sta. Barbara	30 sq. m.	None	Collection Office
16	Linemen's Shed	Brgy. Maningding, Sta. Barbara	27 sq. m.	None	For the linemen following their fieldwork
17	Guard Locker Room	Brgy. Maningding, Sta. Barbara	10 sq. m.	None	For the security guards
18	Control House	Brgy. Casibong, San Jacinto	120 sq. m.	None	Substation
19	Control House	Brgy. Tempra Guilig, San Fabian	45 sq. m.	None	Substation

Equipment

Below is the list of the Company's equipment and other properties.

	Description	Qty	Use of Property
1	Power Transformer	7	lot-electrical power substation equipment

2	Gas Circuit Breaker	10	lot-electrical power substation equipment
3	Air Break Switch	6	lot-electrical power substation equipment
4	Current Transformer	27	lot-electrical power substation equipment
5	Potential Transformer	183	lot-electrical power substation equipment
6	Surge Arrester	119	lot-electrical power substation equipment
7	Surge Counter	9	lot-electrical power substation equipment
8	Disconnect Switch (motorized)	52	lot-electrical power substation equipment
9	Disconnect Switch (manual)	34	lot-electrical power substation equipment
10	Tie Vacuum Circuit Breaker	1	lot-electrical power substation equipment
11	Main Feeder Vacuum Circuit Breaker	8	lot-electrical power substation equipment
12	By-Pass Switch	10	lot-electrical power substation equipment
13	Automatic Voltage Regulators	57	lot-electrical power substation equipment
14	Lightning Arrester	21	lot-electrical power substation equipment
15	Cut-Out Fuse	15	lot-electrical power substation equipment
16	Galvanized Steel Structure Income Gantry	4	lot-electrical power substation equipment
17	Circuit Switcher	5	lot-electrical power substation equipment
18	Feeder Recloser	11	lot-electrical power substation equipment
19	Surge Arrester Counter	3	lot-electrical power substation equipment
20	Disconnect Switch (Bus)	1	lot-electrical power substation equipment
21	Station Transformers	2	lot-electrical power substation equipment
22	Overcurrent Relay (Main)	1	lot-feeder control switchgear (T1)
23	Overcurrent Relay (Main)	1	lot-feeder control switchgear (T1)
24	Overcurrent Relay (T1)	2	lot-feeder control switchgear (T1)
25	Deferential Relay (T1)	2	lot-feeder control switchgear (T1)
26	Overcurrent Relay (T1 Bus)	1	lot-feeder control switchgear (T1)
27	Overcurrent Relay (Feeders)	8	lot-feeder control switchgear (T1)
28	Overcurrent Relay (T2)	3	lot-feeder control switchgear (T2)
29	Deferential Relay (T2)	4	lot-feeder control switchgear (T2)
30	Overcurrent Relay (T2 Bus)	1	lot-feeder control switchgear (T2)
31	Overcurrent Relay (Feeders)	4	lot-feeder control switchgear (T2)
32	Battery Charger	4	lot-battery supply
33	Storage Battery	56	lot-battery supply
34	Exhaust Fans	10	lot-battery supply
35	Scada Panel	4	lot-scada system
36	Cord, Single Model patch	6	lot-scada system
37	FO Termination Emitek	2	lot-scada system
38	Fibridge Media Converter	2	lot-scada system
39	Fiber Optic Splice Closure (12 fibers)	2	lot-scada system
40	HTG/FSO Fiber Optic Cable	1	lot-scada system
41	Horizontal Fiber Optic Splice Closure	1	lot-scada system
42	Fiber Optic Splice Tray	1	lot-scada system
43	Emitek 24-port Series FO Termination Box	1	lot-scada system
44	Fiber Optic Fusion Splicing	1	lot-scada system
45	Discrete Programmable Automation	3	lot-scada system

	Controller		
46	Embedded Automation Computer	1	lot-scada system
47	Real Time Automation Controller	4	lot-scada system
48	Satellite Synchronized Clock	3	lot-scada system
49	System Computing Platform	2	lot-scada system
50	Programmable Automation Controller	7	lot-scada system
51	Inverter	3	lot-scada system
52	AC/DC Back-up	1	lot-scada system
53	Communication Tower	2	lot-scada system
54	Main Control & Monitoring System	2	lot-medium voltage switchgear
55	Overcurrent Relay (69 kV Main)	2	lot-medium voltage switchgear
56	Cabinet	9	lot-medium voltage switchgear
57	Multi Panel Display Unit	2	lot-medium voltage switchgear
58	Power Quality Analyzer	17	lot-medium voltage switchgear
59	Frequency & Over Excitation Protection Relay	2	lot-medium voltage switchgear
60	Overcurrent Relay	21	lot-medium voltage switchgear
61	Differential Relay	3	lot-medium voltage switchgear
62	Feeder Protection Relay	4	lot-69 kV control panel
63	Transformer Protection Relay	1	lot-69 kV control panel
64	Phase Conductor	2	distribution system
65	Overhead Guy Wire	2	distribution system
66	Pole Top Hardwares 3-Phase	40	distribution system
67	Poles - Creosoted Wood	180	distribution system
68	Steel Tower	2	distribution system
69	Guying Assembly	648	distribution system
70	Anchor Assembly	10,710	distribution system
71	Pole Support	58	distribution system
72	Fault Indicator	30	distribution system
73	Disconnectors	4	distribution system
74	69 kV Pole Top Hardwares	1,223	distribution system
75	Galvanised Iron Pole - 15 ft.	96	distribution system
76	Galvanised Iron Pole - 20 ft.	2,938	distribution system
77	Galvanised Iron Pole - 25 ft.	56	distribution system
78	Galvanised Iron Pole - 35 ft.	141	distribution system
79	Concrete Pole - 25 ft.	14,667	distribution system
80	Concrete Pole - 30 ft.	3,798	distribution system
81	Concrete Pole - 35 ft.	1,626	distribution system
82	Concrete Pole - 45 ft.	810	distribution system
83	Concrete Pole - 50 ft.	859	distribution system
84	Concrete Pole - 55 ft.	515	distribution system
85	Concrete Pole - 60 ft.	2,881	distribution system
86	Concrete Pole - 70 ft.	2,086	distribution system
87	Concrete Pole - 75 ft.	205	distribution system
88	Wooden Pole - 25 ft.	51	distribution system
89	Wooden Pole - 30 ft.	6,137	distribution system

90	Wooden Pole - 35 ft.	8	distribution system
91	Wooden Pole - 40 ft.	8	distribution system
92	Wooden Pole - 45 ft.	1,749	distribution system
93	Wooden Pole - 50 ft.	15	distribution system
94	Wooden Pole - 55 ft.	205	distribution system
95	Wooden Pole - 60 ft.	940	distribution system
96	Steel Pole - 8 ft.	1,042	distribution system
97	Steel Pole - 25 ft.	645	distribution system
98	Steel Pole - 30 ft.	1	distribution system
99	Steel Pole - 35 ft.	92	distribution system
100	Steel Pole - 40 ft.	4,588	distribution system
101	Steel Pole - 45 ft.	6	distribution system
102	Steel Pole - 50 ft.	2	distribution system
103	Steel Pole - 55 ft.	64	distribution system
104	Steel Pole - 60 ft.	16	distribution system
105	Steel Pole - 75 ft.	2	distribution system
106	Transformer 10 kVA at 13.8 kV	4	distribution system
107	Transformer 15 kVA at 7.62 kV	3	distribution system
108	Transformer 15 kVA at 13.8 kV	37	distribution system
109	Transformer 25 kVA at 7.62 kV	198	distribution system
110	Transformer 25 kVA at 13.8 kV	749	distribution system
111	Transformer 37.5 kVA at 7.62 kV	10	distribution system
112	Transformer 37.5 kVA at 13.8 kV	186	distribution system
113	Transformer 50 kVA at 7.62 kV	5	distribution system
114	Transformer 50 kVA at 13.2 kV	3	distribution system
115	Transformer 50 kVA at 13.8 kV	1,046	distribution system
116	Transformer 75 kVA at 13.2 kV	1	distribution system
117	Transformer 75 kVA at 13.8 kV	737	distribution system
118	Transformer 100 kVA at 13.2 kV	1	distribution system
119	Transformer 100 kVA at 13.8 kV	473	distribution system
120	Transformer 167 kVA at 13.8 kV	123	distribution system
121	Transformer 250 kVA at 13.8 kV	22	distribution system
122	Conductor AAC Bare #4	204m	distribution system
123	Conductor AAC Wp #8	1,731m	distribution system
124	Conductor ACSR Bare #2	169,390m	distribution system
125	Conductor ACSR Bare #2/0	40,742m	distribution system
126	Conductor ACSR Bare #336.4MCM	223,321m	distribution system
127	Conductor ACSR Bare #4/0	476,503m	distribution system
128	Conductor ACSR Bare #795MCM	92,819m	distribution system
129	Conductor ACSR Tree #336.4MCM	7,039m	distribution system
130	Conductor ACSR Tree #4/0	27,475m	distribution system
131	Conductor ACSR Wp #2	681,595m	distribution system
132	Conductor ACSR Wp #2/0	845,305m	distribution system
133	Conductor ACSR Wp #4/0	299,246m	distribution system
134	Conductor ACSR Wp #6	117,024m	distribution system

135	Conductor ACSR Wp #4 AWG	189,021m	distribution system
136	Conductor Copper Bare #2/0	38,895m	distribution system
137	Conductor Copper Bare #4	21,704m	distribution system
138	Conductor Copper Bare #4/0	4,614m	distribution system
139	Conductor Copper Wp #10	42m	distribution system
140	Conductor Copper Wp #12	71m	distribution system
141	Conductor Copper Wp #2	1,128m	distribution system
142	Conductor Copper Wp #2/0	5,649m	distribution system
143	Conductor Copper Wp #350MCM	211m	distribution system
144	Conductor Copper Wp #4/0	5,443m	distribution system
145	Conductor Copper Wp #500MCM	451m	distribution system
146	Conductor Copper Wp #6	59,188m	distribution system
147	Conductor Copper Wp #8	1,538m	distribution system
148	Guy 3/8" x 7 strands	200,841m	distribution system
149	13.8 kV Pole Top Hardware - 3 phase	7,161	distribution system
150	13.8 kV Pole Top Hardware - 2 phase	3,859	distribution system
151	13.8 kV Pole Top Hardware - 1 phase	624	distribution system
152	13.8 kV Pole Top Hardware - 2 wire	2,450	distribution system
153	220 V Pole Top Hardware - 3 phase	3,939	distribution system
154	220 V Pole Top Hardware - 2 phase	26,121	distribution system
155	220 V Pole Top Hardware - 2 wire	18,934	distribution system
156	Pole Top Hardware - 1 wire	249	distribution system
157	Guy Assembly	9,814	distribution system
158	Overhead Guy Assembly	81	distribution system
159	Truss Guy Assembly	1,505	distribution system
160	Alley Construction - Straight Run, AGAC-SR	170	distribution system
161	Standard Construction - Straight Run, AGSC-SR	244	distribution system
162	Standard Construction - Tensioning, AGSC-T	79	distribution system
163	Standard Construction - Dead End, AGSC-D	9	distribution system
164	Alley Construction - Dead End, AGAC-D	4	distribution system
165	Alley Construction - Tensioning, AGAC-T	5	distribution system
166	50 kVar Capacitor	13	distribution system
167	100 kVar Capacitor	90	distribution system
168	200 kVar Capacitor	26	distribution system
169	Streetlights Mercury 125W	6,197	distribution system
170	Streetlights Mercury 250W	46	distribution system
171	Streetlights Mercury 400W	40	distribution system
172	High Pressure Sodium 70W	5,386	distribution system
173	High Pressure Sodium 150W	6	distribution system
174	Single Phase CI200 Electronic	62,827	distribution system
175	Single Phase CT-Rated	98	distribution system
176	Single Phase CI100 Electromechanical	25	distribution system
177	Single Phase CI200 Electromechanical	1	distribution system

178	Three Phase CT-Rated	189	distribution system
179	Three Phase Self-Contained	310	distribution system
180	Desktop (with mouse, keyboard, cabling, and other standard accessories)	209	computer equipment for office use
181	Monitor	213	computer equipment for office use
182	Power Supply	201	computer equipment for office use
183	Mini PC	3	computer equipment for office use
184	Headset	1	computer equipment for office use
185	Web Camera	1	computer equipment for office use
186	Laptops	76	computer equipment for office use
187	Printers	28	computer equipment for office use
188	Servers	6	computer equipment for office use
189	Memory	6	computer equipment for office use
190	Hard Disk Drive	6	computer equipment for office use
191	Utility Truck with Boom Basket	7	transportation equipment
192	Utility Truck with Hydraulic Boom	4	transportation equipment
193	Utility Truck	7	transportation equipment
194	Truck with Digger Derrick	1	transportation equipment
195	Cable Puller	1	transportation equipment
196	Mobile Meter Lab	1	transportation equipment
197	Rough Terrain Crane	1	transportation equipment
198	Service Vehicle	62	transportation equipment
199	Phase Sequence Indicator	1	laboratory equipment
200	Ammeter Load Looker	1	laboratory equipment
201	Transformer Turn Ratio Tester	1	laboratory equipment
202	Test Equipment	1	laboratory equipment
203	Thermal Scanner	1	laboratory equipment
204	Earth Ground Clamp Tester	2	laboratory equipment
205	Sonar Scanner	1	laboratory equipment
206	Teldar Oil Tester	1	laboratory equipment
207	Relay Tester	1	laboratory equipment
208	Phase Sequence Indicator	1	laboratory equipment
209	Grounding Tester	1	laboratory equipment
210	Clamp Meters	2	laboratory equipment
211	Voltage Detector	1	laboratory equipment
212	Knockout Punch Kit	1	laboratory equipment
213	Standby Generator Set	4	machinery and equipment
214	Mobile Generator	2	machinery and equipment
215	Deepwell Pump	1	machinery and equipment
216	Pressure Tank	1	machinery and equipment
217	Handheld Radios	17	machinery and equipment
218	Radio Transreceivers	51	machinery and equipment
219	Radios	32	machinery and equipment
220	Repeaters	1	machinery and equipment
221	Office Table	81	furniture and office equipment
222	Printer Table	13	furniture and office equipment

223	Computer Table	8	furniture and office equipment
224	Round Table	6	furniture and office equipment
225	Meter Reader's Table	19	furniture and office equipment
226	Conference Table	3	furniture and office equipment
227	Executive Table	2	furniture and office equipment
228	Manager's Table	3	furniture and office equipment
229	Drawing Table	1	furniture and office equipment
230	Ping Pong Table	1	furniture and office equipment
231	Training Table	29	furniture and office equipment
232	Coffee Table	3	furniture and office equipment
233	Wooden Table	29	furniture and office equipment
234	Money Counter Table	2	furniture and office equipment
235	Consumer Welfare Desk Table	2	furniture and office equipment
236	Security Guard's Table	1	furniture and office equipment
237	Typewriter Table	1	furniture and office equipment
238	Steel Table	3	furniture and office equipment
239	Side Table	31	furniture and office equipment
240	Working Table	1	furniture and office equipment
241	Dining Table	1	furniture and office equipment
242	Monobloc Tables	5	furniture and office equipment
243	Center Table	3	furniture and office equipment
244	Corner Table	1	furniture and office equipment
245	Office Chairs	8	furniture and office equipment
246	Office Armchairs	121	furniture and office equipment
247	Executive Armchair	2	furniture and office equipment
248	Monobloc Chair	276	furniture and office equipment
249	Monobloc Armchair	14	furniture and office equipment
250	Monobloc Stool	10	furniture and office equipment
251	High Stools	2	furniture and office equipment
252	High Armchairs	7	furniture and office equipment
253	Stackable Chairs	85	furniture and office equipment
254	Visitor's Chairs	21	furniture and office equipment
255	Straight Back Chair	34	furniture and office equipment
256	Chairs with footrest	6	furniture and office equipment
257	Gang Chairs	67	furniture and office equipment
258	Sofa	7	furniture and office equipment
259	Benches	47	furniture and office equipment
260	Whiteboard	28	furniture and office equipment
261	Blackboard	2	furniture and office equipment
262	Corkboard	13	furniture and office equipment
263	Glass Writing Board	2	furniture and office equipment
264	Combination Board	4	furniture and office equipment
265	Cabinet - wooden	61	furniture and office equipment
266	Cabinet - steel	15	furniture and office equipment
267	Filing Cabinet - steel	32	furniture and office equipment

268	Filing Cabinet - wooden	15	furniture and office equipment
269	Service Records Cabinet	24	furniture and office equipment
270	Hanging Cabinet	5	furniture and office equipment
271	Medicine Cabinet	7	furniture and office equipment
272	Key Cabinet	5	furniture and office equipment
273	Closet Cabinet	1	furniture and office equipment
274	First Aid Cabinet	1	furniture and office equipment
275	Multipurpose Cabinet	1	furniture and office equipment
276	Shelf	35	furniture and office equipment
277	Bookshelf	3	furniture and office equipment
278	Hanging Bookshelf	3	furniture and office equipment
279	Racks - wooden	11	furniture and office equipment
280	Racks - steel	67	furniture and office equipment
281	Alphanumeric Die Rack	1	furniture and office equipment
282	Radio Transreceiver Rack	1	furniture and office equipment
283	Printer Rack	1	furniture and office equipment
284	UPS Rack	2	furniture and office equipment
285	Dish Rack	1	furniture and office equipment
286	Bicycle Racks	2	furniture and office equipment
287	Audio Rack	1	furniture and office equipment
288	CPU Racks	13	furniture and office equipment
289	TV Rack	5	furniture and office equipment
290	Cross Arm Racks	6	furniture and office equipment
291	Coffee Maker	3	furniture and office equipment
292	Paper Shredder	3	furniture and office equipment
293	Fire Extinguisher	105	furniture and office equipment
294	Air Conditioning Unit	103	furniture and office equipment
295	Home Theater System	1	furniture and office equipment
296	DVD Player	1	furniture and office equipment
297	Portable Speaker	1	furniture and office equipment
298	Clinic Bed	2	furniture and office equipment
299	Wall Clock	9	furniture and office equipment
300	Time Card Holder	11	furniture and office equipment
301	Biometrics	1	furniture and office equipment
302	Locker	33	furniture and office equipment
303	Podium	5	furniture and office equipment
304	Wall Fan	8	furniture and office equipment
305	Stand Fan	7	furniture and office equipment
306	Desk Fan	1	furniture and office equipment
307	Industrial Fan	1	furniture and office equipment
308	Ceiling Fans	4	furniture and office equipment
309	Exhaust Fan	4	furniture and office equipment
310	Box Fan	1	furniture and office equipment
311	Orbit Fan	1	furniture and office equipment
312	Electronic Time Recorder	1	furniture and office equipment

313	Paper Cutter	2	furniture and office equipment
314	Double Deck	1	furniture and office equipment
315	Integrated Rostrum	1	furniture and office equipment
316	Treadmill	1	furniture and office equipment
317	Vacuum Cleaner	3	furniture and office equipment
318	Transformer Cart	1	furniture and office equipment
319	Voltage Testing Tack	1	furniture and office equipment
320	Fire Hose Cabinet	1	furniture and office equipment
321	Video Cassette Recorder	1	furniture and office equipment
322	Receiver	1	furniture and office equipment
323	Compact Disk Player	1	furniture and office equipment
324	Industrial Extensions	2	furniture and office equipment
325	Emergency Light	18	furniture and office equipment
326	Binding Machine	1	furniture and office equipment
327	Typewriter	8	furniture and office equipment
328	Hand Truck Trolleys	3	furniture and office equipment
329	Push Cart	1	furniture and office equipment
330	Weighing Scale	3	furniture and office equipment
331	Portable Radio	1	furniture and office equipment
332	Evaporative Air Cooler	2	furniture and office equipment
333	Counterfeit Money Detector	5	furniture and office equipment
334	Printing Calculator	20	furniture and office equipment
335	Safety Vaults	13	furniture and office equipment
336	Banknote Counter	8	furniture and office equipment
337	Divider	2	furniture and office equipment
338	Electric Insect Killer	1	furniture and office equipment
339	Air Curtain	4	furniture and office equipment
340	Money Counter	3	furniture and office equipment
341	Checkwriter	1	furniture and office equipment
342	Piano Keyboard	1	furniture and office equipment
343	Pallets	39	furniture and office equipment
344	Radio	3	furniture and office equipment
345	Kitchen Counter	1	furniture and office equipment
346	Wooden Bed	7	furniture and office equipment
347	Closet Cabinet	4	furniture and office equipment
348	Clothes Hanger Rack	1	furniture and office equipment
349	Ironing Board	1	furniture and office equipment
350	Flat Iron	1	furniture and office equipment
351	Water Heater	11	furniture and office equipment
352	Television	4	furniture and office equipment
353	Footstools	3	furniture and office equipment
354	Amplifier	1	furniture and office equipment
355	Photocopier	1	furniture and office equipment
356	Nebulizer	1	furniture and office equipment
357	Refrigerator	2	furniture and office equipment

358	Blender	2	furniture and office equipment
359	Water Boiler	1	furniture and office equipment
360	Rice Cooker	1	furniture and office equipment
361	Water Filter	1	furniture and office equipment
362	Coffee Grinder	1	furniture and office equipment
363	Window Blinds	60	furniture and office equipment
364	Platform Truck	1	furniture and office equipment
365	Hand Dryer	1	furniture and office equipment

Leased Properties

The Company leases its distribution poles to following entities for the attachment of their facilities and/or equipment, subject to the terms and conditions in their respective Memorandum of Agreement:

	Parties to the Contract	Contract Duration	Terms	Rate	Remarks
1	Ashok G. Vasandi - CCTV	One (1) year subject to annual automatic renewal until canceled or rescinded	Automatic Annual Renewal	₱170.00 / semi-annual	Annual inflationary escalation based on Consumer Price Index
2	Air Gold	One (1) year subject to annual automatic renewal until canceled or rescinded	Automatic Annual Renewal	₱170.00 / semi-annual	Annual inflationary escalation based on Consumer Price Index
3	AZCOM	One (1) year subject to annual automatic renewal until canceled or rescinded	Automatic Annual Renewal	₱170.00 / semi-annual	Annual inflationary escalation based on Consumer Price Index
4	CONVERGE	One (1) year subject to annual automatic renewal until canceled or rescinded	Automatic Annual Renewal	₱340.00 / year	Annual inflationary escalation based on Consumer Price Index
5	CO.OP Network and Data Solution	One (1) year subject to annual automatic renewal until canceled or rescinded	Automatic Annual Renewal	₱170.00 / semi-annual	Annual inflationary escalation based on Consumer Price Index
6	Digitel	One (1) year subject to annual automatic renewal until canceled or rescinded	Automatic Annual Renewal	₱170.00 / semi-annual	Annual inflationary escalation based on Consumer Price Index
7	DITO Telecommunity Corporation	One (1) year subject to annual automatic renewal until canceled or rescinded	Automatic Annual Renewal	₱170.00 / semi-annual	Annual inflationary escalation based on Consumer Price Index
8	FARMOUTH CENTRAL INTOUCH INC.	One (1) year subject to annual automatic renewal until canceled or rescinded	Automatic Annual Renewal	₱170.00 / semi-annual	Annual inflationary escalation based on Consumer Price Index
9	COLOR CABLE OR SATELLITE	One (1) year subject to annual automatic renewal until canceled or rescinded	Automatic Annual Renewal	₱170.00 / semi-annual	Annual inflationary escalation based on Consumer Price Index
10	ICC	One (1) year subject to annual automatic renewal until canceled or rescinded	Automatic Annual Renewal	₱170.00 / semi-annual	Annual inflationary escalation based on Consumer Price Index
11	PLDT	One (1) year subject to annual automatic renewal until canceled or rescinded	Automatic Annual Renewal	₱270.00 / year	Annual inflationary escalation based on Consumer Price Index

12	METRO DAGUPAN FIRST ILOCANDIA CABLE TV, INC. (SKY CABLE)	One (1) year subject to annual automatic renewal until canceled or rescinded	Automatic Annual Renewal	₱170.00 / semi-annual	Annual inflationary escalation based on Consumer Price Index
13	SMART	One (1) year subject to annual automatic renewal until canceled or rescinded	Automatic Annual Renewal	₱270.00 / semi-annual	Annual inflationary escalation based on Consumer Price Index
14	USATV	One (1) year subject to annual automatic renewal until canceled or rescinded	Automatic Annual Renewal	₱170.00 / semi-annual	Annual inflationary escalation based on Consumer Price Index
15	WAN IT SOLUTION	One (1) year subject to annual automatic renewal until canceled or rescinded	Automatic Annual Renewal	₱170.00 / semi-annual	Annual inflationary escalation based on Consumer Price Index
16	INNOVE COMMUNICATIONS INC. - GLOBE	1 year subject to annual automatic renewal until canceled or rescinded by either party upon a sixty (60) days notice to the other party	Automatic annual renewal	Pole Attachment P170.00 / Semi-annual	Annual inflationary escalation-based Consumer Price Index (CPI)

Properties to Be Acquired

The Company intends to acquire the following properties over the next twelve (12) months. The figures mentioned therein shall understood to be in Philippine Peso.

	Property	Estimated Cost of Acquisition	Mode of Acquisition	Source of Financing
1	Construction of a new substation in Sta. Barbara	81,000,000.00	Purchase (Cash)	Internally generated fund, net proceeds of the offer
2	Poles and related accessories	64,000,000.00	Purchase (Cash)	Internally generated fund, net proceeds of the offer
3	Insulators	15,000,000.00	Purchase (Cash)	Internally generated fund, net proceeds of the offer
4	Wires	32,000,000.00	Purchase (Cash)	Internally generated fund, net proceeds of the offer
5	Line equipment protection	40,000,000.00	Purchase (Cash)	Internally generated fund, net proceeds of the offer
6	Streetlights	7,000,000.00	Purchase (Cash)	Internally generated fund, net proceeds of the offer
7	Distribution transformers	40,000,000.00	Purchase (Cash)	Internally generated fund, net proceeds of the offer
8	Service vehicles and trucks	25,000,000.00	Purchase (Cash)	Internally generated fund, net proceeds of

				the offer
9	Control Tower Building Extension	6,000,000.00	Purchase (Cash)	Internal generated fund, net proceeds of the offer
10	Information System Equipment	8,000,000.00	Purchase (Cash)	Internal generated fund, net proceeds of the offer

MATERIAL AGREEMENTS AND LEASE CONTRACTS

Market Participation Agreement

On 27 November 2009, the Company entered into a Market Participation Agreement for Direct WESM Members with Philippine Electricity Market Corporation to allow the Company to participate in the Wholesale Electricity Spot Market (the “WESM”), which permits the injection into or withdrawal of electricity from the Grid.

Metering Service Agreement

The Company has entered into a Metering Service Agreement with NGCP on 23 July 2021. Under the terms of this Agreement, NGCP is obliged to provide and install PGC and WESM compliance revenue meters, instrument transformers, and other necessary metering equipment and accessories for the retrieval of meter data representing delivered and/or received energy demand for the purpose of setting energy and transmission charges. The agreement is effective until 25 July 2026.

Transmission Service Agreement

The Company also entered into a Transmission Service Agreement with NGCP dated 23 July 2021. In accordance with this Agreement, NGCP shall provide the necessary and relevant transmission service to the Company. The Agreement is effective until 25 July 2026.

Power Purchase Agreements

On 21 February 2022, the Company entered into a ten (10)-year Power Supply Agreement (“PSA”) with Energy Development Corporation (“EDC”), wherein the Company agreed to purchase 20 MW (10MW base load and 10 MW load following) of its power requirement from EDC. The PSA was provisionally approved by the ERC through the issuance of a Resolution dated 20 December 2022.

On 14 January 2016, the Company entered into an Electric Supply Agreement (“ESA”) with Sun Asia Energy, Inc. (“SEI”), wherein the Company committed to purchase clean power generated by SEI’s solar power plant that would be embedded into the Company’s franchise area. The ESA was approved with modification by the ERC in its Decision dated 19 December 2017. Through an Assignment Agreement dated 13 July

2018, SEI assigned all of its rights, titles, and interest in and to the ESA in favor of Onemanaoag Solar Corporation.

On July 2006, the Company entered into a Purchased Power Supply Agreement (“PPSA”) for Distribution Utility Buyers with GNPower Ltd. Co. (“GNPC”), wherein the latter agreed to build and operate an electric power generation facility for the purpose of supplying its customers with environmentally clean electric power in 2010. Pursuant to Project Assignment Agreement dated 11 June 2008, GNPC transferred the rights, obligations, benefits, assets, liabilities, and interest in the Original PPSA to GMCP.

Lease Agreements

The Company entered into the following lease agreements for commercial spaces located at key locations to be used as business centers for customers:

1. Renewal of Lease Agreement dated 19 January 2023 for a Lopez-Buada Building Space in San Jacinto, Pangasinan for a period of one (1) year;
2. Renewal of Lease Agreement dated 05 January 2023 for a lease of a Unit designated at Vinuya St., Poblacion, Manaoag, Pangasinan for a period of one (1) year;
3. Renewal of Lease Agreement dated 05 January 2023 for a lease of a Unit designated at Sevidal St., Brgy. Poblacion, San Fabian, Pangasinan for a period of one (1) year; and
4. Renewal of Lease Agreement dated 05 January 2023 for a Veria 1 Building Space for a period of one (1) year.

Consultancy and Service Provider Agreements

The Company has entered into the following consultancy and service provider agreements:

1. Consultancy Agreement dated 01 January 2023 with Mr. Reynaldo E. Soriano;
2. Consultancy Agreement with Atty. Rhodora Kapunan;
3. Consultancy Agreement with Dr. Gladys Paragas-De Vera;
4. Contract of Services dated 16 February 2023 with Mr. Edwin Q. Inong;
5. Legal Retainer Agreement with Atty. Erwin A. Gavino;
6. Contract of Services dated 22 July 2022 with Malimgas Manpower Service Co.;
7. Contract of Services dated 19 January 2023 with El Gringo Security Services, Inc.; and
8. Contract of Services dated 18 January 2023 with Mancar Security Services, Inc.

COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS

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

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

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

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

The cost of the Company's compliance with environmental laws is approximately One Million Five Hundred Thousand Pesos (₱1,500,000.00) or 0.5% of its total annual expense.

REGULATORY APPROVALS

The filing of rate-related cases, compliance filing, capital expenditures, and for other matters as may be required by ERC must be done in accordance with the Rules of Practice as promulgated by ERC. The applicant is required to submit all documentary requirements and undergo a pre-filing requirement, comply with publication and other requirements prior to its formal filing. Once filed, the application shall then be scheduled for an expository and judicial hearing.

Below is the list of applications with ERC pending approval:

	ERC Case No.	Title	Date Applied
1	2012-021 RC	In the Matter of the Application for the Sale of Various Sub-transmission Lines/Assets of TRANSCO to DECORP	10 February 2012
2	2014-052 CF	In the Matter of the Application for the Approval of the Calculation for the Automatic Cost Adjustment and True Up Mechanisms for the A) Generation Rate, B) Transmission Rate, C) System Loss Rate, D) Lifeline Subsidy Rate, and E.) Senior Citizen Subsidy Rates, Under ERC Resolution No. 16, Series of 2009 As Amended, for the Period 2011 to 2013	01 April 2014
3	2017-052 CF	In the Matter of the Application for the Approval of the Calculation for the Automatic Cost Adjustment and True Up Mechanisms for the A) Generation Rate, B) Transmission Rate, C) System Loss Rate, D) Lifeline Subsidy Rate, and E.) Senior Citizen Subsidy Rates, Under ERC Resolution No. 16, Series of 2009 As Amended, for the Period 2014 to 2016	21 March 2017
4	2018-110 RC	In the Matter of the Application for the Approval of Capital Projects for the RY 2016 to 2019	20 November 2018
5	2020-014 CF	In the Matter of the Application for the Approval of the Calculation for the Automatic Cost Adjustment and True Up Mechanisms for the A) Generation Rate, B) Transmission Rate, C) System Loss Rate, D) Lifeline Subsidy Rate, and E.) Senior Citizen Subsidy Rates, Under ERC Resolution No. 16, Series of 2009 as Amended, for the Period 2017 to 2019	08 August 2020
6	2022-057 RC	In the Matter of the Application for (A) Confirmation of True-Up Calculations of the Actual Weighted Average Tariff vis-à-vis ERC-Approved Maximum Average Rate for the Lapsed Regulatory Years; and (B) Approval of the Final Refund/Collect Scheme to Account for the Lapsed Regulatory Years	25 August 2022
7	2022-20 RC	In the Matter of the Application for the Approval of the Annual Revenue Requirement and Performance Incentive Scheme in Accordance with the Provisions of the Rules for Setting Distribution Wheeling Rates (RDWR)	28 March 2022
8	2023-029 CF	In the Matter of the Application for the Approval of the Calculations for the Automatic Cost Adjustment and True-up Mechanisms for the a) Generation Rate, b)	17 May 2023

		Transmission Rate, c) System Loss Rate, d) Lifeline Subsidy Rate, and e) Senior Citizen Subsidy Rate, Under ERC Resolution No. 16, Series of 2009 as Amended, and f) Real Property Tax, and g) Local Franchise Tax Under ERC Resolution No. 2, Series of 2021 for the Period 2020 to 2022	
9	2022-082 RC	In the Matter of the Application for Approval for Approval of the Power Supply Agreement between Energy Development Corporation and Dagupan Electric Corporation and Dagupan Electric Corporation with Prayer for Provisional Authority and Motion for Confidential Treatment of Information	23 November 2022

LEGAL PROCEEDINGS

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

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

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

MATERIAL RECLASSIFICATION, MERGER, CONSOLIDATION, OR PURCHASE OR SALE OF SIGNIFICANT AMOUNT OF ASSET NOT IN THE ORDINARY COURSE OF BUSINESS

The Company has not undergone any material reclassification, merger, or consolidation, nor has it purchased or sold any significant amount of asset not in the ordinary course of business in the past three (3) years from the date of this Prospectus.

THE INDUSTRY

The information in this section has been derived from various government and private publications or obtained from other publicly available information and has not been prepared or independently verified by the Company, its Consultant, and the Sole Underwriter.

OVERALL SECTOR CONTEXT

The Philippines, an archipelago comprising of seven thousand six hundred and forty-one (7,641) islands, has a population of one hundred nine million (109,000,000) people as of the 2020 census.

According to the International Monetary Fund, as of October 2023, the Philippines is the fourth largest economy in Southeast Asia, ranking only behind Indonesia, Thailand, and Singapore, with a gross domestic product (“GDP”) of Four Hundred Thirty-Five Billion US Dollars (US\$435,000,000,000.00). Despite the pandemic, the average GDP growth rate of the Philippines is expected to increase to 6.1% in 2024. Consensus forecasts project the economy to grow strongly, particularly with respect to public infrastructure projects.

OVERVIEW OF THE INDUSTRY

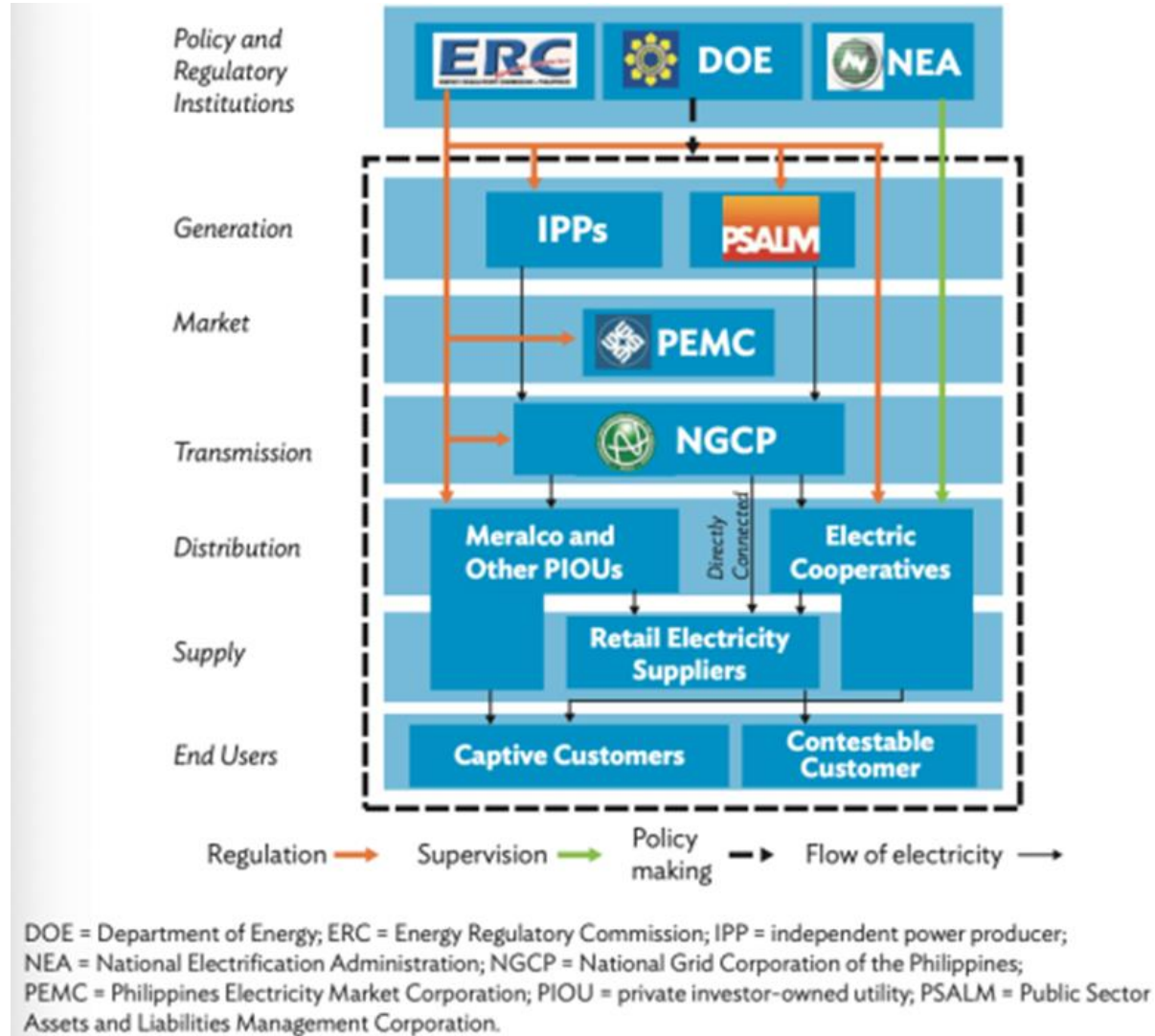
Electricity is a key driver towards achieving rapid and substantial economic growth as it serves as an essential input in production in the industrial, services, and agricultural sectors. In this time when the world is shifting towards automating processes and digitizing work, having a secure, reliable, accessible, and sustainable electricity supply is crucial not only for the growth of businesses, but also their survival. Electricity also plays a vital role in sectors such as education, health, and sanitation, and even in the overall flow of information across industries.

The Philippines’ electricity consumption is characterized by a growing trend, attributable to several factors such as the increase in temperature and utilization of cooling equipment aggravated by the warm climate, increase in economic growth, and entry of large power generating plants. The residential and industrial sectors remain to be the major drivers of electric consumption in the country, with Luzon consuming the largest on a per grid basis.

In 2019, the total electricity consumption in the Philippines reached 900 kWh per capita. While this is substantially lower compared to the 2,800 kWh per capita consumption of Thailand and 5,200 kWh of Malaysia, the government is embarking on an energy transition agenda to address the challenges of meeting fast growing demand and transforming its fossil-fuel-based infrastructure while keeping the supply of energy secure, reliable, and affordable.

The power industry is regulated by three (3) governing bodies: the DOE, ERC, and the National Electrification Administration.

The structure of the power industry in the Philippines, beginning from the generation of power up until its distribution or supply to the end users is illustrated in the table hereunder:



*Source: ADB Energy Sector Assessment

ELECTRIC INDUSTRY PARTICIPANTS

The restructured electric power industry is composed of four sectors, namely: (1) generation; (2) transmission; (3) distribution; and (4) supply.

Generation Sector

The generation sector is composed of generation companies, co-generation companies, and independent power producers. EPIRA defines a generation company as any

person or entity authorized by the ERC to operate facilities used in the generation of electricity. A generation company is required to obtain an authorization from the ERC to operate in this sector.

Transmission Sector

The transmission sector is a regulated common electricity carrier business and subject to the ratemaking powers of ERC. Presently, the NGCP holds the franchise to operate the transmission system in the country.

Distribution Sector

Distribution of electricity to end-users is a regulated common carrier business. Distribution utilities must secure a national franchise and are subject to regulation by ERC. Distribution utilities are composed of private utilities, electric cooperatives, local government unit-operated utilities, and other duly authorized entities. Being a regulated sector of the Philippine Electric Power Industry, distribution utilities cannot change the terms and conditions of its services to end-users without approval by the ERC.

Supply Sector

Supply of electricity to end-users is a competitive and contestable market. An electricity supplier (also called the Retail Electricity Supplier) has to obtain a license from ERC to engage in the selling, brokering or marketing of electricity in the competitive or contestable market. With the implementation of the third phase of the Retail Competition and Open Access on 26 February 2021, contestable market now refers to electricity end-users with a threshold level of 500 kW to 749 kW.

Subsequently, the ERC shall evaluate the performance of the market, and may reduce the threshold level until it reaches the fifth phase within the scale of 10kW to 90kW. An electricity supplier shall not be required to secure a national franchise. The prices to be charged by electricity suppliers for the supply of electricity in a competitive environment is market-driven and shall not be subject to regulation by ERC.

ELECTRIC POWER INDUSTRY

Throughout the world, the electric power industry is moving away from its traditional attributes – from being a monopolized to a competitive industry, from being government-owned to privately-owned, and from being heavily regulated to allowing some relative freedom in the way the business and operations are being conducted.

In more developed countries such as the United States of America, the United Kingdom, Australia, and New Zealand, where there are several players in a single market, competition dictates electricity prices and drives industry players to constantly innovate and improve on their products and services.

While the Philippine electric power industry is relatively young compared to the said countries that have already transitioned to a more competitive market, current industry regulations are geared towards restructuring and transforming the industry into a more competitive sector, with the end view of providing quality, reliable, accessible, sustainable, and reasonably-priced electricity to the Filipino People.

Under EPIRA, the industry has undergone many reforms intended to liberalize and unbundle the power sector and promote competition. Since the passage of the said law, the restructuring of the Philippine power sector has seen the following milestones:

Establishment of the Wholesale Electricity Spot Market in Luzon, Visayas, and Mindanao

Under the EPIRA, a wholesale electricity spot market (“WESM”) was established, composed of all wholesale market participants. Subject to their compliance with the membership criteria, all generating companies, distribution utilities, suppliers, bulk consumers or end-users, and other similar entities authorized by the ERC shall be eligible to become members of the WESM.

Through the establishment of the WESM, electricity generated would be pooled together by electricity generators to sell or make available for sale to aggregators, distribution utilities, other industries, and retail electricity suppliers.

As early as 2006, the WESM in the island of Luzon started its commercial operations. The WESM in the island of Visayas followed to commence its commercial operations in 2010. Today, the government has fully and completely established WESM in the island of Mindanao.

Establishment of the Green Energy Auction Program

In accordance with the thrust of the EPIRA to promote renewable energy resources in power generation to reduce dependence on imported energy, the DOE conducted the first round of its Green Energy Auction Program (“GEAP”) in 2022. The GEAP allows renewable energy developers, generators, or facilities registered with the DOE to enter into twenty (20)-year supply contracts with electricity consumers with peak demand of at least 100 kWh.

Structural Unbundling of Electricity Provision

Under the EPIRA, electricity provision has been unbundled into generation, transmission, and distribution plus retail supply.

Today, the power sector is almost completely privatized to a point where the private sector now provides most of generation, all of transmission, and most of distribution or retail supply.

Distribution utilities in particular were also required to unbundle its businesses in order to avoid any cross subsidies between segments upon the implementation of retail competition.

Change of Regulation Method

The rate-setting methodology for distribution utilities and transmission businesses was previously based on a Return on Rate Base methodology, with a cap limiting the returns of distribution utilities at twelve percent (12%).

Beginning in 2003, the ERC adopted a new rate setting methodology known as the “Performance Based Regulation”, which is intended to ensure that distribution utility companies have incentives to improve efficiency. Under this scheme, distribution utilities are rewarded by increasing their annual price cap or deducting from any penalty incurred, if network and service performance targets are met. On the other hand, should the distribution utility fail to meet any of the guaranteed service level components, they shall be required to compensate their consumers directly.

Removal of Most Subsidies and Cross-Subsidies

Prior to the passage of the EPIRA, there were three (3) cross subsidies that existed: (i) inter-class cross subsidy which pertained to the amount charged by distribution utilities to industrial and commercial end-users, as well as to other subsidizing customer sectors in order to reduce the electricity rates of other customer sectors such as residential end-users, hospitals, and streetlights; (ii) inter-regional grid cross subsidy which refers to an amount embedded in the electricity rates of the NAPOCOR charged to its customers located in a viable regional grid in order to reduce the electricity rates in a less viable regional grid; and (iii) intra-regional grid cross subsidy which refers to an amount embedded in the electricity rates of the NAPOCOR charged to distribution utilities and non-utilities with higher load factor and/or delivery voltage in order to reduce the electricity rates charge to distribution utilities with lower load factor and/or delivery voltage located in the same regional grid.

With the introduction of EPIRA, power rates have since been unbundled to remove all cross-subsidies above-listed. Today, the only subsidies paid by consumers are lifeline rate subsidies, senior citizen subsidies, the Universal Charge, and the Feed-in Tariff Allowance.

Promulgation of Open Access

Open access refers to the system of allowing any qualified person to use any transmission and/or distribution system and its associated facilities, subject to the payment of transmission and/or distribution retail wheeling rates approved by the ERC.

Upon the implementation of retail competition and open access, the prices charged by a generation company for the supply of electricity is no longer subject to regulation by the ERC, except as otherwise provided in the EPIRA.

Pursuant to the objective of lowering electricity rates to end-users, sales of generated power by generation companies was also zero-rated.

In the pursuit of ensuring free competition, distribution utilities are required to regularly submit their financial statements to the ERC for review in order for the said Office to determine the existence of abuse of dominant position or the presence of anti-competitive behavior.

SECTOR ISSUES

Affordability of Electricity to End Users

According to the ADB Energy Sector Assessment, the cost of electricity in the Philippines remains relatively high as compared to its Southeast Asian neighbors, particularly, the People's Republic of China and the Republic of Korea. While the EPIRA mandates distribution utilities to find the least costly electricity supply, the said law has neither any real binding measure nor does it provide distribution utilities with real incentives to do so. As a result, consumers are still made to bear the brunt of costs associated with electricity supply and distribution.

TRENDS AND FORECASTS

According to the 2020 – 2040 Philippine Energy Plan (“Philippine Energy Plan”) prepared by the DOE, the country's Total Final Energy Consumption continues to exhibit an uptrend post-pandemic at an average rate of 5.8% annually, from 29,800,000 tons of oil equivalent in 2015 to 99,300,000 tons of oil equivalent in the year 2040.

The transport sector increases rapidly at 7.1% annually, spurred by the sector's major infrastructure projects under the Build, Build, Build program.

Energy use in the industry and services sector is expected to grow at 6.60% and 6.20% annually, respectively.

The agriculture sector, as it moves towards its goal to modernize its value chains, will utilize energy at a rate of 5.9% per year, while household energy consumption is expected to grow steadily by 3.6% increment per year between the years 2020 and 2040.

In terms of the Total Energy Consumption, electricity will contribute an average of 24.5% to the final energy demand from the years 2020 to 2040, making it the second most consumed fuel after oil, with an average growth projection of 6.6% annually.

REGULATORY FRAMEWORK

This section contains a summary of the laws and regulations which are applicable to the Company. The information detailed hereunder have been obtained from publications made available in the public domain. It has not been independently verified by the Company, its Consultant, or the Sole Underwriter. The regulations set out below are not exhaustive and are intended to provide general information to the investors. They are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

The Company belongs to a highly regulated industry, bound by the following laws and rules set in place to ensure uninterrupted enjoyment of reliable and reasonably priced electricity by the public:

1987 CONSTITUTION

Sections 2 and 7 of Article XII of the 1987 Constitution provides that as a rule, only Philippine nationals may own or hold public or private land. Domestic corporations, at least 60% of whose capital is owned by Filipino citizens, may own private land and lease lands of public domain.

According to Section 17, Article XII of the 1987 Constitution, in times of national emergency, and when public interest so requires, the State may, during the emergency and under reasonable terms prescribed by it, temporarily take over or direct the operation of any privately owned public utility or business affected with public interest. However, when required by the interest of national welfare or defense, Section 18 enables the State to exercise its power of eminent domain over the ownership and operation of privately-owned public utilities and other private enterprises to the State.

The State shall also have the power to regulate or prohibit monopolies, combinations in restraint of trade, and unfair competition, as provided under Section 19, Article XII of the 1987 Constitution. Pursuant thereto, the Congress passed Republic Act No. 10667, otherwise known as the Philippine Competition Act in 2014.

EPIRA

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

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

A distribution utility shall have the obligation to provide distribution services and connections to its system for any end-user within its franchise area and provide open and non-discriminatory access to all users.

While they shall be entitled to impose and collect distribution wheeling charges and connection fees from such end-users, distribution utilities also have the concomitant obligation to supply electricity in the least costly manner to its captive market.

Distribution utilities may also, directly or indirectly, engage in any related business undertaking which maximizes the utilization of their assets, provided that a portion of the net income derived from such undertaking shall be used to reduce its distribution wheeling charges, which shall not exceed 50% of the net income derived from such undertaking. Such distribution utilities must keep separate accounts for each of the related business activities to ensure that the distribution business shall neither subsidize in any way such business undertaking nor encumber its distribution assets in any way to support such business.

Another notable change under the EPIRA is the creation of the ERC, an independent quasi-judicial regulatory board in charge of regulating the industry and implementing the provisions of the said law. In line with the law's thrust of promoting competition, the ERC is charged with encouraging market development, ensuring consumer choice, and penalizing abuse of power in the industry.

The ERC has the power to amend or revoke, after due notice and hearing, the authority to operate of any person or entity that fails to comply with the provisions of the law. It also has the power to impose fines for non-compliance or any breach of the EPIRA or any of its duly promulgated rules and regulations. The ERC may also investigate, exercise quasi-judicial powers, and act on any violation of law, rules, and regulations, including the rules on cross-ownership, anti-competitive practices, and abuse of market positions committed by any of the industry players.

Furthermore, under the EPIRA, distribution utilities or their respective holding companies, if not already listed in the PSE, are now required to offer no less than 15% of their shares to the public within five (5) years from the issuance of their respective certificate of compliance.

In compliance with the constitutional mandate for dispersal of ownership and demonopolization of public utilities, the holdings of persons, natural or juridical, including directors, officers, stockholders, and related interests, in a distribution utility and their respective holding companies shall not exceed 25% of the voting shares of stock, unless the utility or the company holding the shares or its controlling stockholders are already listed in the PSE.

For more information on the power industry restructuring milestones under the EPIRA, see "*The Industry*" Section.

PHILIPPINE COMPETITION ACT (“PCA”)

In order to attain a more equitable distribution of opportunities and wealth, the PCA was promulgated pursuant to the constitutional mandate that the State shall regulate or prohibit monopolies, when the public interest so requires, combinations in restraint of trade, or unfair competition.

The Philippine Competition Commission (“PCC”) was created to implement the national competition policy and attain the objectives and purposes of the PCA. Similar to the ERC, it is an independent quasi-judicial body charged to investigate and hear and decide cases involving unfair competition. On 02 February 2017, in ERC Case No. 2015-025 MC, the ERC clarified that the PCC and the ERC exercise concurrent jurisdiction over anti-competition cases in the energy sector. This means that the body that first takes cognizance of the complaint shall exercise jurisdiction to the exclusion of the other. In other words, the agency where the complaint was first filed shall have jurisdiction over the case.

While monopolistic or anti-competitive behavior has always been proscribed under the Constitution, the enactment of the PCA has added compulsory force to the proscription against anti-competitive agreements between competitors and abuse of dominant position. Under the PCA, the following are prohibited:

1. Anti-competitive agreements between or among competitors, which restrict competition as to price or other terms of trade;
2. Anti-competitive agreements at an auction or in any form of bidding;
3. Anti-competitive agreements which have the object or effect of preventing, restricting, or lessening competition;
4. Practices which are regarded as abuse of dominant position by engaging in conduct that would substantially prevent, restrict, or lessen competition; and
5. Mergers or acquisitions which substantially prevent, restrict, or lessen competition in the relevant market or in the market for goods or services.

As of 01 March 2023, mergers, acquisitions, and joint ventures where either (i) the size of a party exceeds Seven Billion Pesos (₱7,000,000,000.00); and (ii) the size of the transaction exceeds Two Billion Nine Hundred Million Pesos (₱2,900,000,000.00) must comply with the compulsory notification requirements under the law, otherwise, the same shall be considered void.

Similar to the ERC, the PCC shall also have the power to impose fines and criminal penalties for violations of the said law.

REPUBLIC ACT NO. 9513 (THE “RENEWABLE ENERGY ACT OF 2008”)

The Renewable Energy Act of 2008 was enacted to establish a framework for the accelerated development and advancement of renewable energy resources and the development of a strategic program to increase its utilization.

Under the said law, all stakeholders in the electric power industry are mandated to contribute to the growth of the renewable energy industry of the country by complying with the minimum generation percentage from eligible renewable energy sources set by the National Renewable Energy Board.

The law mandated the establishment of a Feed-In Tariff System for electricity produced from renewable sources, a Renewable Energy Market, and a Green Energy Option Program. The law also mandated distribution utilities, such as the Company, to enter into net-metering agreements with qualified end-users who will be installing the renewable energy system.

Renewable energy developers of renewable energy facilities, under the said law, shall be entitled to fiscal and tax incentives such as income tax holiday, duty-free importation of renewable energy machinery, equipment, and materials, specialty realty tax rates on equipment and machinery, accelerated depreciation, zero-rated value added tax, and a tax credit on domestic capital equipment and services, among others.

REPUBLIC ACT NO. 11646 (THE “MICROGRID SYSTEMS ACT”)

The Microgrid Systems Act was passed to provide uninterrupted power and help accelerate the electrification of unserved and underserved areas in the Philippines. Microgrid Systems Providers (“MGSP”) are not deemed to be a public utility operation and need not secure a franchise from Congress, but shall be required to secure an Authority to Operate from the ERC prior to its operation.

Distribution utilities may engage in the business of MGSP in unserved and underserved areas, provided that the distribution utility does not subsidize its MGSP and a separate account is maintained for such business undertaking.

ERC RESOLUTIONS

Implementing Guidelines for the Procurement, Execution, and Evaluation of Power Supply Agreements Entered into by Distribution Utilities for the Supply of Electricity to their Captive Market

Pursuant to Section 45 (b) of the EPIRA, which allows distribution utilities to enter into bilateral power supply agreements and restricts the sourcing from bilateral power supply agreements more than 50% of its total demand from an associated firm engaged in

generation, the ERC issued the aforementioned Guidelines to lay down the rules regarding the procurement of Power Supply Agreements.

2022 Revised Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities

The Revised Rules revised ERC Resolution No. 16, Series of 2009 to ensure appropriate recovery of pass-through costs and establish a process for calculating the automatic cost adjustments implemented by distribution utilities, monitoring the accuracy of such adjustments and ensuring prompt reversal of discrepancies, and confirming the automatic cost adjustments implemented by distribution utilities.

It provides for calculations of distribution utilities' generation rates, transmission rates, system loss rates, lifeline subsidy rates, senior citizen subsidy rates, and over or under recoveries.

2021 Resolution Modifying the Rules for Setting the Distribution Wheeling Rates (RDWR) for Privately-Owned Distribution Utilities Entering Performance-Based Regulation (PBR)

The purpose of these Rules is to prescribe the methodology in setting the maximum distribution wheeling rates that may be charged for the provision of Regulated Distribution Services by privately-owned electricity distribution utilities operating under performance based regulation,

2021 Rules on the Recovery of Pass-Through Taxes of Distribution Utilities

The ERC promulgated said Rules to provide guidance to distribution utilities as to the recovery of real property, local franchise, and business taxes levied by the local government unit within the distribution utilities' franchise areas, subject to the post-validation and confirmation mechanism of the ERC.

Magna Carta for Residential Electricity Consumers

Pursuant to the provisions of Section 41 of the EPIRA, the ERC enacted the Magna Carta for Residential Electricity Consumers (the "Magna Carta"), which lays down the rights of consumers such as the: (i) right to electric service; (ii) right to a refund of bill deposits; (iii) right to be exempted from payment of meter deposits; (iv) right to an accurate electric watt-hour meter; (v) right to a refund of overbillings; (vi) right to a properly installed meter; (vii) right to a meter testing; (viii) right to a prompt investigation of complaints; (ix) right to extension of lines and facilities; (x) right to information; (xi) right to a transparent billing; (xii) right to a monthly electricity bill; (xiii) right to due process prior to disconnection of electric service; (xiv) right to a notice prior to disconnection; (xv) right to suspension of disconnection; (xvi) right to tender payment at the point of disconnection; (xvii) right to electric service deposit despite arrears of

previous tenant; (xviii) right to reconnection of electric service; (xix) right to witness apprehension; (xx) right to ERC testing of apprehended meter; (xxi) right to payment under protest; and (xxii) right to file complaints before the ERC.

The Magna Carta likewise enumerates the concomitant obligations of consumers, which are the: (i) obligation to pay bill deposit; (ii) obligation to allow inspection, installation, and removal of electricity apparatus; (iii) obligation to allow the construction of poles, lines, and circuits; (iv) obligation to receive monthly bills; (v) obligation to pay monthly electric bills; (vi) obligation to pay billing adjustments; (vii) obligation not to commit illegal use of electricity; and (viii) obligation to pay differential billing.

2014 Revised Rules for the Issuance of Certificate of Compliance for Generation Companies, Qualified End-Users and Entities with Self-Generation Facilities

The Revised Rules were issued to facilitate the approval of applications for the issuance of Certificates of Compliance (“COCs”), laid down the procedure for the applications and renewals, and set forth the qualifications, disqualifications, and legal obligations of grantees of COCs for Generation Companies, Qualified End-Users, and Entities with Self-Generation Facilities.

Under the said Rules, no generating facility shall be allowed to generate or sell electricity to any distribution utility, supplier, end-user, or the wholesale electricity spot market without a valid COC issued by the ERC.

Amended Rules Enabling the Net-Metering Program for Renewable Energy

The Net-Metering Program enables an ordinary electricity consumer to generate electricity for his or her own consumption and sell any excess electricity generated to the distribution grid.

DOE CIRCULARS

Department Circular No. 2022-11-0034

This Circular amended Section 19 of the Implementing Rules and Regulations of the Renewable Energy Act to allow full foreign ownership on the exploration, development, and utilization of solar, wind, hydro, and ocean or tidal energy resources.

Department Circular No. 2020-02-0003

This Circular obliges distribution utilities to implement Smart Grids (SG), which refer to modernized electrical grids that utilize innovative technologies with two-way or multi-way communication technologies, real-time monitoring, and control systems to ensure the quality, reliability, security, and affordability of supply of electric power.

It primarily covers distribution utilities, mandating the same to comply with the levelling structure therein and in accordance with the National Smart Distribution Utility Roadmap (“SDUR”). Distribution utilities shall evaluate their current level of SG implementation in reference to the National SDUR and formulate an SG deployment plan, to be submitted to the DOE and copy furnished ERC. However, distribution utilities may request to accelerate or defer their SG deployments, as justified in their business cases, subject to endorsement by the DOE and approval of the ERC.

The Circular likewise instructs distribution utilities to incorporate all proposed SG projects in their respective annual update of Distribution Development Plan.

Department Circular No. 2018-07-0019

The Circular sets down the rules and guidelines governing the establishment of a green energy option program in the Philippines. The program will allow end-users with a monthly average peak demand of 100 kW and above for the past twelve (12) months the option to source their energy requirements from renewal sources of energy at the least cost and most sustainable manner. The Circular aims to promote sustainability and empower more Filipinos by giving them a wider variety of options for their energy requirements.

The Department then issued Department Circular No. 2020-04-0009, setting the guidelines regarding the issuance of operating permits to renewable energy suppliers under the green energy program.

Department Circular No. 2017-12-0015

The Circular sets down the rules for Renewable Portfolio Standards for On-Grid Areas. The Rules mandate electric power industry participants, including distribution utilities for their respective captive market, to source or produce a specified portion of their electricity requirements from eligible renewable energy sources in order to develop indigenous and environmentally friendly energy sources. The Rules also establish a minimum annual requirement for renewal portfolio standards and a minimum annual incremental percentage for renewable energy sources.

This Circular was later amended by Department Circular No. 2020-09-0030, which prescribes an adjusted annual incremental renewable energy percentage.

Department Circular No. 2019-12-0016

This Circular covers the rules governing the Renewable Energy Market, which is applicable to all electric power industry participants in the country, whether in on-grid or off-grid areas.

EMB Memorandum Circular No. 2014-005

Otherwise known as the Revised Guidelines for Coverage Screening and Standardized Requirements under the Philippine Environmental Impact Statement (“EIS”) System, this Circular categorizes projects or undertakings into four (4) categories on the basis of their impact on the environment.

Category A are those projects or undertakings that are required to secure an Environmental Compliance Certificate (“ECC”) due to their classification as Environmentally Critical Projects (“ECP”) by Presidential Proclamation Nos. 2146, s. 1981 and 803, s. 1996, and any other projects that may later be declared as such by the President of the Philippines.

Those under Category B are not classified as ECP but are deemed to significantly affect the quality of the environment by virtue of being located in an Environmentally Critical Area. These projects or undertakings are likewise required to secure an ECC.

Projects or undertakings under Category C such as those intended to directly enhance the quality of the environment or directly address existing environmental problems, and Category D such as those deemed unlikely to cause significant adverse impact on the quality of the environment, need not secure an ECC.

REPUBLIC ACT NO. 6969 (“TOXIC SUBSTANCES AND HAZARDOUS AND NUCLEAR WASTE CONTROL ACT OF 1990”)

The law was passed to control, supervise, and regulate activities on toxic chemicals and hazardous waste. Under the said law, importation, manufacture, processing, handling, storage, and transportation, sale, distribution, use, and disposal of all unregulated chemical substances and mixtures in the Philippines, as well as the entry, storage, and disposal of hazardous and nuclear wastes shall be regulated. The regulation covers hazardous wastes across all stages: generation, transport, storage, re-use or recycling, treatment, and disposal.

Pursuant to the law, the DENR passed Administrative Order No. 04-36, which provided the specific rules governing hazardous waste generators, transporters, and facilities, as well as the storage, labeling, and transport of hazardous waste.

EMB Memorandum Circular No. 2015-007 on the Technical Guidance on Polychlorinated Biphenyls (“PCB”) requires that all PCBs be treated, decontaminated, and disposed of in an environmentally sound manner by a Treatment, Storage, and Disposal Facility accredited by the DENR Environmental Management Bureau (EMB) and in a manner consistent with the requirements of R.A. No. 6969, DAO 1992-29, DAO 2004-01, DAO 2013-22, and other relevant environmental laws.

Violations of the law or any of the rules laid down by the DENR pursuant thereto shall be punished by imprisonment or a fine, as the case may be.

REPUBLIC ACT NO. 8749 (“PHILIPPINE CLEAN AIR ACT OF 1999”)

The Philippine Clean Air Act aims to reduce air pollution by regulating emissions from various sources, including industrial generators, and provides for the creation of a comprehensive air quality management policy and program. Under the law, stationary sources of air pollution are to be monitored by the DENR and shall be required to acquire permits covering emission limitations for the regulated air pollutants to help attain and maintain ambient air quality standards.

REPUBLIC ACT NO. 10963 (“TAX REFORM FOR ACCELERATION AND INCLUSION LAW”)

The Tax Reform for Acceleration and Inclusion Law (“TRAIN Law”), as amended, imposes upon domestic corporations a tax of 25% of its taxable income from all sources within and without the Philippines, save for some income sources that are subject to final withholding tax.

Section 43 of the TRAIN Law amended the previous excise tax rates imposed under the National Internal Revenue Code. Section 43 prescribed the gradual increase in the excise tax for fuel, including coal and other petroleum products which are primarily being used by generation companies.

Section 86 of the TRAIN Law also repealed several laws offering VAT exemptions, including Section 9 of Republic Act No. 9511, otherwise known as the National Grid Corporation of the Philippines Act (“NGCP Act”). As a result, transmission wheeling charges shall be subject to value added tax.

For a more detailed discussion, see *“Philippine Taxation”* Section.

REPUBLIC ACT NO. 7160 (“LOCAL GOVERNMENT CODE”)

Section 137 of the Local Government Code (“LGC”) provides that notwithstanding any exemption granted by any law or other special law, a province may impose a tax on businesses enjoying a franchise at the rate not exceeding 50% of 1% of the gross annual receipts for the preceding calendar year based on the income received or realized within its territorial jurisdiction.

Section 151 of the LGC also empowers cities to levy the same franchise tax at a rate exceeding the maximum rates allowed for provinces.

REPUBLIC ACT NO. NO 10173 (“DATA PRIVACY ACT OF 2012”)

The Data Privacy Act applies to all types of personal information and to any natural and juridical person involved in personal information processing, including those personal information controllers and processors who, although not found or established in the Philippines, use equipment that are located in the Philippines, or those who maintain an office, branch or agency in the Philippines.

Under Section 12 of the Act, as a general rule, the processing of personal information shall be permitted only if not otherwise prohibited by law, and when any of the following conditions exists:

- (a) The data subject has given his or her consent;
- (b) The processing of personal information is necessary and is related to the fulfillment of a contract with the data subject or in order to take steps at the request of the data subject prior to entering into a contract;
- (c) The processing is necessary for compliance with a legal obligation to which the personal information controller is subject;
- (d) The processing is necessary to protect vitally important interests of the data subject, including life and health;
- (e) The processing is necessary in order to respond to national emergency, to comply with the requirements of public order and safety, or to fulfill functions of public authority which necessarily includes the processing of personal data for the fulfillment of its mandate; or
- (f) The processing is necessary for the purposes of the legitimate interests pursued by the personal information controller or by a third party or parties to whom the data is disclosed, except where such interests are overridden by fundamental rights and freedoms of the data subject which require protection under the Philippine Constitution.

The unauthorized processing of personal information and sensitive personal information, accessing of it due to negligence, its processing for unauthorized purposes, unauthorized access or intentional breach thereto, the improper disposal of personal information, concealment of security breaches involving sensitive personal information, malicious disclosure, and unauthorized disclosure of personal information are punished by imprisonment and fine.

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS AND EXECUTIVE OFFICERS

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

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

¹A dual citizen by birth

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

ANGELIQUE MAXIME L. LLAMES-JAMES

Chairperson and Vice President

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

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

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

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

RENE BERNARD L. LLAMES

President and CEO

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

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

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

DEON PETER JAMES

Director

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

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

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

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

CYNTHIA IRENE L. LLAMES

Treasurer

Ms. Cynthia Irene L. Llames, an Electrical Engineer by profession, is the Treasurer of the Company. She was elected to the position of Treasurer in 2022. She joined the Company in 1987 as Purchasing Specialist handling the requirements of the MIS

Department. In 2002, she was appointed as Corporate Secretary of the Company until 2021.

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

GEROMIN T. NEPOMUCENO, JR.

Independent Director

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

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

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

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

JOSE MARIA A. ABAYA

Director

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

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

ATTY. RANULFO M. OCAMPO

Independent Director

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

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

ATTY. ERWIN A. GAVINO

Corporate Secretary

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

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

AUGUSTO D. SARMIENTO

Chief Operating Officer

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

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

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

MANUAL ON CORPORATE GOVERNANCE

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

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

The Manual establishes corporate governance practices that are founded on internationally recognized standards, systems, and processes designed to ensure the Company’s progress and stability, with an effective check and balance system in place and a high standard of accountability and transparency.

It further stipulates that the Board shall take steps to ensure compliance with the principles of good corporate governance in order to promote long-term success of the Company and to secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its shareholders and other stakeholders.

By adhering to these principles and embedding them into our corporate culture, we reaffirm our commitment to good corporate governance. We are dedicated to fostering a company that not only delivers reliable electricity but also operates with the highest levels of integrity, responsibility, and transparency.

Board Committees

The Board shall establish and maintain the following board committees to enhance its effectiveness in fulfilling its oversight responsibilities and aid in ensuring compliance with the principles of good corporate governance. The members of such Committees shall be appointed by the Board annually.

Corporate Governance

This Committee is responsible for assisting the Board of Directors of the Corporation in fulfilling its oversight responsibilities in relation to ensuring compliance with the proper observance of corporate governance of the Corporation and the implementation of corporate governance framework and policies.

Board Risk Oversight Committee

The Board Risk Oversight Committee (the “BROC”) is responsible for the oversight of the Company’s Enterprise Risk Management (“ERM”) system to ensure its functionality and effectiveness. The BROC has the responsibility to assist the Board of Directors in ensuring that there is an effective risk management process in place to ensure that well-informed decisions are made after taking into consideration the risks involved.

Audit Committee

The Audit Committee is responsible for the policies and procedures relating to the integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding of corporate assets. The Audit Committee will make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of internal control following the execution of Committee’s responsibilities as described herein.

Board Assessment

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

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

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

Compliance Measures

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

1. Design, implement, and oversee the Company’s compliance programs and policies to ensure adherence to all relevant laws and regulations.
2. Conduct regular risk assessments to identify potential compliance risks and develop strategies to mitigate them.
3. Stay updated on changes in laws, regulations, and industry standards that could impact the Company’s operations.

4. Prepare and present compliance reports to the Board and report on compliance issues, investigations, and corrective actions taken.
5. Conduct or oversee internal investigations into alleged compliance violations, including fraud, misconduct, or breaches of policies and procedures.
6. Coordinate with external auditors and regulatory authorities during compliance audits and inspections.
7. Oversee and promote the Company's code of conduct and ethics policies.
8. Foster a culture of compliance within the Company and promote ethical behavior and accountability at all levels.

Investor Relations Program

Pursuant to its Manual, an Investor Relations Program shall be established with the objective of: (1) reaching out to all stockholders and informing them of corporate activities; and 2) formulating a clear policy for accurately, effectively, and sufficiently communicating and relating relevant information to Company stakeholders as well as to the broader investor community.

The Investor Relations Officer shall also be responsible for receiving and responding to investor and shareholder queries and ensuring that shareholders have timely and uniform access to official announcements, disclosures, and market sensitive information relating to the Company.

Improvement of Corporate Governance Practices

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

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

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

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

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

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

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

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

SIGNIFICANT EMPLOYEES

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

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

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

JOSEPH F. CARINO

Network Operations Manager

Mr. Joseph F. Carino, a registered Electrical Engineer, has been the Network Operations Manager of the Company since 2019. He joined the Company in 1997 as Cadet Engineer. In 2008, he became the Planning and Design Section Head of the Company until he was promoted to Network Operations Manager in 2019.

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

GEMMA M. RECEL

Retail Services Manager

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

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

LILIAN D. SARALDE

Finance Manager and Regulatory Compliance Officer

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

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

ATTY. RANDY F. CASTILAN

Human Resource Manager

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

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

ENGR. ARSENIO V. ZACARIAS JR.

Logistics Manager

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

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

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

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

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

FAMILY RELATIONSHIP

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

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

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

EXECUTIVE COMPENSATION

The table below shows the compensation received by all covered persons. All figures set forth below shall be in Philippine Peso.

NAME AND PRINCIPAL POSITION	FISCAL YEAR COVERED	SALARY	BONUS	OTHER ANNUAL COMPENSATION
Angelique Maxime L. Llames-James <i>Chairperson and Vice President</i>	2021	2,800,000.00	400,000.00	55,677.76
	2022	3,300,000.00	500,000.00	61,277.76
	2023*	4,588,800.00	988,800.00	72,777.76
Rene L. Llames <i>President and CEO</i>	2021	3,030,000.00	630,000.00	43,677.76
	2022	3,582,117.66	738,000.00	43,677.76
	2023*	4,551,000.00	951,000.00	52,377.76
Cynthia Irene L. Llames <i>Treasurer</i>	2021	700,000.00	100,000.00	53,877.76
	2022	825,000.00	125,000.00	55,877.76
	2023*	1,050,000.00	150,000.00	71,577.76
Augusto D. Sarmiento <i>COO</i>	2021	3,860,054.25	812,113.50	70,518.26
	2022	4,036,931.05	854,678.00	70,677.76
	2023*	4,179,392.78	592,559.48	79,377.76
All other officers and directors as a group	2021	9,657,937.17	2,088,075.56	457,004.46
	2022	10,209,357.46	2,104,070.85	480,330.66
	2023*	11,103,940.13	2,378,679.88	549,048.46

COMPENSATION OF DIRECTORS

Standard Arrangements

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

Pursuant to the Company's Manual on Corporate Governance, which was approved by the Company on 02 October 2023, the Company shall have three (3) committees namely, the Corporate Governance Committee, Board Risk Oversight Committee, and Audit Committee. The Committee chairpersons and committee members shall be entitled to a per diem of Ten Thousand Pesos (₱10,000.00) for each meeting attended.

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

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

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

Other Arrangements

There are no other arrangements pursuant to which any of DECORP's directors were compensated, or are to be compensated, directly or indirectly, during DECORP's last completed fiscal year, and the ensuing year, for any service provided as director.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

Employment Contract with Executive Officer

There are no written employment contracts between the Company and its executive officers.

Compensatory Plan or Arrangement

The Company has no existing compensatory plan or arrangement with any of its named executive officers, that will result from the resignation, retirement, or any other termination of such executive officer, a change-in-control of the Company, or a change in said executive officers' responsibilities following a change in Company control.

WARRANTS AND OPTIONS OUTSTANDING

There are no outstanding warrants or options held by the Company's President, named executive officers, and all its officers and directors as a group.

PRINCIPAL SHAREHOLDERS

PRINCIPAL SHAREHOLDERS

As of the date of this Prospectus, the principal shareholders of the Company are as follows:

Name of Shareholder	Type of Share	Number of Shares Held	Percent of Total Issued and Outstanding Shares
Rene Bernard L. Llames 103 Mother Ignacia Ave. Quezon City	Common	3,606,006	28.94%
Cynthia Irene L. Llames 103 Mother Ignacia Ave. Quezon City	Common	3,606,004	28.94%
Angelique Maxime L. Llames-James 103 Mother Ignacia Ave. Quezon City	Common	3,606,003	28.94%
Deon Peter James, 103 Mother Ignacia Ave. Quezon City	Common	803,292	6.45%
Isabelita L. Llames 103 Mother Ignacia Ave. Quezon City	Common	3	0%
Vivencio M. Romero Chestnut Drive Capitol Garden	Common	378,310	3.04%
Jose Maria A. Abaya 35 Hamburg St. Merville Subdivision, Paranaque City	Common	378,310	3.04%
Ranulfo M. Ocampo 76 (221) Riverside Drive Provident Village Marikina City	Common	84,071	0.67%
Geromin T. Nepomuceno, Jr. Villa Teresa Subd., Angeles City	Common	1	0%

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

As of the date of this Prospectus, the following are the record and/or beneficial owners of more than 5% of the Company's voting shares:

Name of Record Owner, Address, and Relationship with the Issuer	Type of Share	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Total Issued and Outstanding Shares
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Rene Bernard L. Llames, 103 Mother Ignacia Ave. Quezon City, President and CEO	Common	Rene Bernard L. Llames - record owner	Filipino	3,606,006	28.94%
Cynthia Irene L. Llames, 103 Mother Ignacia Ave. Quezon City, Treasurer and Director	Common	Cynthia Irene L. Llames - record owner	Filipino	3,606,004	28.94%
Angelique Maxime L. Llames-James, 103 Mother Ignacia Ave. Quezon City, Chairperson and Director	Common	Angelique Maxime L. Llames-James - record owner	Filipino	3,606,003	28.94%
Deon Peter James, 103 Mother Ignacia Ave. Quezon City, Director	Common	Deon Peter James - record owner	South African	803,292	6.45%

SECURITY OWNERSHIP OF MANAGEMENT

As of the date of this Prospectus, the following are the securities held or owned by the management and directors of the Company:

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

VOTING TRUST

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

CHANGE IN CONTROL ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

An individual or entity is related to the Company if they are subject to common control or the party exercises control or significant influence over the Company. For transactions with related parties, the Company considers all relevant factors that are in the best interest of the Company and its stockholders.

In dealing with affiliates and other related parties, the Company ensures that all transactions remain above-board, fair, and equitable to all parties concerned, including the Company's stockholders. As much as possible, the Company only enters into transactions with affiliates and other related parties on an arm's length basis.

To arrive at the best terms and conditions for each transaction, the Company exerts efforts to determine the prevailing market price, terms, and conditions to use as basis for its transactions with related parties.

RELATED PARTY TRANSACTIONS

In the last two (2) years, the Company has entered into a Lease Agreement with VERIA Realty, Inc., a company under common ownership with some of the shareholders of DECORP for the lease of office space for the amount of One Million Sixteen Thousand Eight Hundred Seventy-Eight Pesos (₱1,816,878.00) in 2022 and Two Million Six Hundred Thirty-Eight Thousand Ninety Pesos (₱2,638,090.00) in 2023. This has been incorporated under Note 16 of the 30 June 2023 Interim Audited Financial Statements.

DESCRIPTION OF THE COMPANY'S SHARES

The information contained in this Section relates to the Company's capital stock, but does not purport to be complete and should be read with reference to the requirements under the Revised Corporation Code and the Company's Articles of Incorporation and ByLaws.

SHARE CAPITAL INFORMATION

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

Pursuant to the EPIRA, the Company shall be offering Two Million Two Hundred Thousand Shares (2,200,000) common shares to the public, equivalent to fifteen percent (15%) of its common shares of stock after the offer.

OBJECTIVES AND PURPOSE

Primary Purpose

Under the Articles of Incorporation, the Company's primary purpose is to secure from the government or its instrumentalities electric franchises; to acquire from any person, firm, corporation, or entity rights and interest on electric franchises; and to construct, erect, build, purchase, lease, or otherwise acquire, maintain, and operate power plants, distribution system for electrical lighting, heating and power, and other electrical of all classes; to generate, distribute, sell or lease electric power and energy to all persons, concerns, enterprises or building public or private and to collect, demand, receive and receipt for all revenues, moneys, charges, and other considerations from said persons or customers for such suppliers and services sold or rendered;

Secondary Purpose

The Company is also authorized to undertake the following activities:

1. To contract for the purchase, lease, hire, or acquisition of such light, leases, licenses, franchises, certificates of public convenience and necessity, or permits

as said corporation may desire or need for its purposes and for the conduct of its business;

2. To purchase, lease, or otherwise acquire such ground or building as the said corporation may need for such offices, storage rooms, depots, power plants, substations, and or other constructions as the said corporation may need;
3. To lay, construct, and maintain electrical installations, cables, wires, lines, and all necessary appurtenances and appliances for said purposes; and
4. To engage the services of such workers, employees or electricians as may be desired or needed in the conduct of the business of the said corporation; and generally, to do any and all lawful things necessary to carry out the objects for which this corporation is formed.

RIGHTS RELATING TO THE SHARES

Voting Rights

As of the time of the Prospectus, the Company only has one (1) class of common shares with full voting rights. All holders of shares of stock in the Company shall be entitled to vote, whether in person or in proxy, for each common share standing in his name in the books of the Company at the time of the closing of the stock and transfer book for such meeting.

Each stockholder shall have the right to vote such a number of shares of stock standing in his own name in the stock books of the corporation at the time fixed in the bylaws or where the bylaws are silent, at the time of the election. The said stockholder may vote such a number of shares for as many persons as there are directors to be elected or cumulate his shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned. However, holders of delinquent shares of stock shall not be entitled to exercise their voting rights.

Moreover, under the Revised Corporation Code, the following matters can only be done with the approval of holders of at least two-thirds of the Corporation's outstanding capital stock:

- (a) Amendment of Articles of Incorporation;
- (b) Extension or shortening of corporate term;
- (c) Increase or decrease of capital stock and incurring, creating, or increasing bonded indebtedness;
- (d) Delegation to the Board of Directors of the power to amend or repeal or adopt new By-Laws;
- (e) Sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the Company's assets;

- (f) Merger or consolidation of the Company with another corporation or corporations;
- (g) Investment of corporate funds in any other corporation or for a purpose other than the primary purpose for which the Company was organized;
- (h) Dissolving the Company;
- (i) Declaration or issuance of stock dividends;
- (j) Ratifying a contract between the Company and a director or officer where the vote of such director or officer was necessary for approval;
- (k) Entering into a management contract where a majority of directors of the managing corporation constitutes the majority of the board of the managed company or stockholders of both the managing and managed corporations represent the same interest and own or control more than one third (1/3) of the outstanding capital stock entitled to vote;
- (l) Removal of directors;
- (m) Ratification of an act of disloyalty by a director; and
- (n) Ratification of contracts between corporations with interlocking directors.

Right to Receive Dividends

Dividends are payable to all stockholders on the basis of the outstanding shares of stock held by them, with each share being entitled to the same unit of dividend as any other share. Dividends are payable to stockholders whose names are recorded in the stock and transfer book as of the record date fixed by the Board of Directors.

Under the Company's ByLaws, dividends shall only be declared from surplus profits and shall be payable in such amounts as the Board of Directors shall determine. Such dividends may be paid out in cash or in shares of the Company, or both, as the Board of Directors may determine. No dividend shall be declared that will impair the capital of the Company, and no stock dividends shall be declared without the approval of holders of the statutory majority of the voting shares.

In case of cash dividends due on delinquent shares of stock, the same shall first be applied to the unpaid balance on the subscription plus costs and expenses, while stock dividends shall be withheld from delinquent stockholders until the stock dividend has been fully paid.

Preemptive Right

The Revised Corporation Code confers a pre-emptive right to stockholders, which entitles them to subscribe to all issues or other disposition of shares of any class by the corporation in proportion to their respective shareholdings, except when the issuance is made in compliance with laws requiring stock offerings or minimum stock ownership by

the public or to shares issued in good faith with the approval of the stockholders representing two-thirds (2/3) of the outstanding capital stock in exchange for property needed for corporate purposes or in payment of a previously contracted debt.

Stockholders may be denied their preemptive right if provided in the Articles of Incorporation. Stockholders who are entitled to exercise their preemptive right are allowed to waive the same through a written instrument to that effect.

Under the Bylaws, when the Board of Directors resolves to issue shares from the unissued portion of its authorized capital stock, the existing shareholders shall have a period of fourteen (14) to thirty (30) days, as may be determined by the Board of Directors, within which to exercise their preemptive rights to subscribe to the new shares in proportion to their respective shareholdings. Should there be any shares left unsubscribed after the said period, the remaining shareholders shall have a period of another three (3) days within which to subscribe to the remainder. Thereafter, any portion left unsubscribed by the existing shareholders shall be offered for sale to the general public.

Appraisal Rights

Under the Revised Corporation Code, a dissenting stockholder has the right of appraisal or the right to demand for the payment of the fair value of his shares in the following instances:

- (a) In case an amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
- (c) In case of merger or consolidation; and
- (d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

In any of these circumstances, appraisal rights may be exercised by the dissenting stockholder by making a written demand within thirty (30) days from the date on which the vote was taken on the corporate action. The failure to make the demand within the period shall be deemed a waiver of the appraisal rights.

The payment to the dissenting stockholder of the fair value of his shares will only be made if the corporation has unrestricted retained earnings to cover such amount. From the time the shareholder makes a demand for payment until the Corporation purchases

such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of the share.

Derivative Rights

The Revised Corporation Code recognizes the right of a stockholder to institute proceedings on behalf of the corporation in a derivative action in circumstances where the Corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the Corporation or to vindicate corporate rights as, for example, where the directors of the corporation themselves are the malefactors.

Right of First Refusal

All holders of shares of stock in the Company are bound by the condition that, except in cases of inheritance, any transfer or disposition of shares of stock in the Company, shall be subject to the right of first refusal in favor of the non-transferring stockholders of record of the Corporation, in proportion to their respective shareholdings. The said shares of stock shall be offered to the non-transferring stockholders at a price not lower than the book value of the same in the last balance sheet approved by the corporation.

BOARD OF DIRECTORS

Unless otherwise provided by law, the corporate powers of the Company are exercised through the Board of Directors. The Board of Directors conducts the business and affairs of the Corporation and controls the corporation's properties.

Pursuant to the Articles of Incorporation, the Company shall have seven (7) directors, which may be increased to any number not exceeding fifteen (15). No person shall be elected or be competent to act as a director of the corporation unless he or she is a stockholder of record at the time of the election. If any director shall cease to be a stockholder of record, his or her term of office shall forthwith terminate and cease.

The Board of Directors shall be elected every year during the regular meeting of stockholders, at which stockholders representing at least a majority of the issued and outstanding capital stock of the Company are present either in person or by proxy.

Individual directors shall have no power as such but can only act collectively with the rest of the Board, where a quorum is present. A majority of the directors as stated in the Articles of Incorporation, or at least four (4) directors at present, shall constitute a quorum to do business. The act of the majority of a quorum as present shall be valid as a corporate act.

In case of any vacancy in the Board of Directors by reason of death, resignation, disability or any other cause, a special meeting of the stockholders shall be called for the purpose of electing the director or directors who shall fill such vacancy for the

unexpired term by a majority vote constituting a quorum. In case of any increase in the Board of Directors between the annual elections of directors, the newly-created directorship shall be filled in a special stockholders meeting called for the purpose.

According to the Company's ByLaws, the regular meetings of the Board of Directors shall be held at the principal office of the company or at such any of its branch offices as a majority of the Directors may designate from time to time, on any day and hour of each month which may be determined by the Board

At the first regular meeting of the Board of Directors after the time fixed for the annual meeting of stockholders each year, or at a special meeting called for the purpose after the annual meeting of the stockholders, the Board shall elect a Chairman, a President, Vice-President, Treasurer, Secretary, and Chief Executive Officer.

SHAREHOLDERS' MEETINGS

Regular Stockholders' Meeting

The Revised Corporation Code requires corporations to hold an annual meeting of the stockholders for corporate purposes, including the election of directors. The Bylaws of the Company provide that the regular annual meeting of the stockholders shall be held on the third Tuesday in April of each year at 10:00 in the morning.

Special Stockholders' Meeting

Special meetings of stockholders may be called at any time by resolution of the Board of Directors or by order of the President, and must be called upon the written request of the stockholders registered as the owners of forty percent of the total subscribed capital stock.

Notice of Stockholders' Meeting

Under the Company's latest Amended Bylaws, a written notice for every regular or special meeting shall be sent to all stockholders not less than five (5) days prior to the date set for such meeting, and if for a special meeting, such notice shall state the object or objects of the same.

To conform with Section 49 of the Revised Corporation Code, which requires that notices of regular and special stockholders' meetings be sent to all stockholders of record at least twenty (21) days and one (1) week before the subject meeting, respectively, the Company undertakes to immediately amend its Articles of Incorporation to reflect the required notice periods therein.

Pending such amendment, the Company undertakes further to (a) observe the minimum notice periods required under Section 49 of the Revised Corporation Code; and (b)

comply with the requirement under Rule 20 of the Securities Regulation Code Implementing Rules and Regulations to file a preliminary and definitive information statement within the periods prescribed therein.

No failure or irregularity of notice of any regular meeting shall invalidate such meeting or any proceeding thereat, and any failure or irregularity of notice of any special meeting at which all of the shareholders are present or represented and voting without protest, shall invalidate such meeting or any proceeding thereat.

Quorum

A quorum at any meeting of the stockholders shall consist of a majority of the subscribed capital stock of the company represented either in person or by proxy, and a majority of such quorum shall decide any question that may come before the meeting, save and except in these several matters in which the laws of the Philippines require the affirmative vote of a greater proportion.

A stockholder or member who participates through remote communication or *in absentia*, shall be deemed present for purposes of quorum.

Voting

At all meetings, stockholders may vote, in person, by proxy, remote communication, or in *absentia*.

Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy, duly given in writing and duly presented to the Secretary for inspection and record at or prior to the opening of said meeting. No proxy bearing a signature which is not legally acknowledged shall be recognized at any meeting unless such signature is known and recognized by the Secretary of the meeting.

Share Certificates

Certificates of Stock shall be issued to each holder of fully paid stock in numerical order from the stock certificates book and shall be signed by the President and by the Secretary. A record of each certificate issued shall be kept on the stub thereof and upon the stock register of the Company.

Accounting and Auditing Requirements

As a stock corporation, the Company is required to file a copy of its audited financial statements with the SEC.

Under Republic Act No. 8799, otherwise known as the Securities Regulation Code, corporations whose securities are registered with the SEC but are not listed on the PSE are required to file their audited financial statements within one hundred five (105) calendar days after the end of the fiscal year.

Under the Revised Corporation Code, the Board of Directors is required to present to the stockholders at every annual meeting a financial report of the operations of the Company for the preceding year.

PHILIPPINE TAXATION

The information contained hereunder is a general description of Philippine taxation related to the subscription and transfer of shares of stock of a corporation, which are based on the laws, regulations, rulings, income tax treaties, administrative practices, and judicial decisions in effect at the date of this Prospectus. There may be changes in subsequent legislation, judicial decisions, and administrative issuances which may affect the tax consequences to the prospective investor that the Company cannot predict or foresee at the time of this writing.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. The information below does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to invest in the shares and does not purport to deal with the tax consequences applicable to all categories of investors.

The information likewise does not include a discussion on the tax aspects of acquiring, owning, holding, or disposing of the shares under the tax laws of other jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the shares in other jurisdictions.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF LOCAL AND NATIONAL TAX LAWS.

As will be used hereunder, the term "resident alien" shall refer to an individual who is not a citizen of the Philippines but who resides therein. A "non-resident alien" shall refer to an individual who is neither a citizen of the Philippines nor residing therein. A non-resident alien who stays in the Philippines for an aggregate period of more than one hundred eighty (180) days during any calendar year shall be considered a non-resident alien engaged in trade or business. If the individual stays in the Philippines for an aggregate period of one hundred eighty (180) days or less, the individual is considered a non-resident alien not engaged in trade or business.

A "domestic corporation" is one created or organized under the laws of the Philippines. A "resident foreign corporation" applies to a foreign corporation engaged in trade or business within the Philippines. A "nonresident foreign corporation" applies to a foreign corporation not engaged in trade or business in the Philippines.

CORPORATE INCOME TAX

In general, a domestic corporation is subject to a tax of twenty five percent (25%) of its taxable income from all sources within and without the Philippines. However, domestic

corporations with net taxable income not exceeding Five Million Pesos (₱5,000,000.00) and with total assets not exceeding One Hundred Million Pesos (₱100,000,000.00) excluding land on which the particular business entity's office, plant and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at twenty percent (20%). The taxable income refers to gross sales less returns, discounts and allowances, and cost of goods sold, less all the allowance deductions under Section 34 of the NIRC, as amended. For a domestic corporation engaged in the sale of services, the taxable income shall refer to gross receipts less sales returns, allowances and discounts, less all the allowable deductions.

The passive income of a corporation shall be subject to a final tax in the following rates: (i) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines shall be taxed a final withholding tax rate of twenty percent (20%) of the gross amount of such income; (ii) interest income from a depository bank under the expanded foreign currency deposit system shall be subject to a final tax at the rate of fifteen percent (15%) of such income; and (iii) sale, exchange, or disposition of lands and/or buildings shall be subject to a final tax of six percent (6%) of the selling price or fair market value of the real property, whichever is higher.

A minimum corporate income tax of two percent (2%) of the gross is imposed on a domestic and resident foreign corporation beginning the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the regular corporate income tax. Any excess of the minimum corporate income tax over the regular corporate income tax shall be carried forward and credited against the regular corporate income tax for the 3 immediately succeeding taxable years.

TAX ON DIVIDENDS

Cash or property dividends actually or constructively received by individual stockholders who are either citizens or residents of the Philippines are subject to a final withholding tax of ten percent (10%).

Cash or property dividends received by a non-resident alien individual engaged in trade or business in the Philippines are subject to a final withholding tax at the rate of 20% of the gross amount, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at the rate of twenty five percent (25%) of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

Cash or property dividends received by a domestic corporation or a resident foreign corporation from a domestic corporation shall not be subject to tax. Cash or property

dividends received by a non-resident foreign corporation from a domestic corporation shall be subject to a reduced final tax of twenty five percent (25%) under the CREATE Act. Dividends distributed by a domestic corporation to a non-resident foreign corporation may be subject to a lower final withholding tax of fifteen percent (15%), subject to the condition that the country in which the nonresident foreign corporation is domiciled, shall allow a credit against the tax due from the nonresident foreign corporation taxes deemed to have been paid in the Philippines.

Stock dividends on the other hand shall not be subject to final withholding tax. However, the subsequent cancellation or redemption of such stocks shall be subject to tax insofar as it represents a distribution of earnings. The sale, exchange or disposition of shares received as stock dividends by the holder is subject either to a capital gains tax and documentary stamp tax or stock transaction tax.

DOCUMENTARY STAMP TAX

Original issuances of shares from the unissued portion of a corporation's authorized capital stock are subject to a documentary stamp tax of Two Pesos (₱2.00) on each Two Hundred Pesos (₱200.00) or a fractional part thereof of the par value of such shares of stock.

Secondary transfer of shares is subject to documentary stamp tax of One Peso and Seventy Five Centavos (₱1.75) on each Two Hundred Pesos (₱200.00) or a fractional part thereof of the par value of such shares of stock transferred.

CAPITAL GAINS TAX

Under the TRAIN Law and CREATE Act, the capital gains tax for sale of shares not listed in the local Stock Exchange, whether sold by a resident or nonresident individual or domestic or foreign corporation, shall be at fifteen percent (15%) of capital gains.

STOCK TRANSACTION TAX

Sale of shares listed in the local stock exchange are subject to a tax at a rate of six-tenths of one percent (0.60%) stock transaction tax based on the gross selling price or gross value of money sold, bartered, exchanged or otherwise disposed of.

ESTATE AND DONOR'S TAX

Shares issued by a domestic corporation shall be deemed to have its situs in the Philippines. Hence, any transfer thereof by way of succession or donation, even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate and donor's tax, respectively.

Under the TRAIN Law, the estate and donor's tax shall now both be at a flat rate of 6% of the net estate or the total gifts in excess of Two Hundred Fifty Thousand Pesos (₱250,000.00). As regards donor's tax, the relationship of the donor to the donee shall no longer be material. Thus, a donation to a relative and to a stranger shall be taxed at the same rate.

LEGAL MATTERS

Certain Philippine legal matters in relation to the Offer will be passed upon by Villanueva Gabionza & Dy Law Offices, as the legal counsel of the Company, and by Atty. R. John Christopher Jimenez Salom, legal counsel to the Sole Underwriter.

The Company has also engaged the services of IGC Securities Inc. to provide independent consultancy services in relation to the Offer.

The aforesaid counsels and experts have no shareholdings in the Company or any right, whether legally enforceable or not, to nominate persons or to subscribe to shares of the Company. None of the aforesaid counsels and experts shall receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS

The Audited Financial Statements (“AFS”) of the Company, for the years ended 31 December 2020, 31 December 2021, and 31 December 2022, as well as for the six (6) months ended 30 June 2023 appearing in this Prospectus have been audited by Diaz Murillo Dalupan and Company (“DMD”), independent auditor (or external auditor), as set forth in their reports in the AFS, appearing elsewhere in this Prospectus.

The Company’s Board of Directors approved the following professional services rendered to the Company by Diaz Murillo Dalupan and Company and the related aggregate fees for each of the years ended 31 December 2022, 31 December 2021, and 31 December 2020 excluding fees directly related to the Offer (amounts in Philippine Peso):

AUDIT FEES

Nature	30 June 2023	Fees paid to Auditor For the years ended 31 December		
		2022	2021	2020
Audit of Financial Statements	750,000	455,000.00	440,000.00	435,000.00

The fees presented above exclude out-of-pocket expenses incidental to the services of the foregoing independent auditors and VAT.

Except for the abovementioned services, the independent auditors provided no other type of services to the Company.

DMD disclosed in their report for the audit of the 2021 Financial Statements of the Company as follows –

As described in Note 4 to the financial statements, the Company’s Utility plant and equipment and Other property equipment are carried at revalued amount. Under Philippine Accounting Standard 16, Property, Plant and Equipment, revaluation shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. If the property, plant and equipment experience significant and volatile changes in fair value, annual revaluation may be necessary. For items of property, plant and equipment with only insignificant changes in fair value, it may be necessary to revalue the items only three to five years. However, the Company’s latest revaluation was made as of December 29, 2015; hence, we cannot ascertain whether the carrying amounts of the Company’s utility plant and equipment and other property and equipment do not materially differ from their fair values as at December 31, 2021.

This resulted in DMD's issuance of a qualified opinion for their audit of the Company's financial statements for the year ended 31 December 2021.

In 2023, the Company had its utility plant and equipment and other property and equipment re-appraised by an independent firm of appraisers accredited by the SEC for the period ended 31 December 2021. The valuation was performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2nd Edition, 2018), causing a prior period adjustment arising from the re-appraisal of utility plant and equipment and other property and equipment.

Accordingly, DMD, in its report on the audit of 2022 Financial Statements of the Company, it opined that –

x x x the financial statements present fairly, in all material respects, the financial position of **Dagupan Electric Corporation** as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRSs).

The Company has had no other disagreements with its independent auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope except for the matters discussed above from the periods ended 31 December 2020, 31 December 2021, and 31 December 2022, as well as for the six (6) months ended 30 June 2023.