

SECRETARY'S CERTIFICATE

BENEDICT R. TUGONON, of legal age, Filipino, and the duly elected Corporate Secretary of **ANGELES ELECTRIC CORPORATION** (the "Corporation"), a corporation duly formed and existing under and by the virtue of the laws of the Philippines, after having been sworn in accordance with law, hereby certifies:

1. That I have caused the attached SEC Form 20-IS to be prepared on behalf of the Corporation;
2. That I have read and understood its contents which are true and correct based on my own personal knowledge and/or on authentic records;
3. That the Corporation will comply with the requirements set forth in the SEC Notice dated May 12, 2021 to effect a complete and official submission of reports and/or documents through electronic mail;
4. That I am fully aware that submitted documents which require pre-evaluation and/or payment of processing fees shall be considered complete and officially received only upon payment of a filing fee; and
5. That the email account designated by the Corporation pursuant to SEC Memorandum Circular No. 28, S. 2020 shall be used by the Corporation in its online submissions to the SEC.


IN WITNESS WHEREOF, I have hereunto set my hand this May 10, 2024 in Pasig City.


BENEDICT R. TUGONON
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

SUBSCRIBED AND SWORN to before me this May 10, 2024, in Pasig City, affiant exhibiting to me his SSS No. 06-2021118-5 as competent evidence of identity.

Doc. No. 239
Page No. 49;
Book No. L;
Series of 2024.


MINDY ROIZA A. PLANILLO
NOTARY PUBLIC
FOR AND IN THE CITY OF PASIG
AND IN THE MUNICIPALITY OF PATEROS
UNTIL DECEMBER 31, 2025
PTR NO. 0173781; 01/02/2024; PASIG CITY
IBP NO. 302159; 01/08/2024; RIZAL (RSM)
ROLL NO. 86988/APPLICATION NO. 129 (2024-2025)
?1 /F Robinsons-Equitable Tower, 4 ADB Ave. cor. Poveda St.
1605 Origas Center, Pasig City

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT
of
ANGELES ELECTRIC CORPORATION
(the "Company" or "AEC")

Pursuant to Section 20 of the Securities Regulation Code (the "Code" or "SRC")

1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

2. Name of Registrant as specified in its charter: **ANGELES ELECTRIC CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization: **ANGELES CITY, PAMPANGA, PHILIPPINES**

4. SEC Identification Number **4620**

5. BIR Tax Identification Code **000-088-802**

6. Address of principal office: **Don Juan D. Nepomuceno Avenue, Nepo Mart Complex, Angeles City, Pampanga**

7. Registrant's telephone number, including area code **+639088803567 / (632)8636-6485**

8. Date, time and place of the meeting of security holders

Date – **June 18, 2024**

Time – **10:00 a.m.**

Place – **to be conducted virtually**

9. Approximate date on which the Information Statement is first to be sent or given to stockholders: **May 24, 2024**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding
Common	1,178,448,400

11. Are any or all of registrant's securities listed in a Stock Exchange?

Yes _____ No X



ANGELES ELECTRIC CORPORATION

**NOTICE
2024 ANNUAL STOCKHOLDERS' MEETING
ANGELES ELECTRIC CORPORATION**

DATE : June 18, 2024
FOR : All Stockholders of Angeles Electric Corporation
FROM : Office of the Corporate Secretary
RE : Notice of Annual Meeting of the Stockholders of Angeles Electric Corporation

Please be informed that the Annual Meeting of the Stockholders of Angeles Electric Corporation will be held on June 18, 2024 at 10 a.m., via videoconferencing.

The agenda for the said meeting is as follows:

1. Call to Order
2. Certification of Quorum
3. Approval of Minutes of the 2023 Annual Stockholders' Meeting
4. Annual Report of the President
5. Approval of the Audited Financial Statements
6. Ratification of the Acts of the Board of Directors and of Management
7. Election of Directors
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

May 24, 2024.

By order of the Chairman:


BENEDICT R. TUGONON
Corporate Secretary

EXPLANATION OF AGENDA ITEMS

1. Call to Order

The Chairman will call to order the Annual Stockholders' Meeting.

2. Certification of Quorum

The Corporate Secretary will be asked to certify that the copies of the Notice and Agenda of the meeting, among others, were served upon the stockholders entitled to the same. The Corporate Secretary will then certify whether or not, based on the number of shares present personally or represented by proxy, a quorum exists for a valid meeting. He will also explain the rules for the orderly conduct of business at the meeting.

3. Approval of the Minutes of the June 20, 2023 Stockholders' Meeting

A resolution on this item requires the approval of a majority of the votes of the stockholders present and eligible to vote. The minutes of the June 20, 2023 meeting contain discussions of the following items:

- Approval of the minutes of the July 12, 2022 Annual Stockholders' Meeting
- Approval of the Report of Management and the Audited Financial Statements for the period ending December 31, 2022
- Ratification of the Acts of the Board of Directors and Management
- Election of Directors for the Ensuing Year
- Appointment of External Auditors

4. Annual Report of the President

The President will render the Report of Management on the Corporation's performance in 2023, as reflected in the audited financial statements. They do not require any approval by the stockholders.

5. Approval of the Audited Financial Statements as of December 31, 2023

The stockholders will be requested to ratify the Board's approval of the Corporation's audited financial statements as of December 31, 2023. The audited financial statements are attached to the Information Statement and made available to eligible stockholders pursuant to the requirements of the Securities Regulation Code. A resolution on this agenda item requires the approval of a majority of the votes of stockholders present and eligible to vote.

6. Ratification of the Acts of the Board and of Management

This will cover all acts and resolutions adopted by the board of directors and management since the June 20, 2023 annual stockholders' meeting and until May 14, 2024. These cover the Company's agreements, projects, investments, capital expenditures, and matters entered into in the ordinary course of business, with those of significance having been covered by the proper disclosures to the Securities and Exchange Commission in accordance with applicable disclosure rules. A resolution on this agenda item requires the approval of a majority of the votes of stockholders present and eligible to vote.

7. Election of Directors

Pursuant to the Corporation's By-Laws, and applicable rules of the Securities and Exchange Commission, any stockholder, the Corporation's Governance Committee is tasked with the promulgation and issuance of the guidelines regarding the nomination of directors.

8. Appointment of External Auditors

The Audit Committee has recommended the re-appointment of Punongbayan & Araullo as external auditors for the ensuing year. The profile of the firm is indicated in the Information Statement. A resolution on this agenda item requires the approval of a majority of the votes of stockholders present and eligible to vote.

9. Other Matters

This covers the consideration of other business that may properly come before the meeting. The chairman of the meeting will open the floor for any comments, questions or points of clarification received from stockholders on or before June 10, 2024, in accordance with existing laws, rules, and regulations of the Securities and Exchange Commission.

10. Adjournment

The Chairman will adjourn the meeting.

PART I. – INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time, and place of Meeting

Date	-	June 18, 2024
Time	-	10:00 a.m.
Place	-	to be conducted virtually
Principal Office	-	Don Juan D. Nepomuceno Avenue, Nepo Mart Complex, Angeles City, Pampanga

This Information Statement will be made available to the stockholders starting **May 24, 2024**.

Item 2. Dissenters' Right of Appraisal

A stockholder has a right to dissent and demand payment of the fair value of his share:

- (i) in case amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders 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;
- (ii) in case any sale, lease, exchange, mortgage, pledge or disposition of all or substantially all the corporate property and assets as provided in the Revised Corporation Code of the Philippines;
- (iii) in case of merger or consolidation; and
- (iv) in case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The Company is not aware of any action or matter to be taken up at the Annual Stockholders' Meeting that will give rise to the exercise by a shareholder of the right of appraisal.

However, if any time after the Information Statement has been sent out, an action which may give rise to the right of appraisal is proposed at the meeting, any dissenting stockholder who votes against the proposed action may exercise such the right of appraisal by making a written demand on the Corporation for the payment of the fair value of shares held within 30 days from the date on which the vote was taken. The failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon the surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.

If within 60 days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within 30 days after such award is made. However, no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment. Upon payment by the corporation of the agreed or awarded price, the stockholder shall transfer the shares to the corporation.

From the time of demand for payment of the fair value until either the abandonment of the corporate action or the purchase of the shares by the corporation, all rights accruing to the shares including voting and dividend rights shall be suspended in accordance with the provisions of the Revised Corporation Code, except the right of the stockholder to receive payment of the fair value thereof. If the dissenting

stockholder is not paid the value of the shares within 30 days after an award, the voting and dividend rights shall immediately be restored.

No demand for payment may be withdrawn unless the corporation consents thereto. The costs of appraisal shall be borne by the corporation unless the fair value ascertained by the appraisers is approximately the same as the price which the corporation may have offered to pay the stockholder, in which case the costs and expenses shall be borne by the stockholder.

Within ten days after demanding payment for the shares held, a dissenting stockholder shall submit the certificates of stock representing the shares to the corporation for notations that such shares are dissenting shares. Failure to do so, shall at the option of the corporation, terminate the right of appraisal of the stockholder. If the shares represented by the certificates bearing such notation are transferred and the certificates consequently cancelled, the rights of appraisal of the transferor ceases and the transferee shall have all the rights of a regular stockholder, and all dividend distributions which would have accrued on the shares shall be paid to the transferee.

Item 3. Interest of Certain Persons in or Opposition to Matters to be acted upon.

No director, nominee for election as a director, officer or associate of directors, nominees and officers has any substantial interest, direct or indirect, in any matter to be acted upon during the Annual Stockholder's Meeting, other than the election to office of the directors.

The Company has not received any information that an officer, director or stockholder intends to oppose any action to be taken at the Annual Stockholders' Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) The Company has an authorized capital stock of Two Billion Pesos (Php2,000,000,000.00) divided and classified into: Five Hundred Million (500,000,000) shares of voting redeemable preferred stock with a par value of One Peso (P1.00) per share, or an aggregate value of Five Hundred Million Pesos (Php500,000,000.00) and One Billion Five Hundred Million (1,500,000,000) shares of common stock with a par value of One Peso (Php1.00) per share, or an aggregate value of One Billion Five Hundred Million Pesos (Php1,500,000,000.00).
- (b) All stockholders of record as of May 14, 2024 ("Record Date") shall have the right to vote at the annual stockholders' meeting.
- (c) With respect to the election of directors, the stockholders may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.
- (d) Pursuant to Article III, Section 5 of the By-Laws of the Company, the presence in person or by proxy of a majority of the outstanding capital stock of the Company shall constitute a quorum for the transaction of corporate business, except in those cases where the Revised Corporation Code otherwise provides.

Voting upon all questions at all meetings of the stockholders shall be by shares of stock. One share has one vote. The stockholders may vote at all meetings the number of shares registered in their respective names either in person or by proxy duly represented to the Secretary for inspection and record.

(e) Security Ownership of Certain Record and Beneficial Owners:

The following are the top 20 stockholders of the Company as of December 31, 2023:

	Name of Shareholder	Type of Share Held	Number of Common / Preferred Shares Held	Percent of Total and Issued Outstanding Shares
1	Nicholas Carmelo P. Nepomuceno	Preferred	14,829,458	5.20%
		Common	46,173,600	
2	Taylor Amanda P. Nepomuceno	Preferred	14,829,458	5.05%
		Common	44,377,100	4.46%
3	Patrick P. Nepomuceno	Common	52,306,400	
4	Salud Isabel M. Nepomuceno	Common	52,306,400	3.11%
		Preferred	7,909,045	
5	Emmanuel Joseph M. Nepomuceno	Common	23,614,300	2.57%
		Preferred	6,536,836	
6	Justine Shayne Ashley A. Nepomuceno	Common	23,809,600	2.45%
		Preferred	4,943,153	
7	Bernadette M. Nepomuceno	Common	28,571,400	2.44%
8	Angela Regina M. Nepomuceno	Common	18,657,100	2.03%
		Preferred	5,164,600	
9	Bianca M. Benitez	Common	17,092,000	1.89%
		Preferred	5,084,385	
10	Paul Augustine N. Wilkerson	Common	17,857,100	1.84%
		Preferred	3,707,364	
11	Peter Walter S. Nepomuceno	Common	13,246,000	1.63%
		Preferred	5,931,783	
12	Paul Wilhelm S. Nepomuceno	Common	13,246,000	1.63%
		Preferred	5,931,783	
13	Patrick N. Valdes	Common	15,872,900	1.63%
		Preferred	3,295,435	
14	Theresa N. Valdes	Common	15,872,900	1.63%
		Preferred	3,295,435	
15	Ramon Luis M. Osmeña	Common	13,107,300	1.62%
		Preferred	5,931,783	
16	Reylan B. Nepomuceno	Common	18,924,700	1.61%
17	Peter G. Nepomuceno	Preferred	18,059,500	1.54%
18	Geromin T. Nepomuceno	Common	17,031,700	1.45%
19	Martin Kyle C. Wilkerson	Common	12,964,300	1.42%
		Preferred	3,707,365	
20	Hilda V. Angeles	Common	15,873,000	1.35%

Security Ownership of the Company's Directors and Management

The security ownership of the Management and Directors of the Company are as follows:

Name of Beneficial Owner	Title of Share Held	Number of Preferred / Common Shares and Nature of Beneficial Ownership	Citizenship	Percent Ownership of Type of Share
Maria Rita Josefina V. Chua* *	Common	8,698,400; direct ownership	Filipino	0.74%
Aldrin Erwin T. Nepomuceno*	Common	7,023,800; direct ownership	Filipino	0.60%
	Preferred	1,977,261; direct ownership	Filipino	0.98%
Geromin T. Nepomuceno**	Common	17,031,700; direct ownership	Filipino	1.45%
Robert Gerard B. Nepomuceno**	Common	11,375,100; direct ownership	Filipino	0.97%
Arsenio N. Valdes**	Common	5,706,300; direct ownership	Filipino	0.48%
Richard Hubert N. Wilkerson**	Common	7,852,600; direct ownership	American	0.67%
Emmanuel Joseph N. Nepomuceno**	Common	23,614,300; direct ownership	Filipino	2.00%
	Preferred	6,536,836; direct ownership	Filipino	3.24%
Rafael N. Mapua**	Common	11,183,700; direct ownership	Filipino	0.95%
Ivanna G. de la Peña**	Common	1; direct ownership	Filipino	0.00%
Horacio E. Cebrero III**	Common	1; direct ownership	Filipino	0.00%

* *Executive Officer*

** *Director*

(f) Voting Trust Holders of 5% or More

The Company is not aware of persons holding more than 5% of the outstanding common shares under a voting trust or similar agreement.

(g) Changes in Control

The Company is not aware of any arrangement which have resulted in a change in control of the Company during the period covered by this report. The Company is not aware of the existence of any voting trust arrangement among shareholders.

Item 5. Directors and Executive/Corporate Officers

The directors of the Company have a term of one year and are elected at the annual stockholders' meeting, to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

The present directors and officers of the Company are as follows:

Directors:

Mr. Geromin T. Nepomuceno, Jr., Filipino
 Mrs. Maria Rita Josefina V. Chua, Filipino
 Mr. Arsenio N. Valdes, Filipino

Mr. Rafael N. Mapua, Filipino
Mr. Emmanuel Joseph M. Nepomuceno, Filipino
Mr. Richard Hubert N. Wilkerson, American
Mr. Robert Gerard B. Nepomuceno, Filipino
Ms. Ivanna G. De La Peña, Filipino
Mr. Horacio E. Cebrero III, Filipino

Executive / Corporate Officers:

Mr. Geromin T. Nepomuceno, Jr	Chairman
Mrs. Maria Rita Josefina V. Chua	President & CEO
Mr. Michael Angelo D. Colle	Chief Operating Officer & SVP
Mr. Aldrin Erwin James T. Nepomuceno	Chief Finance Officer & SVP
Mr. Robert Gerard B. Nepomuceno	Treasurer
Atty. Benedict R. Tugonon	Corporate Secretary
Mr. Arsenio N. Valdes	Assistant Corporate Secretary
Atty. Beatriz Raine L. Bayudan	Assistant Corporate Secretary
Ms. Cristina L. Arboleda	Compliance Officer
Atty. Russel S. Alabado	Investor Relations Officer & In-House Legal Counsel

Committees

Risk and Oversight Committee

Ivanna G. De La Peña
Horacio E. Cebrero III
Rafael N. Mapua

Audit Committee

Horacio E. Cebrero III
Emmanuel Joseph M. Nepomuceno
Ivanna G. De La Peña

Corporate Governance Committee

Ivanna G. De La Peña
Horacio E. Cebrero III
Robert Gerard B. Nepomuceno

Executive Committee

Geromin T. Nepomuceno, Jr.
Ma. Rita Josefina V. Chua
Arsenio N. Valdes
Richard Hubert N. Wilkerson
Ivanna G. De La Peña

1. Directors and Executive Officers

The following biographies describe the respective director's or officer's most recent business experience for the last five years:

GEROMIN T. NEPOMUCENO, JR., Chairman of the Board/ Director

Geromin "Gerry" T. Nepomuceno, Jr. has been the Chairman of the Board of AEC 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.

His leadership led AEC to become one of the biggest distribution utilities in the country. He is also a Director of Clark Electric Distribution Corporation.

Gerry is also involved in other industries being the Chairman of Angeles Industrial Park, Inc., Crismin Realty and MSN Food. He is also the President of Angeles Ice Plant, Treasurer and Director of TGN Realty, Teresa Water Works, Inc. and JTEN Equities, and a Director of JDN Sons, Inc. and Wespan Development Corporation.

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.

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.

Business experience for the past five (5) years	Chairman & Director	ANGELES ELECTRIC CORPORATION
	Chairman & Director	ANGELES INDUSTRIAL PARK, INC.
	Chairman	CRISMIN REALTY CORPORATION
	Chairman	M.S.N. FOODS INC.
	President	ANGELES ICE PLANT, INC.
	Director	CLARK ELECTRIC DISTRIBUTION CORP.
	Director & Treasurer	ANGELES POWER, INC.
	Director (Vice-Chairman) & Treasurer	AEC CORP.
	Director & Treasurer	TGN REALTY, INC.
	Director & Treasurer	TERESA WATERWORKS, INC.
	Director & Treasurer	JTEN EQUITIES, INC.
	Trustee	HOLY ANGEL UNIVERSITY
	Director	JDN SONS, INC
Director	WESPAN DEVELOPMENT CORPORATION	

**MARIA RITA JOSEFINA V. CHUA, President and Chief Executive Officer/
Director**

Maria Rita Josefina “Marijo” V. Chua is currently the President and Chief Executive Officer of AEC. She took over the helm as President from Engr. Geromin T. Nepomuceno in December 2019. She is also the President of Teresa Water Works, Inc. She is a Director of AEC and has been with the company since its incorporation in 2013.

Aside from AEC, Marijo also serves as a Director for other electric companies such as Clark Electric Distribution Corporation and Angeles Power, Inc. She is a part of the Board of JTEN Equities Inc., the holding company of AEC.

She is also a Director of TGN Realty, Inc., JDN Sons, Inc., and Wespan Development Corporation. She is a member of the Board of Trustees of the Holy Angel University.

Marijo is a graduate of Bachelor of Science in Commerce Major in Accounting and Hotel Restaurant Management from St. Scholastica’s College and holds a Master’s Degree in Business Administration from the Ateneo Graduate School of Business. She is a Certified Public Accountant.

Business experience for the past five (5) years	President and CEO & Director	ANGELES ELECTRIC CORPORATION
	President & Director	TERESA WATERWORKS, INC
	Director	CLARK ELECTRIC DISTRIBUTION CORP.
	Director	ANGELES POWER, INC.
	Director	TGN REALTY, INC.
	Director	JUAN D. NEPOMUCENO SONS, INC.
	Director	WESPAN DEVELOPMENT CORPORATION
	Director	J TEN EQUITIES, INC
	Director	AEC CORP.
	Trustee	HOLY ANGEL UNIVERSITY

ARSENIO N. VALDES, Director/ Assistant Corporate Secretary

Arsenio “Arni” N. Valdes is one of the Directors of AEC. His experience in the power industry spans from the distribution to the generation sectors, he is a Director of AEC and Angeles Power, Inc. He is best known for his leadership in Juan D. Nepomuceno Sons, Inc. and TGN Realty Corporation, being the President of both corporations from February 2007 to February 2019. He is currently the Chairman of Juan D Nepomuceno Sons, Inc., TGN Realty Corporation, Borealis Corp, and Wespan Development.

Arni is the President and CEO of Dolomatrix Philippines, Inc. He is also a Director of Teresa Water Works, Inc., Angeles Industrial Park, Inc. and JTEN Equities, Inc.

Arni is also involved and holds key positions in various business, socio-civic and cause-oriented organizations. He is presently a Director and the Treasurer of the Metro Angeles Chamber of Commerce & Industry, Inc. where he was the former President and Chairman. He is currently an officer of the Metro Clark Information & Communication Technology Council. He is also an Adviser to the Environmental Practitioners Association, where he formerly held the position of President.

Arni is a graduate of Bachelor of Science in Industrial Management Engineering from the De La Salle University and holds a Masters in Business Administration degree from the Ateneo De Manila University.

Business experience for the past five (5) years	Director & Asst. Corp. Sec.	ANGELES ELECTRIC CORP.
	President & Director	DOLOMATRIX PHILS., INC.
	Chairman & Director	TGN REALTY, INC.
	Chairman & Director	JUAN D. NEPOMUCENO SONS, INC.
	Director	TERESA WATERWORKS, INC.
	Chairman & Director	BOREALIS CORPORATION
	Chairman & Director	WESPAN DEVELOPMENT CORPORATION
	Corporate Secretary & Director	ANGELES POWER, INC.
	Director	AEC CORP.

ROBERT GERARD B. NEPOMUCENO, Treasurer/ Director

Robert Gerard “Rogie” B. Nepomuceno has been a director at AEC since 2019.

Aside from the power industry, Rogie is also involved in the manufacturing industry. He is presently the President of Durastress Corporation, a manufacturer of pre-cast concrete products and a supplier of ready-mix concrete. He started his career in Durastress as a Supervisor in 2002 and has since made the company one of the largest manufacturers of concrete piles in the North. He is concurrently the President of Italfil Manufacturing Corp.

Rogie is a Director of Juan D Nepomuceno Sons, Inc., Borealis Corp., Wespan Development Corp. and TGN Realty Corp. He is also the Chairman of the Bids and Awards Committee of Holy Angel University.

Rogie graduated from the Ateneo de Manila University in 1985 with a Bachelor of Arts degree majoring in Economics. He finished his EMBA at the Asian Institute of Management in 2007.

Business experience for the past five (5) years	Director, Treasurer	ANGELES ELECTRIC CORPORATION
	President & Director	DURASTRESS CORPORATION
	President & Director	ITALFIL MANUFACTURING, INC.
	Chief Financial Officer & Director	AEC CORP.
	Director	JUAN D. NEPOMUCENO SONS, INC.

	Director	TGN REALTY, INC.
	Director	WESPAN DEVELOPMENT CORPORATION
	Chairman	HOLY ANGEL UNIVERSITY (Bids & Awards Committee)
	Chairman	HOLY ANGEL UNIVERSITY (Const. Committee)

RICHARD HUBERT N. WILKERSON, Director

Richard Hubert “Rick” N. Wilkerson has been a Director of AEC since 2018. He is the CEO and President of Juan D. Nepomuceno Sons, Inc., TGN Realty Corporation, SAS Parking Arcades Inc. and the TNW Group. He also serves as Director of Borealis Corp, Wespan Development Corporation, Teresa Waterworks Inc., and JTen Equities, Inc.

Rick has held key positions in various multi-national organizations in the Oil and Gas and Hi-Tech industries, most notably as Senior Director of Finance with Western Digital Corporation, the world’s largest maker of digital storage devices.

Rick holds a Bachelor of Science degree in Finance from Oklahoma State University.

Business experience for the past five (5) years	CEO, President and Director	JUAN D. NEPOMUCENO SONS, INC.
	CEO, President and Director	TGN REALTY, INC.
	CEO, President and Director	SAS PARKING ARCADES INC.
	CEO, President and Director	TNW GROUP
	Director	ANGELES ELECTRIC CORP.
	Director	BOREALIS CORPORATION
	Director	WESPAN DEVELOPMENT CORPORATION
	Director	J TEN EQUITIES, INC.
	Director	TERESA WATERWORKS, INC.

EMMANUEL JOSEPH M. NEPOMUCENO, Director

Emmanuel Joseph “Manny” M. Nepomuceno has been one of the Directors of AEC since 2014.

Manny is a technology professional focused on governance issues at the top level of management. He has served as Chief Financial Officer of several Anytime Fitness franchises in the Philippines and Indonesia, ensuring their survival through the pandemic. He oversees the growth of the Anytime Fitness brand in Indonesia.

From 2015 to 2020, he ran Seedbox Philippines, the country’s first online platform devoted to distributing mutual funds and other investment products. In 2021, he received his Certified in the Governance of Enterprise IT certification from ISACA. He is also a Certified Anti-Money Laundering Specialist with a certification from ACAMS.

Manny is a graduate of Bachelor of Arts in English Literature at the Ateneo de Manila University and holds a Master’s Degree in Information Management at the Ateneo Professional Schools. He is also a graduate of the Professional Director’s Program of the Institute of Corporate Directors.

Business experience for the past 5 years	Director	ANGELES ELECTRIC CORPORATION
	Director	NEPOMUCENO REALTY GROUP
	Director	TERESA WATERWORKS INC.
	Acting CFO	MANNYTIME FITNEPS INC.
	Commissioner	PT MANNYTIME FITNEPS INDONESIA
	Commissioner	PT PRIMA VITA INDONESIA
	Director	NEPOCONCEPTS INC.
	General Manager	SEEDBOX PHILIPPINES

RAFAEL N. MAPUA, Director

Rafael “Raffy” N. Mapua is one of the Directors of AEC. He is a golf enthusiast and presently the General Manager of First Tee Inc. the exclusive Philippine distributor of premium Japanese golf equipment. First Tee maintains over fifty (50) Retail Accounts, including the Philippines’ best Golf Courses and Pro Shops. Raffy also handled key positions from several companies. He served as General Manager of Pacsports Phils. Inc., Nevada Bob’s HK Ltd. and Filton Investment Ltd. He had a stint at The Peninsula Manila Hotel as an Account Manager for Sales and Marketing.

He has varied experiences in International Business, Customer Relationship Management, Marketing and Sales.

Raffy is a graduate of Bachelor of Science in Business Management from Ateneo de Manila University and an EMBA candidate for a Master’s in Business Administration degree from the Asian Institute of Management.

Business experience for the past five (5) years	Director	ANGELES ELECTRIC CORP.
	General Manager	FIRST TEE INC.
	Former General Manager	PACSPORTS PHILS. INC.

IVANNA G. DE LA PEÑA, Independent Director

Ivanna “Ivan” de la Peña is an Independent Director of AEC.

Ivan started as a Junior Analyst in Meralco’s Utility Economics Division in 1978. She rose through the ranks and retired as the First Vice President and Head of the Regulatory Management Office in 2018.

She has varied experiences in rate design, compliance with various government regulations and franchise requirements, engaging with other industry stakeholders on various issues confronting the industry and representations in hearings in both Senate and House of Representatives.

Ivan is a graduate of Bachelor of Science in Statistics from the University of the Philippines (UP) Diliman and holds a Master’s Degree in Business Administration also from UP Diliman.

Business experience for the past five (5) years	Independent Director	ANGELES ELECTRIC CORP.
	First Vice President and Head of Regulatory Management Office	MANILA ELECTRIC COMPANY
	Director	CLARK ELECTRIC DISTRIBUTION CORPORATION
	Board of Trustees	MFI POLYTECHNIC INSTITUTE INC.
	Treasurer	SOLVRE INC.

HORACIO E. CEBRERO III, Independent Director

Horacio “Ricky” E. Cebrero III is one of the Independent Directors of AEC.

Ricky is currently a Consultant at RCBC. Previously, he held the position of Senior Executive Vice President and Treasurer of RCBC from 2018 to 2022. He also served as the Executive Vice President Treasury Sector Head of the Philippine National Bank (PNB). His extensive experience in the banking industry spans from his previous key positions in RCBC, East West Banking Corp., Citibank and Asian Bank Corporation among others.

Ricky is a graduate of Bachelor of Science in Commerce Major in Marketing at the De La Salle University. He has MBA units from the De La Salle Graduate School of Business and Economics and has attended the Stanford Senior Executives Leadership Program at Stanford University Hongkong and the Professional Directors Program at the Institute of Corporate Directors.

Business experience for the past five (5) years	Independent Director	ANGELES ELECTRIC CORP.
	Consultant	RIZAL COMMERCIAL

		BANKING CORP.
	Senior Executive Vice President and Treasurer	RIZAL COMMERCIAL BANKING CORP.
	Executive Vice President Treasury Sector Head	PHILIPPINE NATIONAL BANK
	Chairman	RCBC FOREX CORPORATION
	Director	RCBC IFL HONGKONG
	Director	RIZAL EQUITIES

ATTY. BENEDICT R. TUGONON, Corporate Secretary

Benedict Tugonon has been the Corporate Secretary of AEC since 2019. He is a practicing lawyer, a senior partner and currently the Head of the Tax department of the Law Firm of Quiason Makalintal. He has more than twenty-three (23) years of experience in tax and corporate law practice in the Philippines. He acquired both his Bachelor's Degree in Philosophy and Law at San Beda University.

He previously served as the Corporate Secretary of International Elevators and Equipment, Inc. from 2012 to 2020. In 2016, he served as the President of the Tax Management Association of the Philippines.

He has advised numerous clients on the tax aspect of major transactions, including property acquisitions and transfers, corporate mergers and reorganization, tax audits and estate tax planning.

ATTY. BEATRIZ RAINE L. BAYUDAN, Assistant Corporate Secretary

Atty. Beatriz Raine L. Bayudan is a Junior Associate at the Law Firm of Quiason Makalintal. She was elected as Assistant Corporate Secretary of AEC in 2023.

Bea earned her both her Bachelor of Science in Economics and Juris Doctor degrees from the University of the Philippines - Diliman.

ENGR. MICHAEL ANGELO D. COLLE, Chief Operating Officer and Senior Vice President, Head of Network and Retail Services Division

Engr. Michael Angelo D. Colle is the Chief Operating Officer and Head of the Network and Retail Services Division. He is also the Head of the Distribution & Network Services Department. He has been the Distribution Manager since 2015. He joined the Company in 1987 as a Ground Man in the Line Maintenance and Construction Section of AEC.

As Chief Operating Officer, his key performance objective is to take the management lead to plan, direct, coordinate and oversee the operations and activities of the Company. As Head of the Distribution & Network Services Dept., he is responsible for the overall management and safety of the distribution system, network projects and assets. He is also directly responsible for the overall efficient management and maintenance of the sub-transmission and distribution system in accordance with the utility industry and national standards.

ALDRIN ERWIN T. NEPOMUCENO, Chief Finance Officer and Senior Vice President, Head of Support Services Division

Mr. Aldrin Erwin T. Nepomuceno is the Chief Finance Officer and Head of the Support Services Division. He joined the Company in 2010.

As Chief Finance Officer, he is responsible for managing the cash flow and financial planning to analyze the Company's financial strengths and weaknesses and proposing strategic directions.

As Support and Services Division Head, he is responsible for the overall management of the Company's support services such as the Management Information System.

He is the nephew of the Chairman of the Board Mr. Geromin T. Nepomuceno and President Maria Rita Josefina V. Chua.

2. Significant Employees

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

	NAME	AGE	CITIZENSHIP	POSITION
1.	Ceferino S. Bingcang	61	Filipino	Vice President and Retail Services Head
2.	Myra Cresencia V. Rivera	57	Filipino	Vice President and Human Resources Head
3.	Cristina L. Arboleda	56	Filipino	Vice President and Corporate Governance, Social Responsibility and Environment Head
4.	Franz Gerard C. Pulido	36	Filipino	Vice President and Finance and Accounting Head
5.	Atty. Russel S. Alabado	46	Filipino	Vice President and In-house Legal Counsel
6.	David S. Praza	52	Filipino	Head, Line Operations, Maintenance & Construction Department

CEFERINO S. BINGCANG JR., Vice President, Retail Services Division Head

Engr. Ceferino S. Bingcang is the Vice President and Head of the Retail Services Division. Previously, he held the position of Network Support Manager since 2019. He joined the Company in 1987 as a Lineman.

As Retail Services Division Head, he ensures that the Company is responsibly performing administrative functions directly involving consumer welfare from new meter application, meter reading, billing, collection, and disconnection/reconnection and is able to establish quality relationships with customers. His Department ensures that all customer-related concerns are met with efficient operational procedures.

MYRA CRESENCIA V. RIVERA, Vice President, Human Resources Head

Ms. Myra V. Rivera is the Vice President and Human Resources Head. She joined the Company in 2003.

As Head for Human Resources, she handles all human resource-related operations and helps the Company identify needs, develop action plans and facilitate change to improve organization performance, employee acquisition, engagement, retention, morale and communication.

She also conducts, plans and facilitates organizational workshops and training for employee development.

CRISTINA L. ARBOLEDA, Vice President, Head of Corporate Governance, Social Responsibility & Environment, Compliance Officer

Ms. Cristina L. Arboleda is the Vice President and Head of Corporate Governance, Social Responsibility & Environment. She was also appointed as Compliance Officer in 2023. Her responsibilities include ensuring full compliance by the Company, its Officers and Directors with the relevant laws, the Code of Corporate Governance for Registered Issuers and other governance issuances of regulatory agencies.

She joined the Company in 1993 and held various positions in Finance and Accounting. She was previously appointed as Finance Manager in 2020.

FRANZ GERARD C. PULIDO, Vice President, Head of Finance and Accounting

Mr. Franz Gerard Pulido is the Vice President and Head of Finance and Accounting. He was an Audit Manager at Punongbayan & Araullo before joining the Company in 2020.

He is responsible for the efficient and effective implementation of controls and procedures involving the recording of financial transactions and the timely preparation of financial statements and related analyses and reports.

As Finance and Accounting Head, he ensures that the Company has efficient liquidity planning and controls related to the company's financial activities.

ATTY. RUSSEL S. ALABADO, Vice President, In-house Legal Counsel and Data Protection Officer

Atty. Russel Alabado joined the Company in 2022 as the In-House Legal Counsel and Data Protection Officer.

He has been a practicing lawyer since 2004 and has previous experience in filing Power Supply Agreements before the Energy Regulatory Commission for various electric cooperatives.

As Vice President and In-House Legal Counsel, he is responsible for reviewing contracts and existing processes and proposing improvements. He is also responsible for examining and interpreting laws and legal documents and handles customer complaints filed in court or with the ERC.

DAVID S. PRAZA, Manager, Line Operations, Maintenance and Construction Department

Engr. David S. Praza is the Line Operations, Maintenance and Construction Department Manager. Previously, he was appointed as Distribution Engineer for Implementation in 2015. He joined the Company in 1994 as Groundman 1.

As Manager for Line Operations & Maintenance, he is responsible for the coordination and implementation of the plans, designs and construction as well as maintaining a reliable and well-protected distribution network and 69 KV subtransmission line system.

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

A certification that no director or officer and none of the above-named significant employees are connected with any government agencies or its instrumentalities is attached hereto as Annex A.

Under the current provisions of the by-laws, the Governance Committee shall promulgate and issue guidelines to govern the conduct of nominations to the Board of Directors, and to review and evaluate the qualifications of the persons nominated to the Board of Directors.

Only nominees whose names appeared on the final list of candidates are eligible for election as directors. No nominations shall be entertained or allowed on the floor during the annual stockholders' meeting. Nominees who receive the highest number of votes shall be declared elected pursuant to Section 23 of the Revised Corporation Code. The Governance Committee is set to release the final list of nominees to the Board of Directors on May 21, 2024.

Officers are appointed annually by the Board of Directors at its first meeting following the annual meeting of stockholders, each to hold office until a successor shall have been appointed.

3. Family Relationships

AEC's President and Director Maria Rita Josefina V. Chua is the sister of Director Arsenio N. Valdes. On the other hand, Directors Chua and Valdes, Directors Engr. Geromin T. Nepomuceno, Robert Gerard B. Nepomuceno, Richard Hubert N. Wilkerson and Rafael N. Mapua are first-degree cousins.

Director Emmanuel Joseph M. Nepomuceno and the Chief Financial Officer, Mr. Aldrin Erwin T. Nepomuceno, are nephews of the abovementioned Directors.

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

4. Involvement of Directors and Executive Officers in Certain Legal Proceedings

Within the past five (5) years from the date of this Report, 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 Report.

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 Report.

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

5. Certain Relationships and Related Transactions

There are no transactions with or involving the Company in which a Director, executive officer, stockholder owns ten percent (10%) or more of the total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

6. Resignation of Directors

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders meeting of the Company because of a disagreement with the Company on matters relating to the Company's operations, policies and practices.

Item 6. Compensation of Directors and Executive Officers

(a) Compensation of Executive Officers

Information as to the aggregate compensation during the last three (3) fiscal years paid to the Company's highly compensated executive officers, and all other officers and directors, as a group, are as follows:

NAME AND PRINCIPAL POSITION	FISCAL YEAR COVERED	SALARY	BONUS	OTHER ANNUAL COMPENSATION
Maria Rita Josefina V. Chua <i>President & Chief Executive Officer</i>	2021	4,147,200	641,200	515,998
	2022	4,282,077	706,982	611,223
	2023	4,959,556	1,151,090	693,308
Michael Angelo D. Colle <i>Chief Operating Officer</i>	2021	1,994,440	321,407	277,558
	2022	2,089,317	348,189	301,320
	2023	2,267,736	560,400	349,215
Aldrin Erwin T. Nepomuceno <i>Chief Financial Officer</i>	2021	1,459,602	229,367	188,430
	2022	1,531,079	255,149	210,131
	2023	1,697,499	418,591	234,086
Myra Cresencia V. Rivera <i>Vice President, Human Resources</i>	2021	2,054,202	329,767	284,124
	2022	2,065,678	344,249	296,810
	2023	2,019,367	535,491	315,482
All Other Officers as a Group**	2021	4,463,527	723,821	559,571
	2022	5,638,111	854,305	554,045
	2023	6,540,839	1,596,734	824,902

***Apart from the standard arrangements set forth in the succeeding section, the Company's directors do not receive any compensation as such.*

Employment Contracts and Termination of Employment and Change-in-Control Arrangement

There are no special arrangements on the employment contract of any executive officer. The said officer will be compensated upon his resignation, retirement or other termination from the Company or its subsidiaries, or as may result from a change-in-control in accordance with the provisions of the law.

(b) 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 October 11, 2023, the Company shall have three (3) committees namely, the Corporate Governance Committee, Risk Management & Oversight Committee and Audit Committee. The Committee chairpersons shall be entitled to a per diem of Fifteen Thousand Pesos (₱15,000.00) for each meeting attended while Committee members shall be entitled to a per diem of Ten Thousand Pesos (₱10,000.00) for each meeting attended.

Except for discretionary mid-year and year-end bonuses shown in the table below, no other compensation, in any form, is paid to them for the services they provide as directors of the Company. All figures set forth below shall be in Philippine Peso.

Item 7. Independent Public Accountants

The Company first engaged Punongbayan and Araullo as its external auditor in 2002. The appointment of Punongbayan and Araullo as external auditors is approved every year during the annual stockholders' meeting. Moreover, in compliance with the Company's Manual on Good Corporate Governance, Punongbayan and Araullo's handling partner is rotated every five (5) years or earlier.

The Company's Board of Directors approved the following professional services rendered to the Company by Punongbayan and Araullo and the related aggregate fees for each of the years ended 31 December 2023, 30 June 2023, 31 December 2022, 31 December 2021, and 31 December 2020, excluding fees directly related to the Offer (amounts in Philippine Peso):

AUDIT FEES

Nature	Fees paid to Auditor For the periods ended				
	31 December 2023	30 June 2023	31 December 2022	31 December 2021	31 December 2020
Audit of Financial Statements	650,000	650,000	575,000	525,000	500,000

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 and the services rendered in relation to the Offer, the independent auditors provided no other type of services to the Company.

The Company has had no disagreements with its independent auditors on any matter of accounting principles or practices, financial statements disclosure, or auditing scope or procedure from the periods ended 2020 to 31 December 2023.

Item 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action is to be taken with respect to any authorization or issuance of securities other than for exchange.

Item 10. Modification or Exchange of Securities

No action is to be taken with respect to any modification or exchange of securities.

Item 11. Financial and Other Information

The Company's audited financial statements for the calendar year ended December 31, 2023 as well as the Management's discussion and analysis and plan of operations for the same period are provided for in the Annual Report.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken with respect to any mergers, consolidations, acquisitions and or similar matters.

Item 13. Acquisition or Disposition of Property

No action is to be taken with respect to any acquisitions or dispositions of property.

Item 14. Restatement of Accounts

No action is to be taken with respect to any restatement of accounts.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The minutes of the previous annual stockholders' meeting held on June 20, 2023 will be submitted to the stockholders for approval. The said minutes contain discussions of the following items:

- Certification of the Service of Notice and the Presence of Quorum
- Approval of the minutes of the July 12, 2022 Annual Stockholders' Meeting
- Annual Report of the President
- Approval of the Audited Financial Statements for the period ending December 31, 2022
- Ratification of the Acts of the Board of Directors
- Election of Directors for the Ensuing Year
- Appointment of External Auditors
- Adjournment

Item 16. Matters Not Required to be Submitted

A. Attendance Report

For the period of January to December 2023, the directors' attendance at the Board meetings are as follows:

Director	Attendance	Percentage
Geromin T. Nepomuceno, Jr.	9/9	100%
Maria Rita Josefina V. Chua	9/9	100%
Arsenio N. Valdes	9/9	100%
Rafael N. Mapua	9/9	100%
Emmanuel Joseph M. Nepomuceno	9/9	100%
Richard Hubert N. Wilkerson	9/9	100%
Robert Gerard B. Nepomuceno	9/9	100%
Ivanna G. De La Peña	4/4 *elected as director only in September 2023	100%
Horacio E. Cebrero III	4/4 *elected as director only in September 2023	100%

For the period of January to December 2023, the directors' attendance at the stockholders' meetings are as follows:

Director	Attendance	Percentage
Geromin T. Nepomuceno, Jr.	1/1	100%
Maria Rita Josefina V. Chua	1/1	100%
Arsenio N. Valdes	1/1	100%
Rafael N. Mapua	1/1	100%
Emmanuel Joseph M. Nepomuceno	1/1	100%
Richard Hubert N. Wilkerson	1/1	100%
Robert Gerard B. Nepomuceno	1/1	100%
Ivanna G. De La Peña	*elected after ASM was conducted; no other stockholders' meeting was held after ASM	
Horacio E. Cebrero III		

For the period of January to December (2023), the directors' attendance at the various committee meetings are as follows:

Director	<u>Risk and Oversight Committee</u>	<u>Audit Committee</u>	<u>Corporate Governance Committee</u>	<u>Executive Committee</u>	<u>Percentage</u>
Geromin T. Nepomuceno, Jr.				0/0*	N/A
Maria Rita Josefina V. Chua				0/0*	N/A
Arsenio N. Valdes				0/0*	N/A
Rafael N. Mapua	0/0*				N/A
Emmanuel Joseph M. Nepomuceno		0/0*			N/A
Richard Hubert N. Wilkerson				0/0*	N/A
Robert Gerard B. Nepomuceno			1/1		100%
Ivanna G. De La Peña	0/0*	0/0*	1/1		100%
Horacio E. Cebrero III	0/0*	0/0*	1/1		100%

*Considering that AEC's common shares were registered only on December 14, 2023, these committees were only formed in 2024.

B. Appraisals and Performance Reports for the Board and Criteria and Procedure for Assessment

The Company intends to prepare the criteria and procedure for the assessment of the performance of the Board of Directors.

Item 17. Amendments of Charter, By-Laws and Other Documents

No action is to be taken with respect to Amendment of Charter, Bylaws or Other Documents to a vote of security holders.

Item 18. Voting Procedures

(a) Vote Required

A quorum for any meeting of stockholders shall consist of the majority of the outstanding capital stock of the Company, and a majority of such quorum shall decide any question in the meeting except those matters which the Revised Corporation Code requires a greater proportion of affirmative vote.

Regarding the election of members of the Board of Directors, nominees who receive the highest number of votes shall be declared elected pursuant to Section 23 of the Revised Corporation Code of the Philippines. Likewise, the nominee for the Company's external auditor who receives the highest number of votes shall be declared elected.

(b) The Method by which the votes will be counted

A stockholder may vote by appointing the Company's Chairman as proxy by registering in accordance with the procedures and complying with the documentary requirements set out in Annex B of the Notice of the Stockholders Meeting.

Item 19. Participation of Stockholders by Remote Communication

The Company has elected to conduct the meeting remotely for practical reasons. Stockholders may attend and participate in the meeting only by remote communication, voting *in absentia* and appointing the Chairman of the meeting as their proxy. The procedure and requirements for online registration for remote communication and voting *in absentia* are explained in the Information Statement.

In order for the Company to properly conduct validation procedures, stockholders who wish to participate in the meeting via remote communication and/or vote by proxy must register by sending an email to aec_asm@angeleselectric.com.ph on or before June 10, 2024.

Details of the requirements and process are provided in Annex B to the Notice of Meeting.

In the election of directors, the top nine (9) nominees with the most number of votes will be elected as directors. If the number of nominees does not exceed the number of directors to be elected all the shares present or represented at the meeting will be cast in favor of the nominees. On the election of directors, each stockholder may vote such number of shares for as many person (s) as there are directors to be elected or he may cumulate such shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

Except as to the election of directors, the manner of voting is non-cumulative and each stockholder shall have one vote for each share entitled to vote and registered in his name. Voting shall be done by proxy wherein the stockholders shall appoint the Chairman of the Company as attorney-in-fact and proxy, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder. The Corporate Secretary shall count and/or validate the votes.

Other than the nominees' election as directors, no director, executive officer, nominee or associate of the nominees has any substantial interest, direct or indirect by security holdings or otherwise in any way of the matters to be taken upon during the meeting.

Upon the written request of a stockholder, the Company undertakes to furnish the said stockholder a copy of the Company's annual report on SEC Form 17-A free of charge. Such written request shall be directed to the Corporate Secretary of Angeles Electric Corporation, Atty. Benedict R. Tugonon. At the discretion of management, a charge may be made for exhibits, provided that such charge is limited to reasonable expenses incurred by the Company in furnishing such exhibits.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete, and correct. This report is signed in Pasig City on May 10, 2024.

ANGELES ELECTRIC CORPORATION.

By:



BENEDICT R. TUGONON
Corporate Secretary

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Description of Business

1. Business Development

a. Organization history

Angeles Light and Power Plant, which formally started operating on 10 July 1923, grew to become the third largest private electric company in Luzon.

Later, Angeles Light and Power Plant came to be known as **Angeles Electric Corporation (“AEC” or “the Company”)** when it was incorporated and registered with the Securities and Exchange Commission (“SEC”) in 1959. It was initially granted a franchise to construct, maintain, and operate an electric, heat, and power system in Angeles City under the Republic Act (“R.A.”) No. 2341 on June 20, 1959 which provided for a twenty-five (25)-year franchise period. On June 18 1964, R.A. No. 2341 was amended by R.A. No. 4079, extending AEC’s franchise period to fifty (50) years, until the year 2009. Then on March 09, 2007, the 13th Congress of the Philippines passed R.A. No. 9381 and granted AEC an extension to its existing franchise of another twenty-five (25) years.

Further, in compliance with the requirement of the Franchise, the Company has applied for the necessary Certificate of Public Convenience and Necessity (“CPCN”) from the Energy Regulatory Commission (“ERC”) to continue operating the electric light, heat, and power system in Angeles City, Pampanga, under ERC Case No. 2008-060 MC in its decision dated September 15, 2008, which shall be valid for a period of twenty-five (25) years from June 19, 2009.

AEC holds the distinction of being the first electric utility company to achieve 100% electrification of all areas within its franchise coverage. This was achieved in 1969 with the conversion of distribution voltage from 2,400V to 13,800V which enabled the Company to extend its power lines to the remotest barangay of Angeles City. In 1996, the company was adjudged “Outstanding Countryside Investor (Large-Scale Category) of the Year” by the Philippine Chamber of Commerce and Industry, Inc. (“PCCI”) in recognition of AEC’s contribution to hasten the economic recovery of Angeles City.

The Company recently celebrated its 100th anniversary showing its resilience amidst the challenges of running a power distribution utility while facing head-on the changes in the Philippine power industry.

Initially, the Company’s market was mostly residential. Through the years, as its franchise area developed from a town to a city, its market was likewise transformed into a mix of residential, commercial, and industrial consumers.

As of December 31, 2023, AEC distributes electricity to one hundred thirty-five thousand six hundred eighteen (135,618) customers in Angeles City.

b. SEC registration process

AEC’s authorized capital stock is at Two Billion Pesos (Php2,000,000,000.00) divided and classified into: Five Hundred Million (500,000,000) shares of voting redeemable preferred stock with a par value of One Peso (P1.00) per share, or an aggregate value of Five Hundred Million Pesos (Php500,000,000.00) and One Billion Five Hundred Million (1,500,000,000) shares of common stock with a par value of One Peso (Php1.00) per share, or an aggregate value of One Billion Five Hundred Million Pesos (Php1,500,000,000.00).

On October 26, 2023, AEC filed with the Securities and Exchange Commission (SEC) the Registration Statement and attached documents in compliance with Republic Act No. 9136 or the Electric Power Industry Reform Act (“EPIRA”), which states that generation companies shall offer and sell to the public a portion not less than 15% of their common shares.

On December 14, 2023, the SEC resolved to render effective AEC’s Registration Statement relating to the registration of Two Hundred One Million Six Hundred Eighty Thousand Six Hundred Thirty-Two (201,680,632) issued and outstanding preferred shares with a par value of One Peso (Php1.00) per share and One Billion One Hundred Seventy-Eight Million Four Hundred Forty-Eight Thousand Four Hundred (1,178,448,400) common shares with a par value of One Peso (P1.00) per share.

A public offer was made on December 18 to 22, 2023, for Two Hundred Seven Million Twenty Thousand (207,020,000) primary common shares at an offer price of Three Pesos and Forty-Two Centavos (Php3.42) per share, representing 17.6% of AEC’s issued and outstanding common shares. All of the Two Hundred Seven Million Twenty Thousand (207,020,000) primary common shares offered for sale to the general public were fully subscribed as of December 22, 2023, with 6,020,000 common shares sold to individual investors and 201,000,000 common shares sold to corporate investors.

2. Business of Issuer

a. Description of Company

i. Principal Services

The Company’s primary business is the distribution and sale of electric power through its distribution network facilities in Angeles City, Pampanga.

ii. Distribution

Circumscribing AEC’s Franchise Area is the 69 kV Subtransmission System that interconnects five (5) load-end substations namely Petersville Substation, Milenyo Substation, Calibu Substation, Pampang Substation, and Nepo Center Substation. The radial to each of these substations is 13.8 kV, three-phase primary distribution feeder lines. This primary voltage is then stepped down to utilization voltages 230/115 V on three (3)-wire, secondary distribution lines.

The Company’s five (5) substations has a total capacity of two hundred thirty megavolt amperes (230 MVA), as shown in the table below:

Substation Name	Number of Feeders Connected	Power Transformer Capacity (MVA)	Total Capacity (MVA)
Petersville	10	40	40
Milenyo	9	50	50
Calibu	11	40	40
Pampang	10	50	50
Nepo Center	8	50	50
Total	48	230	230

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

Circuit Description	Unit	As of Dec. 2021	As of Dec. 2022	As of Dec. 2023
Subtransmission (69 KV)	km	78.90	79.93	79.93
Primary (13.8 KV)	km	489.32	497.73	505.43
Secondary (115/230V)	km	803.96	813.36	816.25

iii. Percentage of foreign sales

The Company does not derive any income from foreign sales.

iv. Status of publicly announced service

The Company has no publicly announced product or service in any stage of development.

v. Competition

AEC has a captured market in the power distribution business in Angeles City, Pampanga being the sole franchise grantee for the covered franchise area. The Company exists by virtue of its legislative franchise, the latest of which is Republic Act No. 9381 of the 13th Congress of the Philippines which extended the Company's corporate existence for another twenty-five (25) years. The Company's franchise is both a monopoly and a limitation to operate a power distribution system in the City of Angeles, Pampanga.

The Retail Competition and Open Access ("RCOA") allows a contestable market or electricity end-users with a demand of 1MW and above to choose a supplier of electricity. As of December 31, 2023, the Company has four (4) customers who have switched to the contestable market. Moreover, the threshold for the contestable market will gradually be lowered to the household level as mandated under Section 31 of the EPIRA and this may result in more contestable customers choosing their energy supplier aside from the Company. However, delivery or the conveyance of electricity to these contestable customers remains the function of distribution utilities such as AEC.

The Company, however, is confident that it will maintain, and even increase, its captive market due to the expected economic growth of Angeles City. In the meantime, the Company continues to source cheap and reliable energy to sustain its captive market.

Further, under Republic Act No. 9513, otherwise known as the Renewable Energy Act ("RE Act") of 2008, the Department of Energy ("DOE") mandated the establishment of the Green Energy Option Program ("GEOP"), which provides customers with a threshold of 100 KW and above, for the past twelve (12) months, the option to choose renewable energy resources as their supplier of electricity. As of December 31, 2023, AEC, has one (1) customer who has already switched to an RE Supplier under the GEOP and has eighty-two (82) customers who were qualified to join the program.

On May 27, 2013, the ERC issued Resolution No. 9 Series of 2013 or the Net Metering Rules. Under this program, customers have the option to install renewable energy generation facilities in their premises provided that the capacity of the generation facility shall not exceed one hundred kilowatts (100kW). The Net-metering Program has a slight impact in AEC's distribution business considering the threshold capacity limit for the net-metering installations. As of December 31, 2023, AEC has one thousand eleven (1,011) active net-metering customers.

On 9 November 2022, the ERC has promulgated Resolution No. 11, Series of 2022 entitled. "A Resolution Adopting the Rules Governing Distributed Energy Resources ("DER"). DER rules shall only be applicable to DER utilizing RE for end-user's consumption and export to distribution system of the DUs with nameplate capacity of which shall be greater than 100kW and up to one megawatt (1MW) and to DER whose supply is for end-user's consumption only, regardless of technology, capacity, and grid location (on or off-grid), wherein the DER owner and end-user are not one and the same entity.

Energy exported by DERs may affect DU's contracted capacity. As such, DER Rules provided remedies to address any resulting displaced contracted capacity by DUs. As of December 31, 2023, AEC has no customers yet who signified their intent to construct DER facility and it has no knowledge of any potential DER facility within its franchise.

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

Distribution utilities such as AEC 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.

Nonetheless, the Company strives to deliver the best customer service to its franchise area with the least cost of energy from reliable and sustainable sources and is committed to comply with all regulatory compliances and other reports or submissions as may be required by the government and regulatory agencies.

vi. *Suppliers*

Power Supply Contracts

AEC’s major power source comes from GNPower Mariveles Energy Center Ltd. Co. (“GMEC”) formerly GNPOWER Limited Company. The power delivery commenced on January 26, 2014 and will expire on January 25, 2029. AEC also has Power Supply Agreements with Anda Power Corporation (“ANDA”) and with Angeles Power, Inc. (“API”).

Below are the details of AEC’s power supply contracts:

Supplier	Contracted Capacity	Duration of Contract
GNPower Mariveles Energy Center Ltd. Co.	75MW	January 26, 2014 to January 25, 2029
Anda Power Corporation	15MW	September 26, 2016 to October 25, 2026
Angeles Power Inc.	22MW	December 26, 2016 to December 25, 2026 (with ERC issued Interim Relief Order)

For the net metering exports, as of December 31, 2023, the net-metering qualified end-users exported a total of 5,488,715 kWh of energy to AEC representing 0.7% of AEC’s total energy input.

As for the Renewable Portfolio Standards (“RPS”) compliance, AEC has entered into a Power Supply Agreement with SP New Energy Corporation (formerly Solar Philippines Nueva Ecija Corporation) which is scheduled to commence upon the ERC’s issuance of Interim Relief Order.

For the energy imbalances, these are sourced through the Wholesale Electricity Spot Market (“WESM”) and AEC has been a direct member of WESM since August 2013.

AEC 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 Service Agreements

AEC has an existing agreement with the National Grid Corporation of the Philippines (“NGCP”) for Transmission and Metering Services, the agreement expired on December 25, 2023. Currently, the five (5)-year renewal has been approved and will be effective until December 25, 2028. AEC is dependent on NGCP for its transmission and metering services because it is the sole provider of the country’s transmission services.

Materials for Distribution and Metering

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

	Supplier	Materials Supplied	Terms of Payment
1.	First Philec Inc.	Distribution Transformers	30 days
2.	AC Harris Cable Corp.	Wires	30 days
3.	Hom-Cor Mktg. and Constr. Services Inc.	Substation Equipment	30 days
4.	Phelps Dodge Phils. Energy	Wires	30 days
5.	Jocelyn Forge Inc.	Line and Metering Materials	30 days
6.	Lin Man Power Technology Inc.	Meters	30 days
7.	Celeasco	Line and Metering Materials	30 days
8.	FTB Power Industries Services Corp.	Line and Metering Materials	30 days
9.	NTA Energy Solutions Corp.	Substation Equipment	30 days
10.	Dura-Poles Inc.	Poles	30 days

AEC is not dependent on the foregoing suppliers for the supply of the above-listed distribution and metering materials.

In 2023, the Company made significant purchases from the following suppliers for supplies needed in its ongoing projects:

	Supplier	Project	Items Purchased
1.	Teh Hsin Enterprises Phils. Corp.	Construction of 69KV Porac Connection	Poles
2.	Jocelyn Forge Inc.	Construction of 69KV Porac Connection	Line Materials
3.	Phelps Dodge Phils. Corp.	Construction of 69KV Porac Connection	Wires
4.	AC Harris Cable Corp.	Construction of 69KV Porac Connection	Wires

The choice of suppliers is based on the suppliers' track record and market history, compatibility with the Company's existing facilities, system design and country of origin (to determine the related importation costs and taxes, warranty and after-sales service).

The Company is not limited or dependent only upon the foregoing suppliers for any of its supply needs and may contract with other suppliers provided they meet the criteria set forth above.

vii. Customers

AEC's franchise area is in Angeles City in the Province of Pampanga. It has a total land area of 62.17 sq. km. and is composed of 33 barangays.

The Company currently services five (5) customer classes, consisting of Residential, Commercial (General Services 1 to 5), Industrial (Small and Large), Flat (Streetlights) and Contestables.

As of December 31, 2023, Residential customers comprise 89% of AEC's consumer base and contribute 51% of its energy sales. This customer class covers all residential customers for domestic purposes in single-family dwelling units, individual apartments, condominiums, and boarding houses.

Commercial customers comprise 11% of AEC's consumer base and contribute 40% of its energy sales. This customer class covers all commercial and other non-residential customers.

Industrial customers comprise less than 1% (0.40%) of AEC's consumer base and contribute 1% of its energy sales.

The Flat customer class comprises less than 1% (0.26%) of AEC's consumer base and less than 1% of its energy sales. These accounts pertain to streetlights in Angeles City.

Contestable customers comprise less than 1% (0.01%) of AEC’s consumer base and contribute 7% of its energy sales. These pertain to customers with an average monthly peak demand of 750KW and up.

AEC’s energy sales for the period ending December 31, 2023 reached 731,335 MWh. The Company has a total of one hundred thirty-five thousand six hundred eighteen (135,618) customers. The table below shows the total number of customers and energy sales per class:

Customer Class	Number of Customers	%	Energy Sales in MWh	%
Residential	120,181	89%	374,011	51%
Commercial	14,531	11%	295,566	40%
Industrial	546	0.4%	8,986	1%
Flat/Streetlights	353	0.3%	6,140	1%
Contestables	7	0.01%	46,632	6%
Total	135,618	100.00%	731,335	100.00%

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 such as reconnection fees and pole rentals.

Pass-through charges are revenue-neutral to the Company. The ERC evaluates these charges every three (3) years for any over or under-recoveries. Upon ERC’s approval, the over or under-recoveries are either refunded to or collected from AEC’s customers.

Distribution charges are based on the last approved rates of the Company for the regulatory year 2015 under the Performance-Based Rate-Making (“PBR”) Methodology. This is the Company’s main line of business and source of revenue. No changes to distribution charges can be made by the Company without ERC’s approval.

viii. Dependence on Single or Few Customers

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

ix. Related Party Transactions

In the last 2 years, the Company has entered into the following transactions with its Director:

Date	Names of Related Party	Position or Interest in the Company	Type of Transaction	Amount of Transaction Value
2022	Geromin T. Nepomuceno	Chairman of the Board, Stockholder	Technical Consultancy Agreement	₱2,666,667
2023	Geromin T. Nepomuceno	Chairman of the Board, Stockholder	Technical Consultancy Agreement	₱2,666,667

A summary of the Company's transactions with its related parties as of and for the years ended December 31, 2023 and, as disclosed in Note 20 of the December 31, 2023 audited financial statements, is presented below.

Related Party Category	Amount of Transaction			Outstanding Receivable	
	2023	2022	2021	2023	2022
Related parties under common ownership:					
Purchase of electricity	P 225,050,936	P 249,400,254	P 268,918,349	P 17,381,844	P 16,316,408
Purchase of goods and other services	17,304,391	16,218,608	17,318,852	46,461	613,349
Sales of electricity	141,128,261	151,917,860	101,320,784	14,082,043	13,580,110
Retirement plan asset	12,000,000	12,000,000	12,000,000	139,231,147	120,781,180
Key Management Personnel –					
Compensation	25,177,513	21,149,910	22,186,883	-	-
Stockholders –					
Purchase of goods and other services	3,777,778	5,056,560	3,733,332	-	-

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

AEC received its franchise to operate as a private electric distribution utility to serve the electric power requirements of Angeles City for a period of twenty-five (25) years under Republic Act No. 2341 on June 20, 1959. It was later amended by Republic Act No. 4079 on June 18, 1964, extending the franchise period to fifty (50) years until 2009. Currently, AEC is operating under Republic Act No. 9381 which extended AEC's franchise period for another twenty-five (25) years.

On June 28, 2022, the Company applied for registration with the Intellectual Property Office ("IPO") of the Philippines, the trademark of the company name Angeles Electric Corporation. The IPO issued a certificate of registration dated December 10, 2022 for a period of ten (10) years.

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

xi. ***Regulatory Approvals***

The Company has several pending applications with the ERC for the approval of its various applications.

Applications for capital expenditures, cases involving rates, power supply agreements and other matters that the ERC may require must be filed in compliance with the Rules of Practice promulgated by the ERC. Prior to its formal filing, the applicant must provide all relevant documentations, go through a pre-filing process, adhere to publishing rules, and meet other requirements. After its filing, the application will be scheduled for an expository and judicial public hearing.

During the COVID-19 pandemic, ERC Resolution No. 8 Series of 2020, entitled "Guidelines Governing Electronic Application, Filings, and Virtual Hearing Before the Energy Regulatory Commission" was issued and established the standard operating procedures for the submission and approval of ERC applications.

In line with the distribution rate filing of private distribution utilities, last December 2021, the ERC issued Resolution No. 10 Series of 2021 or the Revised Rules for Setting Distribution Wheeling Rates ("RDWR")

for the 5th Regulatory Period Reset of Group A DU entrants. AEC belongs to Group D entrants and will enter the PBR reset process six (6) months before the start of the Group D 5th Regulatory Period.

Below is the list of ERC applications with pending approvals:

	ERC Case No.	Case Title	Date Submitted for Resolution
1	2016-006 RC	For Approval of RY 2016 CAPEX Projects	26 June 2016
2	2017-053 RC	For Approval of RY 2017 CAPEX Projects	02 November 2017
3	2017-106 RC	For Approval of the Contingency & Regular CAPEX Projects for RY 2018	17 May 2018
4	2019-013 RC	For Approval of the CAPEX Projects for RY 2019	07 June 2019
5	2019-091 RC	For Approval of the CAPEX Projects for RY 2020	16 October 2020
6	2022-011 RC	For Approval of the CAPEX Projects for RY 2021-2022	27 July 2022
7	2020-034 CF	For Confirmation of True-up Calculations of Over/Under Recovery of Pass-Thru Charges Implemented from Jan. 2017 to Dec. 2019	03 February 2021
8	2023-031 CF	For Confirmation of True-up Calculations of Over/Under Recovery of Pass-Thru Charges Implemented from Jan. 2020 to Dec. 2022	02 August 2023
9	2017-015 MC	Application for Approval of Increase in Capital Stock	20 December 2017
10	2010-051 MC	Dispute Resolution on DWSA Charges (AEC vs PSALM)	27 August 2010
11	2011-097 RC	Application for Approval of ESC (AEC and San Miguel Energy Corporation)	12 July 2011
10	2022-087 RC	For Confirmation of True Up Calculations of Actual Weighted Average Tariff ("AWAT") vs. Maximum Average Price ("MAP") for the Lapsed Regulatory Periods	06 March 2023
11	2023-004 RC	Application for Approval of PSA (AEC and SP New Energy Corp.)	30 March 2023
12	2024-004 RC	For Approval of the CAPEX Projects for RY 2023	08 March 2024

On the other hand, the ERC issued provisional authorizations to implement the following applications, subject to ERC's final evaluation:

	ERC Case No.	Case Title	Date Submitted for Resolution
1	2014-038 CF	For Confirmation of True-up Calculations of Over/Under Recovery of Pass-Thru Charges Implemented from Jan. 2011 to Dec. 2013	23 Jul 2014
2	2017-044 CF	For Confirmation of True-up Calculations of Over/Under Recovery of Pass-Thru Charges Implemented from Jan. 2014 to Dec. 2016	27 September 2017
3	2015-091 RC	Application for Approval of PSA (AEC and Angeles Power Inc.)	07 August 2015

The Company has not undergone any bankruptcy, receivership, or other similar proceeding in the past three (3) years from the date of this report.

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

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.

The passage of the Electric Power Industry Reform Act of 2001 (“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. Section 23 of the EPIRA likewise provides that “A distribution utility shall have 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.”

On February 26, 2021, ERC Resolution No. 12, Series of 2020 took effect, which further expanded the coverage of the Retail Competition and Open Access (“RCOA”) to include electricity end-users with an average monthly demand of five hundred kilowatts (500kW) effective February 26, 2021 per ERC Resolution No. 12, Series of 2020. The coverage of RCOA will gradually be expanded to the household level as mandated under Section 31 of the EPIRA. The initial implementation of RCOA covered electricity end-users with a demand of one megawatt (1MW) and above making them eligible to migrate to other Retail Electricity Suppliers (RES).

As of December 31, 2023, AEC is servicing four (4) Contestable Customers who have switched to retail competition and with the RCOA's 3rd phase of implementation on February 26, 2021, additional ten (10) customers became qualified to switch to retail competition.

On August 19, 2021, ERC promulgated ERC Resolution No. 8, Series of 2021 entitled “Rules for the Green Energy Option Program (GEOP)”. The program encourages end users to choose renewable energy resources. Said program may be availed by: (1) end-users with an average peak demand of one hundred kilowatts (100kW) and above for the past twelve months; (2) those newly connected end-user whose estimated average monthly peak demand of three hundred kilowatts (300kW) and above for the next twelve (12) months based on load profiling; and (3) those newly connected end-users with an average peak demand of one hundred kilowatts (100kW) and above for three (3) consecutive months.

As of December 31, 2023, AEC has one (1) customer who has already switched to an RE Supplier under the GEOP and has eighty-two (82) customers who were eligible to join the program.

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

To further expand the base of end-users having the ability to choose their suppliers of electricity, ERC has promulgated ERC Resolution No. 4, Series of 2020, entitled “Rules for the Electric Retail Aggregation Program” on June 24, 2022. The rules for the aggregation of the electricity requirements of end-users, whose monthly average peak demand is at least 500kW and are located within a contiguous area is effective beginning December 26, 2022.

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

The Company intends to manage this risk by renegotiating its contracted capacity with its power suppliers, and consulting with the ERC to prevent any dispute that may result from the renegotiation. Offer the

excess capacity to RES, or sell the excess capacity to the WESM in accordance with the pertinent rules and regulations.

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

ERC No.	Resolution	Title	Brief Overview
1.	ERC Resolution No. 1, Series of 2023	Amendment to the ERC Rules Supplementing the Switching and Billing Process and Adopting a Disconnection Policy for the Contestable Customers	The ERC deemed it necessary to cure the Supplemental Switching Rules, and align it with the Retail Rules and Retail Market Manuals issued by the DOE to ensure consistency with the established policy on the matter, thereby addressing issues and ensuring an efficient switching process of an end-user under the Competitive Retail Electricity Market (“CREM”).
2.	ERC Resolution No. 2, Series of 2023	A Resolution Adopting the Extension of Suspension of the Collection of Feed-In Tariff Allowance (FIT-ALL)	<p>The FIT-ALL Fund balance as of February 5, 2023, inclusive of the CRR collections in January 2023, shows a healthy fund balance that can sufficiently cover the FIT-ALL payment requirements for six (6) more months, assuming the average CRR collection.</p> <p>In light of the rising level of inflation and cost of living affecting millions of Filipino households, the Government is introducing remedies to ease inflation pressure on its citizens, including those that address the ability to pay for the rising cost of electricity due to external pressures.</p> <p>The ERC resolves to approve and adopt the extension for the temporary suspension in the collection of the FIT-ALL for a period of six(6) months, starting March 2023 to August 2023 billing months, unless lifted earlier by the ERC through a subsequent resolution.</p>
3.	ERC Resolution No. 6, Series of 2023	A Resolution Adopting the Green Energy Auction Reserve (“GEAR”) Prices for the Second Round of Auction	<p>On July 14, 2020, the DOE issued DC No. 2020-07-0017 promulgating the guidelines for the conduct of Green Energy Auction Program (GEAP) in the Philippines.</p> <p>The DOE circular mandated the ERC to determine and issue the GEAR Prices including the pricing methodology no later than sixty (60) days from the issuance of the Notice of Auction for the 1st round. The ERC determined the GEAR prices for each type of technology as provided in the 1st Notice of Auction of the DOE.</p> <p>On March 27, 2023, the DOE published the Notice of Auction for the 2nd Round. The ERC, after thorough and due deliberation, and after careful consideration of the various views and comments from stakeholders, approved and adopted the Final GEAR Prices for the 2nd Round of the GEAP.</p>

<p>4. ERC Resolution No. 7, Series of 2023</p>	<p>A Resolution Adopting a Leniency Program on the Governing Period for the Filing of the Application for Renewal of the Certificate of Authority (“CA”) to Operate and Maintain a Meter Shop pursuant to Section 3.1, Article III of ERC Res. No. 12, Series of 2009</p>	<p>On June 1, 2009, the ERC issued a resolution which provides that all individual or consortium of DUs and 3rd Party Test Facilities, shall be required to apply for a CA to maintain a Meter Shop.</p> <p>Article XIII of the said Rules provides that a violation of any section of the Rules, shall be subject to penalty which the ERC may impose.</p> <p>Under Res. 7 Series of 2023, The ERC promulgated the leniency program guidelines and shall terminate after September 30, 2023, unless otherwise extended by the Commission.</p>
<p>5. ERC Resolution 8, Series of 2023</p>	<p>A Resolution Adopting the Procurement Guidelines for the Regulated Transmission and Distribution Assets of Regulated Entities</p>	<p>Republic Act No. 9136 provides that any significant costs or project investments of the transmission and distribution utilities which shall become part of the rate base shall be subject to verification by the ERC to ensure that the contracting and procurement of the equipment, assets and services have been subjected to transparent and accepted industry procurement and purchasing practices to protect the public interest.</p> <p>These guidelines are intended to set the principles and minimum procurement processes of regulated entities in a manner that is efficient, fair and transparent toward meeting the objectives of EPIRA.</p>
<p>6. ERC Resolution 9, Series of 2023</p>	<p>A Resolution Prescribing a Template for Compromise Agreement between or among Parties for the Settlement of Consumer Complaints, and Approving Authorities for such cases of Compromise Agreements</p>	<p>Pursuant to Rule 20(F) Section 3 of the ERC Revised Rules of Practice and Procedure, the consumer and DU shall be accorded every opportunity to resolve issues amicable for their mutual benefit. Of the parties come into an agreement to settle the case, they shall execute a Compromise Agreement stating therein the terms and conditions of their settlement.</p> <p>The ERC adopted the Compromise Agreement Template that will aid parties toward an early amicable resolution of the case and facilitate the ERC’s approval thereof.</p>

<p>7. ERC Resolution No. 10, Series of 2023</p>	<p>A Resolution Suspending the Inclusion of the National Franchise Tax of the National Grid Corp. of the Philippines (“NGCP”) in the Total Monthly Transmission Cost of Billing of Distribution Utilities</p>	<p>In consideration of the franchise granted to the NGCP per R.A. No. 9511, Section 9 mandated NGCP to pay a 3% franchise tax on all gross receipts. ERC Res. 7 Series of 2011, provided for the inclusion of the 3% national franchise tax billed by NGCP as part of the DUs total transmission cost in the Transmission Rate Adjustment Mechanism formula.</p> <p>The Supreme Court (“SC”) disallowed public utilities from passing-on certain taxes as operating expenses to the consuming public.</p> <p>Upon consideration of the declarations of the SC in the decisions, the ERC deems it consistent with established jurisprudence, to suspend the implementation of Res. NO. 7 Series of 2011 and the passing-on of the 3% national franchise tax of NGCP to its customers.</p>
<p>8. ERC Resolution No. 11, Series of 2023</p>	<p>A Resolution Adopting the Extension of Suspension of the Collection of Feed-In Tariff Allowance (FIT-ALL)</p>	<p>On February 22, 2023, the ERC extended the temporary suspension in the collection of FIT-ALL for a period of six (6) months, starting March 2023 until August 2023 billing, unless lifted earlier by the ERC through a subsequent resolution.</p> <p>The ERC resolves to approve and adopt the extension of the temporary suspension in the collection of the FIT-ALL starting September 2023 until otherwise lifted, in the event that the FIT-ALL Fund available shall be deemed insufficient to cover the monthly fund requirements.</p>
<p>9. ERC Resolution No. 14, Series of 2023</p>	<p>A Resolution Adopting the FIT Rate for the Extension Peiod (3rd Round) of Run-of River (ROR) Hydropower until the Full Subscription of the 250MW Installation Target</p>	<p>On July 27, 2012, the ERC approved the Feed-In-Tariff (FIT) Rates. The FIT Rules sets the monitoring and review of the development of RE generation and the impact of FIT rates within 3 years from implementation thereof and every 2 years thereafter.</p> <p>The Feed-In Tariff is a plicy mechanism to accelerate investments in and the growth of RE as a key strategy toward achieving energy security and self-reliance.</p> <p>The ERC, after careful consideration and guided by the policy objectives in the RE Act of 2008, deemed appropriate to issue a rate until the full subscription of the 250MW installation target.</p>

10. ERC Resolution No. 16, Series of 2023	Implementing Guidelines for the Procurement, Execution, and Evaluation of Power Supply Agreements (“PSA”) Entered into by Distribution Utilities for the Supply of Electricity to their Captive Market	<p>On July 4, 2023, the DOE published a circular prescribing the policy for the mandatory conduct of Competitive Selection Process by the DUs for the Procurement of Power Supply for their Captive Market.</p> <p>The DOE CSP Policy states that the ERC shall prescribe a PSA template, which shall indicate the minimum requirements and prescribed parameters to be incorporated by the DU in the preparation of the Terms of Reference (“TOR”), and the 4 major topics to be incorporated in the implementing guidelines such as the PSA Contract Term, PSA Tariff Structure, Financial PSAs and Emergency PSAs.</p>
11. ERC Resolution No. 17, Series of 2023	A Resolution Adopting the 2023 Revised Rules for the Issuance of Certificates of Compliance (“COC”) for Generation Facilities	<p>Pursuant to Section 1 Rule 5 of the EPIRA guidelines, no person may engage in the generation of electricity unless such person has been issued a COC by the ERC to operate facilities used in the generation of electricity.</p> <p>In view of the new policy pronouncements and developments in the power sector, the ERC adopted the 2023 Revised COC Rules for Generation Facilities. It provides for the issuance of COCs or a Provisional Authority to Operate (“PAO”) to power generation facilities that have completed the necessary requirements.</p>

The Company is likewise covered by the following issuances from the Department of Energy (DOE) in 2023:

Department Circular No.	Title	Brief Overview
1. DC 2023-01-0001	Adopting further amendments to various Wholesale Electricity Spot Market (WESM) manuals for Improvements to the Market Resource Modelling and Monitoring.	The Philippine Electricity Market (PEM) Board after due deliberation, formally endorsed to the DOE, for final approval, the proposal to refine and clarify the procedures for modeling market resources in the Market Network Model (MNM) and to provide details on the features of modeling generators.
2. DC2023-01-0002	Adoption of the National Energy Contingency Plan for “The Big One”.	This policy shall apply to all energy industry shareholders and participants from the energy resource, renewable energy, power oil, and energy utilization sectors that are directly affected and involved in the immediate response. Restoration and recovery of the power and oil facilities, and services in the event of “The Big One”.
3. DC2023-01-0003	Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules, WESM Manual, and Retail Manual on Validation Timeline Adjustment in Metering and Billing.	The Philippine Electricity Market (PEM) Board after due deliberation, formally endorsed to the DOE, the final approval, the proposal to amend the WESM rules, WESM Manual, and Retail Manual on Validation Timeline Adjustment in Metering and Billing.

4. DC2023-01-0004	Adopting Amendments to the WESM Rules, Retail Rules, and Various Market Manuals, and Promulgation of the Retail Manual on the Procedures for the Implementation of the Green Energy Option Program (GEOP).	The RE Act of 2008, declares that it is the policy of the State to increase the utilization of RE by institutionalizing the development of national and local capabilities in the use of RE Systems and promoting it efficient and cost effective commercial application by providing fiscal and non-fiscal incentives. The PEM Board approved proposals pursuant to its authority under the EPIRA and the WESM Rules and creation of Retail Manual on the procedures for the GEOP implementation.
5. DC2023-03-0005	Providing Supplemental Policy for the Systematic Management of the DOE Reportorial Requirements for the Electric Power Industry Participants – Distribution Utilities	This circular shall cover all DUs. All submission of reports by the DUs shall be done through the DEPDMS Web Portal using the data structures and standard templates detailed on the Annexes.
6. DC2023-04-0007	Amending Certain Provisions and Supplementing Department Circular No. DC2022-06-0022 on the Application Process of New WESM Members.	The circular promulgates the amendments on the Market Manual on Registration, Suspension and De-registration criteria and procedures as promulgated by DC No. 2022-06-0022.
7. DC2023-04-0008	Prescribing the Policy for Energy Storage Systems (“ESS”) in the Electric Power Industry.	The DOE recognizes the applications of benefits of ESS as an emerging technology in the improvement of electric power systems in accordance with the objective of ensuring the quality, reliability, security, sustainability, and affordability of the supply of electric power, and accelerating the exploration, development, and utilization of RE resources.
8. DC2023-05-0010	Guidelines on the Unbundling of Electric Vehicle Charging Station (“EVCS”) Charging Fee Pursuant to Electric Vehicle Industry Development Act.	This DC shall establish the guidelines in the unbundling of EVCS Charging fees imposed and collected from EV users in exchange for the use of EVCS facilities to charge EVs of Accredited EVCS Provider-Operator.
9. DC2023-05-0014	Promulgating the Revised Rules and Guidelines Governing the Operationalization of the Renewable Portfolio Standards (“RPS”) for Off-Grid Areas Pursuant to Section 12 of the Renewable Energy Act of 2008.	This circular sets out the policies and guidelines for off-grid areas on the Attainment of Optimal Supply Mix, Setting of the Minimum Annual RPS Requirements, and Determination of the Eligible RE Facilities, Development of dispatch protocols of RE Generation, establishing the obligations of the Mandated Participants and other stakeholders, and defining the framework for Compliance.
10. DC2023-05-0015	Prescribing the Amendments to Department Circular No. DC2017-12-0015 or the Renewable Portfolio	The Circular provides for the enhancement of the RPS policies and guidelines towards greater efficiency and effectiveness

	Standards (“RPS”) Rules for On-Grid Areas.	
11. DC2023-05-0018	Adoption of the National Energy Efficiency and Conservation Plan (NEECP) and Roadmap 2023-2050.	Section 2 of Republic Act (RA) No. 7638 or the Department of Energy (DOE) Act of 1992 states that it is the policy of the State to ensure a continuous, adequate, and economic supply of energy through, among others, judicious conservation, renewal, and efficient utilization of energy, to keep pace with the country's growth and economic development.
12. DC2023-06-0019	Adopting the Guidelines Governing the 4th Open and Competitive Selection Process (OCSP4) in the Award of Renewable Energy Service Contracts, and for Other Purposes.	The guidelines adopted under this Circular shall govern the determination of the legal, financial, and technical qualifications of RE applicants, the evaluation of their Applications, and the award of RE contracts.
13. DC2023-06-0021	Prescribing the Policy for the Mandatory Conduct of the Competitive Selection Process by the Distribution Utilities for the Procurement of Power Supply for Their Captive Market.	This Circular shall apply to any DU consistent with the mandate to supply electricity in the least cost manner subject to the collection of retail rate duly approved by the ERC.
14. DC2023-07-0022	Implementing Guidelines on the Decommissioning and Mothballing of a Generating Plant or Unit Pursuant to Section 2.8 of DOE Department Circular (DC) No. 2010-03-0003	This circular shall apply to all generating plants or units intending to conduct decommissioning or mothballing, including embedded generating facilities, regardless of their technology and mode of connection.
15. DC2023-07-0023	ADOPTING FURTHER AMENDMENTS TO THE WHOLESALE ELECTRICITY SPOT MARKET (WESM) RULES AND MARKET MANUALS (Provisions on Penalty Framework for Test and Commissioning).	Section 9 of said DC mandates the Governance Arm to propose changes to the WESM Rules and relevant Market Manuals in accordance with the enforcement and compliance with the policy provided in the subject Circular and to recommend to the DOE and the Energy Regulatory Commission (ERC) the possible sanctions and other measures that will promote compliance of the concerned stakeholders with the policies stated in the same Circular.
16. DC2023-08-0024	Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Market Manual on Billing and Settlement (Provision on Additional Compensation Formula During Market Intervention/Suspension).	To support the implementation of enhancements to the WESM design and operations, the Energy Regulatory Commission (ERC) approved the Price Determination Methodology (PDM) to be applied in the five-minute dispatch interval market through its Decision in ERC Case No. 2017-042RC.
17. DC2023-09-0026	Declaring the Commercial Operations of the Reserve Market and Providing Further Policies.	Section 37 of the Electric Power Industry Reform Act of 2001 (EPIRA) mandates the Department of Energy (DOE) to: (a) supervise the restructuring of the electric power industry by formulating

		<p>policies for the planning and implementation of a comprehensive program for the efficient supply and economical use of energy consistent with the approved national economic plan and with the policies on environmental protection and conservation and maintenance of ecological balance; (b) ensure the reliability, quality, and security of supply of electric power; and (c) jointly with the electric power industry participants, establish the Wholesale Electricity Spot Market (WESM) and formulate the detailed rules governing the operations.</p>
18. DC2023-09-0027	Amendment to Department Circular No. DC2021-11-0036 Titled Providing the Revised Guidelines for the Green Energy Auction Program in the Philippines.	The Department of Energy (OE) issued the revised Guidelines for the Green Energy Auction Program (GEAP) through Department Circular No. DC2021-11-0036 or the "GEAP Guidelines" on 3 November 2021.
19. DC2023-10-0029	Providing Specific Auction Policy and Guidelines for Non-Fit-Eligible Renewable Energy Technologies in the Green Energy Auction Program.	This Circular prescribes the specific auction policy and guidelines for Non-FIT-Eligible RE technologies in consideration of the potential contribution and capacity of these RE technologies to meet the Government's target RE share in the power generation mix; provided, that the DOE shall, upon the recommendation of the GEAC, announce the inclusion of any Non-FIT-Eligible RE technology in an auction prior to the drafting of the Terms Of Reference (TOR).
20. DC2023-10-0030	Guidelines on Energy Efficiency Excellence Awards.	This DC shall govern the implementation of the EEE Awards, including its operationalization's, administration, and budgeting.
21. DC2023-12-0032	The Rules and Regulations on Administrative Actions for Violations of the Renewable Portfolio Standards (RPS) Rules.	This guideline shall govern the procedure before the Department in all matters concerning the inquiry, investigation, and all other proceedings conducted by the Department pursuant to Section 36 of RA 9513, Section 24(a), Rule 7 of DC No. DC2017-12-0015, as amended by DC No. DC2023-05-0015, and Section 21(a). Rule 7 of DC No. DC2023-05-0014. However, in consideration of public interest and consistent with due process, the Department may exempt itself from the application of these Guidelines and apply such fair and reasonable procedures to obtain the speedy disposition of administrative cases.

xiii. Research and Development

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

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

xiv. Costs and Effects of Compliance with Environmental Laws

The Company’s substations require compliance with the Department of Environment and Natural Resources (“DENR”) Administrative Order No. 30, Series of 2003 of Presidential Decree No. 1586 and Rule XIX of the Rules and Regulations of RA. 8749. These substations are required to secure Permits to Operate (“PTO”) and violations of the conditions of the Act shall be subject to penalties ranging from Ten Thousand Pesos (₱10,000.00) to One Hundred Thousand Pesos (₱100,000.00).

The table below shows the issued PTOs for the substations:

Substations	Permit to Operate	Issue Date	Expiry Date
1. Petersville	PTO-OL-R03- 2022-04201	16 June 2022	16 June 2027
2. Calibu	CNC-OL-R-03- 2022-04-01965	06 April 2022	-
3. Milenyo	PTO-OL-R03- 2022-03854	10 June 2022	10 June 2027
4. Pampang	PTO-OL-R03- 2022-03862	10 June 2022	10 June 2027
5. Cutcut (Nepo Center)	PTO-OL-R03- 2022-04486	27 June 2022	26 June 2027

The Company is required to hire an accredited treater and transporter of hazardous materials. The accredited treater and transporter will then issue the Company a Hazardous Waste Generator Registration Certificate indicating that the hazardous waste was properly treated and disposed of.

xv. Employees and labor relations

As of December 31, 2023, the Company has one hundred sixty-nine (169) employees, including nine (9) probationary employees. Ninety-seven (97) of them are office employees and seventy-two (72) are field employees.

The Company expects to hire an additional eight (8) employees in 2024.

Ninety-seven (97) of AEC's employees are members of the Angeles Electric Workers' Union (the “Union”) affiliated with the National Federation of Labor Union.

In recent years, the Company has not had any issues when it comes to bargaining with the Union since the Collective Bargaining Agreement (“CBA”) negotiations are always amicably concluded. The employees of the Company have good labor relations with the management and owners of the Company.

In the past three (3) years from December 31, 2023, the Union has neither conducted any strikes nor has it picketed against the Company. The Company's existing CBA will expire on October 25, 2025.

The Company has one hundred sixty-nine (169) employees, including nine (9) probationary employees. One hundred one (101) of them are office employees and seventy-two (72) are field employees. The Company expects to hire an additional eight (8) employees in 2024.

Ninety-nine (99) of AEC's employees are members of the Angeles Electric Workers' Union (the "Union") affiliated with the National Federation of Labor Union.

In recent years, the Company has not had any issues when it comes to bargaining with the Union since the Collective Bargaining Agreement ("CBA") negotiations are always amicably concluded. The employees of the Company have good labor relations with the management and owners of the Company.

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

1. Annual sick leave of fifteen (15) days. Unused sick leaves in excess of twenty-four (24) days are converted to cash at the rate of 100%;
2. Annual vacation leave of fifteen (15) days. Unused vacation leaves in excess of twenty-four (24) days are converted to cash at the rate of 100%;
3. Maternity leave to full-time female employees equivalent to one hundred five (105) workdays for live childbirth, regardless of the mode of delivery;
4. Paternity leave to full-time married male employees equivalent to seven (7) working days with pay;
5. Bereavement leave of six (6) working days with pay and financial assistance to a regular employee;
6. Christmas bonus to regular employees with at least one (1) year of service from an equivalent of 50% up to 100% of monthly salary;
7. Midyear bonus to regular employees with at least one (1) year of service from an equivalent of 50% up to 100% of monthly salary;
8. Fiesta bonus to regular employees up to Three Thousand Five Hundred Pesos (₱3,500.00);
9. Monthly rice allowance;
10. Dental benefits to regular employees as well as three (3) qualified dependents;
11. Hospitalization benefits through the Health Maintenance Organization including three (3) qualified dependents for in-patient and out-patient services;
12. Free medical consultation with the company physician for regular employees and qualified dependents;
13. Energy consumption assistance; and
14. Retirement benefits for every year of service as provided in the CBA. On 07 February 2023, the Company adopted the AEC Employees' Retirement Plan Rules and Regulations which set forth the various benefits an employee may receive in case of retirement, death, and disability.

xvi. Risks Relating to the Company and Its Business

The Company emerged from a crippling pandemic and celebrated its 100th anniversary showing its resilience amidst the challenges of running a power distribution utility while facing head-on the changes in the Philippine power industry.

Franchise Risk, Operational Risk, and Limitations of a Distribution Utility

The Company exists by virtue of its legislative franchise, the latest of which is Republic Act No. 9381 of the 13th Congress of the Philippines which extended the Company's corporate existence for another twenty-five (25) years. The Company's franchise is both a monopoly and a limitation to operate a power distribution system in the City of Angeles, Pampanga. Consequently, the Company's operations follow the economic tides of Angeles City and the upheavals in the Philippine power industry. As recently experienced, world events in the past three (3) years also affected the Company's operations.

Subject to the renewal of its franchise life, the Company strives to deliver the best customer service to its franchise area with the least cost of energy from reliable and sustainable sources. Moreover, as a recognized institution in the City of Angeles, the Company supports the projects of parish churches, hospitals, and other institutions as part of its social responsibility.

Any interruption to the Company's operation is an operational risk. To mitigate the risk, the Company is continually devising strategies to ensure uninterrupted operations to minimize cost and remain competitive in its business. Moreover, the Company operates 24/7 with highly competent and technical personnel ready to respond to any emergency.

Whatever operational risk that the Company may encounter, the robust growth of Angeles City and the ever-increasing and expanding residential, commercial, and industrial sectors guarantee the Company's sustainable growth in its capacity and energy sales in the next 100 years.

Regulatory Risk

As a distribution utility, the Company is highly regulated by the ERC. It is subject to the Performance-Based Rate-Setting ("PBR") Methodology in setting and regulating the Company's distribution rates. Thus, the Company's rates are determined and approved by the ERC up to the last centavo. In setting up the Company's reasonable return on its operations, the benefit to the public is paramount. Wastage and unnecessary expenditure are avoided as much as possible.

For its regulatory compliances, the Company employs highly competent and trained personnel and professionals. The Company maintains a clockwork precision for its regulatory compliances and monitors all issuances of government agencies affecting its operations.

Aside from its regulatory compliances, the Company is also at the mercy of the ERC's voluminous applications/petitions from other industry players waiting for final approval. Pending final approval from the ERC are the following applications of the Company:

1. Relocation and upgrading of 2-layer, 13.8 KV primary lines
2. 69 KV NGCP Porac Substation connection
3. Milenyo Substation relocation
4. Various reconductoring of feeder lines
5. Provision of SCADA Backup Control Center
6. Purchase of Distribution Transformers
7. Purchase of Poles, Towers and Fixtures
8. Purchase of Meters and Metering Instruments
9. Purchase of IT Equipment and Software
10. Purchase of testing equipment.
11. Power Purchase Agreement with SPNEC.

To address this risk, the Company has engaged highly competent external counsels to monitor and expedite its ERC filings. However, delays in getting the ERC's final approval on the foregoing projects has likewise resulted in delays in the updating of the Company's distribution rates to reflect its current operational costs and expenses. This, however, does not deter the Company from implementing operational upgrades and cost-saving measures resulting in improvements in its operations, management, and robust financial results.

At present, the Company's distribution rates are set at its last ERC-approved rate translation for the Regulatory Year 2015. Due to the suspension of the PBR Methodology by the ERC, the Company's distribution rates have not changed since 2015. Last year, the ERC issued an order directing all private distribution utilities to file a True-Up Application of the Actual Weighted Average Tariff ("AWAT" or the actual amount billed to customers) versus the Maximum Average Price ("MAP" or the ERC allowed distribution rate) using the ERC-approved over or under recovery formula rules. This process aims to resolve and close with finality all issues relating to the lapsed regulatory periods when the ERC suspended the PBR reset process. Due to the changing customer demand mix, the AWAT versus MAP application of AEC resulted to over recoveries. Once approved by the ERC, the over recoveries will be refunded to the customers. To address this risk, the Company provides for the computed refunds monthly in the books, which refunds are applied to the customers' bills upon approval by the ERC.

For the pass-through charges such as the generation, transmission and system loss charges, the ERC has issued the prescribed formula for computing the monthly rates applicable to these charges and the process of determining any over or under recoveries to ensure that these costs are revenue-neutral to the Company. At least 65% of a distribution utility customer's bill is composed of pass-through charges. Over recoveries, along with under recoveries, are natural occurrences caused by the difference or time gap in the billing schedules and rates. This year, the ERC issued revisions to the prescribed formula and the period of implementation of the resulting over or under recoveries if it breaches the threshold. From the previous three (3)-year implementation period, the ERC directed distribution utilities to implement a one-time refund for over recoveries or a six (6)-month spread for under recoveries. For AEC, the revised formula resulted to over recoveries and the Company has already implemented the one-time refund to its customers. To address the impact of the ERC's revised formula on AEC's financials, the Company together with other distribution utilities filed to the ERC a position paper to amend the rules and formula.

Risk of Exposure to Volatile Price of Electricity

As a distribution utility, the Company's baseload requirements are being supplied by coal power plants, which means that the Company's electricity rate is significantly tied-up to world coal prices. Coal prices started to climb in January 2021 after reaching their lowest levels in 2020. The unusual spikes in prices were also experienced in other sources of fuel, such as LNG and diesel. The situation was greatly exacerbated when Russia started its invasion of Ukraine on 24 February 2022. With many countries cutting their importation of coal from Russia, the demand for coal in the world vis-à-vis the limited supply from China and Indonesia has seen prices of coal at an unprecedented level.

In the last two (2) to three (3) years, the dormant risk of exposure to high electricity prices started to impact the Company and ultimately, its customers. Although the net effect of the high electricity rates does not affect the Company directly since it is a pass-through cost, such occurrence would, as experienced, give rise to direct risks to the Company which include but are not limited to the following: (1) unfavorable opinion from customers, local government and other stakeholders; (2) increase in customers that opted to use own solar panels; (3) cash flow problems because of the inability of customers to pay high electricity bills; and, (4) increase in further manpower and other costs to continuously have the customers informed properly.

In addition to this, when baseload suppliers are on shut down, the Company's exposure to higher prices is shifted to the Wholesale Electricity Spot Market ("WESM") where prices are dictated by

demand and supply. It should also be noted that the Company's energy imbalances requirements, or those not covered by the foregoing bilateral contracts, are sourced from the spot market.

Currently, the Company's contracts with its power suppliers are only until the maturity of the power supply agreements. The Company can only minimize its generation rates by effectively balancing the mix of supply from contracted suppliers and the electricity market. In 2022, the Company awarded a 13MW renewable energy power supply to Solar Philippines New Energy Corp. through a competitive selection process. The contract is expected to improve generation rates due to its lower cost. The power supply agreement is yet to be approved by the ERC. Moving forward, the Company will study any possible mitigating approach to minimize said risk.

Risk to Power Purchase Contracting

To operate as a distribution utility, the Company's primary concern is its power source. On the other hand, the inherent risk in contracting power supply is the power's availability, price, and reliability. Moreover, the ERC will now impose limitations on the Company's freedom to enter into power purchase agreements with the objective of ensuring the least power cost for the consumers.

Under the new ERC Draft Guidelines for Competitive Selection Process and Power Purchase Agreement (2023-006 RM), the Company's capacity to enter into a bilateral contract for its power supply is limited and restricted as follows:

- The Company's power requirements shall be procured through a Competitive Selection Process ("CSP") under sets of procedures prescribed by the ERC.
- In conducting a CSP, the Company shall form a bids and awards committee with qualifications prescribed by the ERC. The committee shall conduct the CSP based on the guidelines and procedures prescribed by the ERC.
- Direct negotiations for a power supply shall only be allowed after at least two (2) failed CSPs.
- Within thirty (30) days from the execution of the Power Supply Agreement ("PSA") from direct negotiation, the PSA must be filed for approval with the ERC. Otherwise, the distribution utility shall undergo the same processes again.
- For the PSA, the distribution utility must specify in its terms of reference whether the PSA to be procured is a Financial PSA or a Physical PSA. At this point, however, the distribution utility is not yet certain if there will be qualified bidders for a Financial or a Physical PSA. Thus, the distribution utility may be conducting a futile CSP if there are no bidders for the type of PSA desired.
- The minimum terms and conditions of the PSA must adhere to the ERC PSA template. There are separate templates for a Physical and Financial PSA.
- The maximum term of a PSA shall only be for ten (10) years. Thus, considering the time it takes to conduct a CSP, to have a winning bidder and an executed PSA, to go through the ERC PSA approval process, to wait for the ERC to give its final approval or provisional authority, the distribution utility may have to conduct another CSP after 5 years from the implementation of a new PSA.

All of the above regulatory requirements expose the Company to the risk of not being able to contract a new PSA for its expiring bilateral contract due to the unavailability of qualified bidders, the time it takes to complete the power procurement process, and the delay on the part of the ERC to give its final approval to the PSA application. To mitigate this risk, the Company will prepare in advance its CSP bidding activities to secure its subsequent power contracts.

Risk on Subtransmission Lines

The power plants of the Company's baseload suppliers are located in Mariveles, Bataan and Mabalacat, Pampanga. Power passes through the NGCP grid and enters through the Mexico – Petersville Subtransmission Line. It is the only entry point of power to the Company's distribution system. This current system contributes risk of total black-out within the City of Angeles when problems affect the subtransmission line. Any occurrence would affect the lives, businesses, education and livelihood of the customers. Furthermore, this will significantly impact several metrics imposed by the ERC (i.e., System Average Interruption Frequency Index ["SAIFI"] and System Average Interruption Duration Index ["SAIDI"]) as indicators of the Company's reliability. Lastly, with respect to investor concerns, any occurrence of problems within the sole entry point of power would affect the Company's distribution revenues and profitability.

In response to this concern, the Company is currently in coordination with NGCP to set up a new connection from a proposed NGCP Substation in Porac, Pampanga.

Leases Risks

The Company has leases for certain land, including its main office, and equipment as reflected in its financial statements. The Company's main office is located in a very attractive and fast developing commercial area of Angeles City. Proof of this is the new Rockwell Land Development beside it. To mitigate the risk of having to vacate its main office in the future, the Company has put in place various termination options in its lease agreement to give it flexibility to terminate its lease before the intended expiration date. In the meantime, the Company is actively looking for other suitable locations to relocate its main office.

Risks on Information Technology ("IT") Systems

The Company significantly relies on its IT systems for its day-to-day operations (i.e., billing, accounting, collections, accounts processing, inventory and supply, line asset database). The systems contribute to efficiency of work and rendering of service. Although such systems continue to serve their purpose, due to time and the continuous improvement in technology, risks of downtime, processing problems and obsolescence may be present. To address these risks, data backup on all systems is done daily. Furthermore, the IT Department continues to either innovate existing systems or formulate new ones to more effectively and efficiently address identified concerns and problems from the end-users.

On the other hand, the Company also uses the systems to process a significant number of personal data each day. This exposes the Company to hacking and data breaches, which may be considered to be a significant risk considering the related penalties and probable liabilities. In the last two (2) years, the Company's thrust to improve the protection of its systems through the use of firewalls and Virtual Private Networks. Furthermore, the Company engaged an external service provider that will assist in the update and review of Information Security Policies as well as performing gap analysis between existing IT infrastructure and IT policies. The results of this endeavor will be incorporated into the Company processes.

In securing the personal information of customers and employees, the Company engaged the services of KPMG in 2017 to conduct a full and extensive study of the company's data privacy compliances and implement measures to improve the same. The Company's Data Protection Officer constantly monitors the company's data privacy compliances, conducts regular privacy impact assessments, and mandates strict compliance with the Company's data privacy policies and procedures.

Risk of Human Resources and Skills Stagnation

A company that has existed for a hundred years may be exposed to the risk of complacency in relying on traditional methods of running the business and reliance on the same set of skills of its personnel. To mitigate this risk, the Company maintains a competent and dynamic team of executives, managers, and professionals who are regularly trained in the industry's best practices, while constantly improving

and acquiring new skill sets. Recently, the Company hired the services of a human resources consultant to update the minimum job requirements of all of its personnel, promote highly competent staff, and reorganize the entire corporate structure.

Capitalization Requirements

The Company relies on its customer collections for its working capital requirements and to finance its projects, subject to ERC approval. On the Company's return on its operation, the ERC monitors and sets reasonable rates and approves all capital expenditures. It is in this regard that the Company intends to use the proceeds of the Offer to fund capital expenditures.

Collection Risk

The Company is able to maintain a high collection rate of 98%-99% despite the challenges brought about by the pandemic and typhoons that visits the country every year.

During the pandemic, due to the financial difficulties of its consumers, the Company extended its collection period up to two (2) months by not implementing the disconnection of electricity during that period. Moreover, to further assist its consumers who are in dire need of financial relief, the Company offered installment terms for unpaid electric bills.

The pandemic also showed a shift in electricity consumption among residential and commercial consumers. In 2020 and 2021, sales per customer class leaned heavily toward residential customers and displaced commercial customers as the primary electricity consumer class. However, commercial customers resumed operations and ramped up in the latter part of 2021, which improved in 2022 as business confidence returned.

Meanwhile, 2022 energy sales breached the 2019 figures, which had the highest-grossing sales previously. However, the sharp increase in the average retail rate dampened this positive development. After remaining low during the pandemic, coal prices suddenly took an upward turn in the middle of 2021 until they breached Four Hundred US Dollars (US\$400) per metric ton in 2022. This occurrence resulted in escalating rates charged by generation companies as they struggled with rising coal inventory prices that were passed on to distribution utilities such as the Company.

Despite the increase in retail rates, the Company's collection efficiency proceeded smoothly. Collection efficiency improved to 99.62% for bills 2021 and older, while 2022 efficiency was at a comfortable 94.73% at the end of the year and this further improved in 2023.

To further enhance collections, AEC has designed strategies to ensure that its offices and business centers are available to cater to its consumers even in cases of future lockdowns. It also increased its accessibility through its service partners and the online payment facilities of its partner banks.

Retail Competition and Open Access ("RCOA")

The RCOA allows a contestable market or electricity end-users with a demand of 1MW and above to choose a supplier of electricity. As of 30 June 2022, the Company has four (4) customers who have switched to the contestable market. Furthermore, the threshold for the contestable market will gradually be lowered to the household level as mandated under Section 31 of the EPIRA and this may result in more contestable market choosing their energy supplier aside from the Company.

The Company, however, is confident that it will maintain, and even increase, its captive market due to the expected economic growth of Angeles City. In the meantime, the Company continues to source cheap and reliable energy to sustain its captive market.

Failure of the Company to Comply with the Public Offer Requirement Under the EPIRA

Section 43(t) of the EPIRA requires distribution utilities that are not publicly listed to “offer and sell to the public a portion not less than fifteen percent (15%) of their common shares of stock” within five (5) years from the effectivity of the EPIRA. After multiple extensions, the final deadline for compliance by distribution utilities of this requirement is set on 04 July 2024.

Non-compliance with the EPIRA’s public offering mandate shall empower the ERC to impose fines and penalties on non-compliant distribution utilities. Additionally, the Philippine Congress, upon the recommendation of the DOE and ERC, may also revoke the franchise or privilege granted to non-compliant distribution utilities.

The Company has already initiated the process of registering its shares with the SEC as of October 2023. The Company has also engaged the services of legal and financial advisors to assist it in the preparation of all related registration documents and an underwriter, who has committed to underwrite the Company’s shares on a firm basis. The foregoing measures are set in place to ensure compliance with the public offering requirement under the EPIRA.

RISKS RELATED TO THE PHILIPPINES

Fluctuations in the Philippine Economy

The Company derives its operating income and profits from the Philippines, particularly the province of Angeles City, and as such, it is highly dependent on the state of the Philippines economy.

Factors that may adversely affect the Philippine economy include (1) changes in demand in the areas of import or export; (2) foreign exchange rate fluctuations; (3) inflation or increase in interest rates; (4) natural disasters; and (5) other regulatory, social, political, or economic developments in or affecting the Philippines.

Despite changes in one or more of the foregoing factors, the Philippines has received and maintained positive credit ratings from foreign credit rating agencies such as Standard and Poor, Fitch, and Moody’s, with a stable economic outlook.

Easing Restrictions Against Foreign Nationals

The 1987 Constitution limits the operation of public utilities to citizens of the Philippines or corporations at least 60% of whose capital is owned by Filipino citizens. Should there be an amendment to the Constitution easing foreign restrictions on the operation of public utilities, there may also be a corresponding risk of increased competition in the power distribution industry.

The high barriers to entry of the business may not be equally applicable to parry foreign competition with both the financial resources and technological expertise to enter the power distribution business.

To mitigate this risk, the Company will strive to maintain efficient company operations while maximizing the resources available to it. It will also work towards continuous improvement of its processes so that if or when foreign competitors come in, the Company will have a competitive advantage in terms of business operations and customer relationships.

Item 2. Properties

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

	TCT/CCT /Evidence of Ownership	No. of	Location	Description	Lien / Mortgage / Encumbrance, if any	Use of property
1.	TCT 11046		Bgy. Pulung Maragul	28,496 sqm	N/A	Petersville Power Plant and Substation
2.	TCT 74538		Bgy. Pulung Maragul	3,648 sqm	N/A	Petersville Power Plant and Substation
3.	TCT 111623		Bgy. Pulung Maragul	3,419 sqm	N/A	Petersville Power Plant and Substation
4.	TCT 121001		Bgy. Pulung Maragul	5,417 sqm	N/A	Petersville Power Plant and Substation
5.	TCT 045-2014001959		Bgy. Pulung Maragul	8,998 sqm	N/A	Petersville Power Plant and Substation
6.	TCT 155378		Bgy. Pampang	600 sqm	N/A	Pampang Substation
7.	TCT 155379		Bgy. Pampang	600 sqm	N/A	Pampang Substation
8.	TCT 155380		Bgy. Pampang	600 sqm	N/A	Pampang Substation
9.	TCT 155381		Bgy. Pampang	600 sqm	N/A	Pampang Substation
10.	TCT 045-2018003332		Clarkview Subdivision	1,548 sqm	N/A	New Milenyo Substation
11.	TCT 045-2018003036		Bgy. Pulung Cacutud	10,000 sqm	N/A	Future Pulung Cacutud Substation
12.	TCT 045-2022001374		Bgy. Balibago	800 sqm	N/A	Future Balibago Substation
13.	TCT 045-2022001375		Bgy. Balibago	800 sqm	N/A	Future Balibago Substation
14.	TCT 045-2022001376		Bgy. Balibago	800 sqm	N/A	Future Balibago Substation
15.	CCT PT-30200		Pasig City	121 sqm	N/A	Ortigas Office
16.	CCT PT-30201		Pasig City	119 sqm	N/A	Ortigas Office
17.	CCT PT-30202		Pasig City	118 sqm	N/A	Ortigas Office
18.	CCT PT-30203		Pasig City	112 sqm	N/A	Ortigas Office
19.	Deed of Assignment	of	Pasig City	Slot #6	N/A	Parking Slot for Unit 1901 (CCT PT-30200)
20.	Deed of Assignment	of	Pasig City	Slot #7	N/A	Parking Slot for Unit 1901 (CCT PT-30200)
21.	Deed of Assignment	of	Pasig City	Slot #8	N/A	Parking Slot for Unit 1902 (CCT PT-30201)
22.	Deed of Assignment	of	Pasig City	Slot #9	N/A	Parking Slot for Unit 1902 (CCT PT-30201)
23.	Deed of Assignment	of	Pasig City	Slot #10	N/A	Parking Slot for Unit 1903 (CCT PT-30202)
24.	Deed of Assignment	of	Pasig City	Slot #11	N/A	Parking Slot for Unit 1903 (CCT PT-30202)
25.	Deed of Assignment	of	Pasig City	Slot #12	N/A	Parking Slot for Unit 1904 (CCT PT-30203)
26.	Deed of Assignment	of	Pasig City	Slot #13	N/A	Parking Slot for Unit 1904 (CCT PT-30203)

The Company also owns the following vehicles:

Description	Quantity	Unit of Measure	Liens, Mortgages, Encumbrances, if any	Use of Property
1. Crane Truck	1	Unit	N/A	Used as a service vehicle
2. Boom Truck	4	Units	N/A	Used as a service vehicle
3. Boom Truck with Borer	1	Unit	N/A	Used as a service vehicle
4. Man lift Truck	9	Units	N/A	Used as a service vehicle
5. Pick-up with Ladder Carrier	13	Units	N/A	Used as a service vehicle
6. Utility Van	4	Units	N/A	Used as a service vehicle
7. Utility Van with Ladder Carrier	3	Units	N/A	Used as a service vehicle
8. Pick-up with Camper Shell	4	Units	N/A	Used as a service vehicle
9. Passenger Van	2	Units	N/A	Used as a service vehicle
10. Pick-up Van	2	Units	N/A	Used as a service vehicle
11. Multi-Purpose Vehicle	2	Units	N/A	Used as a service vehicle
12. SUV	1	Unit	N/A	Used as a service vehicle
13. Pick-up 1	1	Unit	N/A	Used as a service vehicle
14. Light Duty Truck	2	Units	N/A	Used as a service vehicle
15. Motorcycle	1	Unit	N/A	Used as a service vehicle
16. Forklift	1	Unit	N/A	Used as a service vehicle

The Company also owns equipment and other properties such as power transformers and other substation equipment, sub-transmission and distribution lines including poles and attachments, distribution transformers, meters and other metering equipment which are installed within the Company's franchise area.

Below is the list of the Company's equipment and other properties. The list below does not include spares or supplies inventory:

Description	Quantity	Unit of Measure	Use of Property
1. Sub-transmission Lines (69KV)	79.93	Circuit Km	Used in the distribution system
2. Primary Lines (13.8KV)	500.31	Circuit Km	Used in the distribution system
3. Secondary Lines (230/460V)	816.10	Circuit Km	Used in the distribution system
4. Distribution Transformers	6,074	Pcs	Used in the distribution system

5.	Feeders	48	Lots	Used in the distribution system
6.	Poles	24,936	Pcs	Used in the distribution system
7.	Disconnect Switch, 72 KV	10	Pcs	Used in the distribution system
8.	Blade type Disconnect Switch, 13.8 KV	12,357	Pcs	Used in the distribution system
9.	Lightning Arrester, Distribution Class, 15 KV	9,250	Pcs	Used in the distribution system
10.	Load Break Switch, 13.8 KV	29	Units	Used in the distribution system
11.	Fuse, Cutout Fuse, 15KV	784	Pcs	Used in the distribution system
12.	Fuse, Cutout Fuse, 15KV (for Distribution Transformer	9,317	Pcs	Used in the distribution system
13.	Remote Terminal Unit (RTU)	2	Pcs	Used in the SCADA/substation
14.	Remote Terminal Unit (RTU)	4	Pcs	Used in the SCADA/substation
15.	Remote Terminal Unit (RTU)	1	Pcs	Used in the SCADA/substation
16.	Orion Input/Output	10	Pcs	Used in the SCADA/substation
17.	Orion Input/Output	20	Pcs	Used in the SCADA/substation
18.	Orion Input/Output	5	Pcs	Used in the SCADA/substation
19.	Orion Input/Output	3	Pcs	Used in the SCADA/substation
20.	Orion Input/Output	1	Pc	Used in the SCADA/substation
21.	D-Link Network Switch	2	Pcs	Used in the SCADA/substation
22.	Cisco Network Switch	6	Pcs	Used in the SCADA/substation
23.	D-Link Network Switch	1	Pc	Used in the SCADA/substation
24.	D-Link Network Switch	1	Pc	Used in the SCADA/substation
25.	D-Link Network Switch	1	Pc	Used in the SCADA/substation
26.	D-Link Network Switch	1	Pc	Used in the SCADA/substation
27.	D-Link Network Switch	1	Pc	Used in the SCADA/substation
28.	D-Link Network Switch	1	Pc	Used in the SCADA/substation
29.	D-Link Network Switch	1	Pc	Used in the SCADA/substation
30.	Uninterruptible Power Supply (UPS)	2	Pcs	Used in the SCADA/substation
31.	Uninterruptible Power Supply (UPS)	2	Pcs	Used in the SCADA/substation
32.	Uninterruptible Power Supply (UPS)	1	Pc	Used in the SCADA/substation
33.	Uninterruptible Power Supply (UPS)	1	Pc	Used in the SCADA/substation
34.	Uninterruptible Power Supply (UPS)	1	Pc	Used in the SCADA/substation
35.	Bitronics Meter	65	Pcs	Used in the SCADA/substation
36.	Bitronics Meter Module	69	Pcs	Used in the SCADA/substation
37.	Multimeter - Circutor	4	Pcs	Used in the SCADA/substation
38.	Schneider Smart Meter	13	Pcs	Used in the SCADA/substation
39.	40 MVA Power Transformer - ABB, Type UBBDN, Serial No. 1L1T00299A, Year 2003, 35/40 MVA, 69/13.8 KV,	2	Units	Used in the substation

	on-load, 3 phase, 60 Hz, On Load Tap Changer (Maschinenfabrik Reinhausen) Type VVIII400Y-76-10193W			
40.	40/50 MVA Power Transformer -Shihlin Electric, Taiwan, the year 2017, 40/50 MVA, 69000/13800 V, on-load, 3 phase, 60 Hz	3	Units	Used in the substation
41.	25 MVA, GE LOAD TAP CHANGING TRANSFORMER, Voltage rating 67000-13800 Y/7970	1	Unit	Used in the substation
42.	SF6 Gas Circuit Breakers, Dead Tank, Outdoor, Siemens, Type SPS2-72.5-31.5-2, 1200 A, 72.5 KV, 31.5 KA, 3 phase, 60 Hz, outdoor type	13	Units	Used in the substation
43.	SF6 Gas Circuit Breakers, Dead Tank Outdoor, Siemens, Type SPS2-72.5-40-2, 3150 A, 72.5 KV, 40 KA, 60 Hz	6	Units	Used in the substation
44.	Areva, SF6 Dead Tank Outdoor, 72.5 kVA, 2000 A	1	Unit	Used in the substation
45.	Voltage Transformer, Arteche, Type UTD-72, 69 KV	47	Units	Used in the substation
46.	Voltage Transformer, Trench, Type VEOT 72.5, 72.5 KV.	15	Units	Used in the substation
47.	Voltage Transformer, ABB, Type EMFC721, Year 1990, 72.5 KV	3	Units	Used in the substation
48.	Current Transformer, (Bushing C.T) 69 KV	114	Units	Used in the substation
49.	Current Transformer, (Station Type) 69KV	6	Units	Used in the substation
50.	Motorized Disconnect Switches, Center break, 72 KV.	18	Units	Used in the substation
51.	Manual Disconnect Switches, Center break, 72 KV.	15	Units	Used in the substation
52.	Surge Arresters, Station type, 69KV.	42	Units	Used in the substation
53.	LEAD-ACID BATTERY 12V 205AH	64	Pcs.	Used in the substation
54.	Niksa Battery Charger, Model NSC 125-20, Serial No. 8057, 125 V, 20 A, 50	5	Units	Used in the substation

	Hz, with 0-30 A ammeter & 0-200 V			
55.	AUTOMATIC TRANSFER SWITCH, Including Control Panel, 3 Pole, 220v, 225 A	4	Units	Used in the substation
56.	Diesel GENERATOR, 3 Phase, 220 V, 25KVA	4	Units	Used in the substation
57.	Diesel GENERATOR, 3 Phase, 220 V, 220KVA	1	Unit	Used in the substation
58.	STATION POWER TRANSFORMER, PAD MOUNTED, Shihlin Electric, China, 100 kva, 13.8/240 V	6	Units	Used in the substation
59.	Distribution Transformers - Philec, 167 kva, 14400/24940/120/240V, oil- immersed	18	Units	Used in the substation
60.	Load Break Switches - 600 A, 13.8 KV	11	Units	Used in the substation
61.	Siemens Switch Gear 13.8kV Outgoing, SIEMENS - TYPE SDV7 WITH TYPE VS-15052 INTERRUPTER Including Control Panel	11	Lots	Used in the substation
62.	Isolating Disconnect Switches - Westinghouse, Type LCO-C, 15 KV, 600 A, 40 KA, 1KV BIL	63	Units	Used in the substation
63.	Bypass Disconnect Switches - Cleveland, Type V2-C, 600 A, 15 KV, 40 KA	30	Units	Used in the substation
64.	Bus Voltage Transformers - GE, Type JWV-110, 120:1 ratio, 15 KV	2	Units	Used in the substation
65.	Siemens Switch Gear Vacuum Circuit Breaker - Main Breaker, Siemens, Type SDV-4A, Serial No. 350064-1, Year 2003, 2000 A, 15.5 KV	1	Lot	Used in the substation
66.	Siemens NX Air Switch Gear 13.8 Kv (OUTGOING), Including Control Panel	8	Lots	Used in the substation
67.	Siemens Simo Prime Switch Gear 13.8 kV (OUTGOING), Including Control Panel	11	Lots	Used in the substation
68.	SGC Switch Gear 13.8 kV (OUTGOING), Including Control Panel	9	Lots	Used in the substation

69.	Siemens NX Air Switch Gear 13.8 Kv (MAIN), Including Control Panel	1	Lot	Used in the substation
70.	Siemens Simo Prime Switch Gear 13.8 kV (MAIN), Including Control Panel	2	Lots	Used in the substation
71.	SGC Switch Gear 13.8 kV (MAIN), Including Control Panel	1	Lot	Used in the substation
72.	Siemens NX Air Switch Gear 13.8 Kv (STATION POWER), Including Control Panel	1	Lot	Used in the substation
73.	POTENTIAL TRANSFORMER, Including Control Panel	4	Lots	Used in the substation
74.	Siemens SION Switch Gear 13.8 kV (OUTGOING), Including Control Panel	11	Lots	Used in the substation
75.	Siemens SION Switch Gear 13.8 kV (MAIN), Including Control Panel	1	Lot	Used in the substation
76.	Siemens Switch Gear Vacuum Circuit Breaker - Main Breaker, Siemens, Type SDV-4A, Serial No. 350064-1, Year 2003, 2000 A, 15.5 KV	1	Lot	Used in the substation
77.	Siemens NX Air Switch Gear 13.8 Kv (STATION POWER), Including Control Panel	1	Lot	Used in the substation
78.	Siemens Simo Prime Switch Gear 13.8 Kv (STATION POWER), Including Control Panel	2	Lots	Used in the substation
79.	SGC 13.8 Kv (STATION POWER), Including Control Panel	1	Lot	Used in the substation
80.	SION 13.8 Kv (STATION POWER), Including Control Panel	1	Lot	Used in the substation
81.	Vacuum Circuit Breaker - Siemens, Type 3AE1225-2, 1250 A, 3 phase, draw type	51	Units	Used in the substation
82.	OVERCURRENT RELAY - SIEMENS, 7SJ8011	80	Pcs	Used in the substation
83.	Lockout relay	80	Pcs	Used in the substation
84.	Annunciator	75	Pcs	Used in the substation
85.	Position Tap Setting	6	Pcs	Used in the substation
86.	Control and Protection Panel for 69kV Line	10	Lots	Used in the substation

87.	Control and Protection Panel for Power Transformer 69kV	6	Lots	Used in the substation
88.	Differential Relay - Siemens, Type SIPROTEC 7UT61	6	Pcs	Used in the substation
89.	Consumer Meters (Excluding power metering)	131,921	Pcs	Used as Meters for Customers
90.	Power Metering Meters and Equipment -Single Phase	211	Pcs	Used as Meters for Customers
91.	Power Metering Meters and Equipment -Three Phase	623	Pcs	Used as Meters for Customers
92.	Power Metering Meters and Equipment -Current Transformer	732	Pcs	Used as Meters for Customers
93.	Power Metering Meters and Equipment -Potential Transformer	35	Pcs	Used as Meters for Customers
94.	Crane Truck	1	Unit	Used as a service vehicle
95.	FVM Truck	2	Units	Used as a service vehicle
96.	Pick-up	15	Units	Used as a service vehicle
97.	Pick-up with Camper shell	5	Units	Used as a service vehicle
98.	Passenger Van	3	Units	Used as a service vehicle
99.	Manlift Truck	9	Units	Used as a service vehicle
100.	Ropside with Boom	4	Units	Used as a service vehicle
101.	Wagon	2	Units	Used as a service vehicle
102.	Drill Truck	2	Units	Used as a service vehicle

Item 3. Legal Proceedings

Aside from the following, the Company has no ongoing legal proceedings involving it and any of its properties, whether material or non-material.

Case No., Title, and Parties	Pending Before/Venue	Brief Description
Case No. R-QZN-14-01829-CV, In the Matter of Declaratory Relief Against Revenue Memorandum Circular No. 16-2013, Angeles Electric Corp. Et. Al.	Quezon City Regional Trial Court, Branch 104	A Petition for Declaratory Relief with prayer for the issuance of a TRO and writ of injunction, praying that RMC No. 16-2013 be declared null and void and unconstitutional. A Decision was issued on 20 June 2017 and a Motion for Reconsideration (“MR”) was filed by the BIR on 12 July 2017. To date, no resolution from the Court regarding the filed MR.

Below is the list of ERC applications with pending approvals:

	ERC Case No.	Case Title	Date Submitted for Resolution
1	2016-006 RC	For Approval of RY 2016 CAPEX Projects	26 June 2016
2	2017-053 RC	For Approval of RY 2017 CAPEX Projects	02 November 2017
3	2017-106 RC	For Approval of the Contingency & Regular CAPEX Projects for RY 2018	17 May 2018
4	2019-013 RC	For Approval of the CAPEX Projects for RY 2019	07 June 2019
5	2019-091 RC	For Approval of the CAPEX Projects for RY 2020	16 October 2020
6	2022-011 RC	For Approval of the CAPEX Projects for RY 2021-2022	27 July 2022
7	2020-034 CF	For Confirmation of True-up Calculations of Over/Under Recovery of Pass-Thru Charges Implemented from Jan. 2017 to Dec. 2019	03 February 2021
8	2023-031 CF	For Confirmation of True-up Calculations of Over/Under Recovery of Pass-Thru Charges Implemented from Jan. 2020 to Dec. 2022	02 August 2023
9	2017-015 MC	Application for Approval of Increase in Capital Stock	20 December 2017
10	2010-051 MC	Dispute Resolution on DWSA Charges (AEC vs PSALM)	27 August 2010
11	2011-097 RC	Application for Approval of ESC (AEC and San Miguel Energy Corporation)	12 July 2011
10	2022-087 RC	For Confirmation of True Up Calculations of Actual Weighted Average Tariff (“AWAT”) vs. Maximum Average Price (“MAP”) for the Lapsed Regulatory Periods	06 March 2023
11	2023-004 RC	Application for Approval of PSA (AEC and SP New Energy Corp.)	30 March 2023
12	2024-004 RC	For Approval of the CAPEX Projects for RY 2023	08 March 2024

The Company has not undergone any bankruptcy, receivership, or other similar proceeding in the past three (3) years from the date of this report.

Item 4. Submission of Matters to a Vote Security Holders

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer’s Common Equity and related Stockholders Matters

A. Market Price and Dividends on Registrant’s Common Equity and Related Stockholder Matters

1. Market Information

a. Principal Market

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

2. Holders

As of December 31, 2023, the Company has a total of 1,178,448,400 issued and outstanding common shares and 201,680,632 issued and outstanding preferred shares divided among its stockholders.

Below is a list of the top twenty (20) stockholders of the Company as of December 31, 2023.

	Name of Shareholder	Type of Share Held	Number of Common / Preferred Shares Held	Percent of Total Issued and Outstanding Shares
1	Nicholas Carmelo P. Nepomuceno	Preferred	14,829,458	5.20%
		Common	46,173,600	
2	Taylor Amanda P. Nepomuceno	Preferred	14,829,458	5.05%
		Common	44,377,100	4.46%
3	Patrick P. Nepomuceno	Common	52,306,400	
4	Salud Isabel M. Nepomuceno	Common	52,306,400	3.11%
		Preferred	7,909,045	
5	Emmanuel Joseph M. Nepomuceno	Common	23,614,300	2.57%
		Preferred	6,536,836	
6	Justine Shayne Ashley A. Nepomuceno	Common	23,809,600	2.45%
		Preferred	4,943,153	
7	Bernadette M. Nepomuceno	Common	28,571,400	2.44%
8	Angela Regina M. Nepomuceno	Common	18,657,100	2.03%
		Preferred	5,164,600	
9	Bianca M. Benitez	Common	17,092,000	1.89%
		Preferred	5,084,385	
10	Paul Augustine N. Wilkerson	Common	17,857,100	1.84%
		Preferred	3,707,364	
11	Peter Walter S. Nepomuceno	Common	13,246,000	1.63%
		Preferred	5,931,783	
12	Paul Wilhelm S. Nepomuceno	Common	13,246,000	1.63%
		Preferred	5,931,783	
13	Patrick N. Valdes	Common	15,872,900	1.63%
		Preferred	3,295,435	
14	Theresa N. Valdes	Common	15,872,900	1.63%
		Preferred	3,295,435	
15	Ramon Luis M. Osmeña	Common	13,107,300	1.62%
		Preferred	5,931,783	
16	Reyland B. Nepomuceno	Common	18,924,700	1.61%
17	Peter G. Nepomuceno	Preferred	18,059,500	1.54%
18	Geromin T. Nepomuceno	Common	17,031,700	1.45%

19	Martin Kyle C. Wilkerson	Common	12,964,300	1.42%
		Preferred	3,707,365	
20	Hilda V. Angeles	Common	15,873,000	1.35%

3. Dividends

Limitations and Requirements

Under Philippine law, dividends may be declared out of a corporation's Unrestricted Retained Earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. 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 of the outstanding capital stock at a regular or special meeting duly called for the purpose. From time to time, the Company may reallocate capital among subsidiaries, if any, depending on its business requirements.

The Revised Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividend without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

The Revised Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors of the corporation, (ii) when distribution is prohibited under any loan agreement with any financial institution or creditor without its consent, and such consent has not been secured, (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies, or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a government office.

a. Dividends declared

The table hereunder shows the Company's dividend history for Years 2022 and 2023.

YEAR	DIVIDEND	DIVIDEND RATE	TYPE OF SHARE	RECORD DATE	PAYMENT DATE	TOTAL AMOUNT PAID (in PhP)
2022	Cash	₱0.0164 per share	Common	28 February 2022	08 March 2022	15,931,426.00
	Cash	₱0.1064 per share	Common	31 July 2022	12 August 2022	15,931,426.00
	Cash	₱0.0164 per share	Common	31 October 2022	29 November 2022	15,931,425.00
2023	Cash	₱0.2488 per share	Common	28 February 2023	19 March 2023	241,691,386.00
	Cash	₱0.1790 per share	Common	30 April 2023	21 June 2023	173,931,459.00
	Cash	₱2.0131 per share	Preferred	30 April 2023	21 June 2023	405,998,560.00
	Cash	₱0.0204 per share	Common	30 June 2023	29 November 2023	19,817,139.00
	Cash	₱0.0204 per share	Preferred	30 June 2023	29 November 2023	4,114,285.00

On 21 October 2022, the SEC approved the Company's amendment to its Articles of Incorporation which included a 1:100 stock split. Since the stock split is recognized retroactively, it was considered in the preparation of the dividend history for the years 2022 through 2023.

b. Appropriated Retained Earnings

The Company, through the approval of the Board of Directors, periodically appropriates a portion of its retained earnings for planned capital asset acquisitions. These restrictions limit the Company from declaring dividends and ensures that sufficient net assets are available to finance the planned acquisitions.

The planned capital asset acquisitions are classified into (a) Network; (b) Other network; and, (c) Non-network. Acquisitions for the Network classification mostly include substation equipment. Acquisitions for the Other network classification pertain to primary and secondary line equipment. Acquisitions for the Non-network classification include office and administrative assets.

On October 4, 2023, the Board of Directors approved the appropriation of an aggregate of P174,564,841 for future capital asset acquisitions that were identified during the year. The appropriations and reversals in prior years are presented in the Company's audited statements of changes in equity and the related notes to the financial statements.

4. Recent sale of unregistered securities

In March 2023, the Company issued Two Hundred One Million Six Hundred Eighty Thousand Six Hundred Thirty-Two (201,680,632) preferred shares from its unissued authorized preferred shares at par value to the following shareholders:

Date	Type of Share	Name of Shareholder	Number of Shares Sold	Amount and Consideration (in Php)
16 March 2023	Preferred Shares	NEPOMUCENO, PETER WALTER S.	5,931,783	5,931,783.00
16 March 2023	Preferred Shares	NEPOMUCENO, PAUL WILHELM S.	5,931,783	5,931,783.00
16 March 2023	Preferred Shares	NEPOMUCENO, KRISTEN MARIE	5,931,783	5,931,783.00
16 March 2023	Preferred Shares	NEPOMUCENO, CELINA MARIE	5,931,783	5,931,783.00
16 March 2023	Preferred Shares	NEPOMUCENO, RAVEN JENKI G.	5,931,783	5,931,783.00
16 March 2023	Preferred Shares	NEPOMUCENO, NICHOLAS CARMELO P.	14,829,458	14,829,458.00
16 March 2023	Preferred Shares	NEPOMUCENO, TAYLOR AMANDA P.	14,829,458	14,829,458.00
22 March 2023	Preferred Shares	JUSTIN SHANE ASHLEY A. NEPOMUCENO	4,943,153	4,943,153.00
22 March 2023	Preferred Shares	NEPOMUCENO, JEAN POLO E.	4,943,152	4,943,152.00
22 March 2023	Preferred Shares	NEPOMUCENO, JEFFREY NEIL S.	3,295,435	3,295,435.00
22 March 2023	Preferred Shares	NEPOMUCENO, CRISTINA CARISSE S.	3,295,436	3,295,436.00
22 March 2023	Preferred Shares	NEPOMUCENO, GEROMIN S. III	3,295,435	3,295,435.00
22 March 2023	Preferred Shares	NEPOMUCENO, RICHARD ADRIAN FIRMO T.	1,977,262	1,977,262.00

22 2023	March	Preferred Shares	NEPOMUCENO, ALDRIN ERWIN JAMES T.	1,977,261	1,977,261.00
22 2023	March	Preferred Shares	NEPOMUCENO, NICHOLAS EVAN	1,977,261	1,977,261.00
22 2023	March	Preferred Shares	NEPOMUCENO, SHERRIE ANTONETTE	1,977,261	1,977,261.00
22 2023	March	Preferred Shares	NEPOMUCENO, JOSEPHINE CRISTINE	1,977,261	1,977,261.00
22 2023	March	Preferred Shares	NEPOMUCENO, EMMANUEL JOSEPH	6,536,836	6,536,836.00
22 2023	March	Preferred Shares	NEPOMUCENO, ANGELA REGINA	5,164,600	5,164,600.00
22 2023	March	Preferred Shares	NEPOMUCENO, SALUD ISABEL M.	7,909,045	7,909,045.00
22 2023	March	Preferred Shares	NEPOMUCENO, MA. ELIGIA G.	1,372,209	1,372,209.00
22 2023	March	Preferred Shares	CONCEPCION, KEVIN ALPHONSUS L.	2,744,445	2,744,445.00
22 2023	March	Preferred Shares	BENITEZ, BIANCA M.	5,084,385	5,084,385.00
22 2023	March	Preferred Shares	OSMEÑA, RAMON LUIS M.	5,931,783	5,931,783.00
22 2023	March	Preferred Shares	MAPUA, MONICA ISABEL	5,084,385	5,084,385.00
22 2023	March	Preferred Shares	MAPUA, FRANCO LUIS C.	1,906,645	1,906,645.00
24 2023	March	Preferred Shares	MAPUA, MIA ANGELINA C.	1,906,645	1,906,645.00
24 2023	March	Preferred Shares	MAPUA, ANNICA THERESE C.	1,906,645	1,906,645.00
24 2023	March	Preferred Shares	MAPUA, DIEGO MIGUEL C.	1,906,645	1,906,645.00
24 2023	March	Preferred Shares	MAPUA, JULIA CRISTINA GABRIELLE H.	2,965,892	2,965,892.00
24 2023	March	Preferred Shares	MAPUA, RAMON ANTONIO LUIS H.	2,965,892	2,965,892.00
24 2023	March	Preferred Shares	BUTIU, MICHELLE ANA MARIE	1,235,788	1,235,788.00
24 2023	March	Preferred Shares	WILKERSON, AARON H.	1,235,788	1,235,788.00
24 2023	March	Preferred Shares	WILKERSON, RICHARD ANTON H.	1,235,788	1,235,788.00
24 2023	March	Preferred Shares	WILKERSON, ANTHONY VINCENT P.	741,473	741,473.00
24 2023	March	Preferred Shares	WILKERSON, ALLANDREW P.	741,473	741,473.00
27 2023	March	Preferred Shares	WILKERSON, ARTHUR P.	741,473	741,473.00
27 2023	March	Preferred Shares	WILKERSON, MATTHEW TIMOTHY G.	741,473	741,473.00
27 2023	March	Preferred Shares	TIU, TIFFANY CRISTIN W.	741,473	741,473.00
27 2023	March	Preferred Shares	WILKERSON, DARREL CHARLES A. III	1,235,788	1,235,788.00
27 2023	March	Preferred Shares	WILKERSON, KIMBERLY NICOLE A.	1,235,788	1,235,788.00

27 2023	March	Preferred Shares	WILKERSON, KEVIN MATTHEW A.	1,235,788	1,235,788.00
27 2023	March	Preferred Shares	WILKERSON, PETER DAVID I. JR.	926,842	926,842.00
27 2023	March	Preferred Shares	WILKERSON, REBECCA ELIZABETH I.	926,841	926,841.00
27 2023	March	Preferred Shares	WILKERSON, AMY KATHRYN I.	926,841	926,841.00
27 2023	March	Preferred Shares	WILKERSON, KELSIE I.	926,841	926,841.00
27 2023	March	Preferred Shares	WILKERSON, TERESITA CARNITA C.	926,842	926,842.00
27 2023	March	Preferred Shares	WILKERSON, RICHARD BLAKE C.	926,841	926,841.00
27 2023	March	Preferred Shares	WILKERSON, CATHERINE ANNE A.	926,841	926,841.00
27 2023	March	Preferred Shares	WILKERSON, GEORGE JOSEPH A.	926,841	926,841.00
27 2023	March	Preferred Shares	WILKERSON, RACHELLE MARIE V.	1,853,683	1,853,683.00
27 2023	March	Preferred Shares	WILKERSON, ALLISON ANNE V.	1,853,682	1,853,682.00
27 2023	March	Preferred Shares	WILKERSON, PAUL AUGUSTINE N.	3,707,364	3,707,364.00
27 2023	March	Preferred Shares	WILKERSON, MARTIN KYLE C.	3,707,365	3,707,365.00
27 2023	March	Preferred Shares	ANGELES, ANTON NICKLUS	3,295,435	3,295,435.00
27 2023	March	Preferred Shares	VALDES, PATRICK N.	3,295,435	3,295,435.00
27 2023	March	Preferred Shares	VALDES, THERESA N.	3,295,435	3,295,435.00
27 2023	March	Preferred Shares	VALDES, JOHN PAUL N.	3,295,435	3,295,435.00
27 2023	March	Preferred Shares	VALDES, JORELL CARLO C.	823,859	823,859.00
27 2023	March	Preferred Shares	VALDES, CAMILLE JO-ANN C.	823,859	823,859.00
27 2023	March	Preferred Shares	VALDES, JOSEPH CHRISTIAN C.	823,859	823,859.00
27 2023	March	Preferred Shares	VALDES, JAIME MIGUEL F.	1,098,478	1,098,478.00
27 2023	March	Preferred Shares	VALDES, JOHANNES LEOPOLDO F.	1,098,478	1,098,478.00
27 2023	March	Preferred Shares	VALDES, MIRJANA LOURDES FELISA S.	3,295,435	3,295,435.00
27 2023	March	Preferred Shares	VALDES, DANIELA PATRICIA F.	1,098,478	1,098,478.00
27 2023	March	Preferred Shares	CHUA, CORINNE DEANNA V.	3,295,435	3,295,435.00
27 2023	March	Preferred Shares	VALDES, ADRIENNE NOELLE R.	3,295,435	3,295,435.00
27 2023	March	Preferred Shares	VALDES, JONATHAN CHRISTOPHER	823,859	823,859.00

The foregoing is exempt from registration with the SEC pursuant to Section 10(e) of the Securities Regulation Code, except with respect to the sale of securities to George Joseph A. Wilkerson and Anton Nicklaus Angeles, which were isolated transactions under Section 10(c) of the Code.

Apart therefrom, the Company has not, within the past three (3) years from December 31, 2023, sold any other exempt or unregistered shares, including sales of reacquired securities, securities issued in exchange for property, services, or other securities, or new securities resulting from the modification of outstanding securities.

B. Description of the Issuer's Securities

On October 21, 2022, the SEC approved the Company's amendment to its Articles of Incorporation which included a 1:100 stock split.

In March 2023, the Company issued Nine Hundred Seventy-One Million Four Hundred Twenty-Eight Thousand Four Hundred (1,173,109,032) common shares and Two Hundred One Million Six Hundred Eighty Thousand Six Hundred Thirty-Two (201,680,632) preferred shares from its unissued authorized common and preferred shares respectively, with both common and preferred shares at P1.00 par value each.

The Company has no debt securities, stock options, securities subject to redemption or call, warrants and other securities other than the common shares described above.

Item 6. Management's Discussion and Analysis or Plan of Operations

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

DISCUSSION ON CHANGES IN FINANCIAL POSITION

As of December 31, 2023 and December 31, 2022

Assets

The Company's total assets increased by ₱488.6 million because of the inflow of cash from the Company's public offering in December 2023.

Property, plant and equipment

Property, plant and equipment increased by ₱35.8 million, net of the annual depreciation expense amounting to ₱226.5 million. Additions during the year include the acquisition of a parcel of land intended for a substation. It also includes the continuous improvement of substations and distribution lines to meet the increasing demand of customers.

Right-of-use assets and Lease liabilities

Right-of-use assets and the related lease liabilities decreased due to the monthly amortization and rental payments, respectively. New and renewed lease contracts during the year have minimal impact on the right-of-use asset and lease liabilities accounts.

Deferred tax assets – net

Deferred tax assets increased by ₱9.7 million from temporary differences that are deductible from future taxable income. The main portion of these relates to additional provisions for customer refunds that were recognized during the year.

Retirement benefit assets - net

The increase in retirement benefit assets is brought about by the excess of the Company's contributions to the retirement fund over the retirement expense computed by the actuaries. The Company consistently invests P12.0 million a year in the retirement fund.

Cash and cash equivalents and Short-term placements

Cash and cash equivalents increased by ₱715.3 million. This increase is the net result of cash dividends declared during the year and the proceeds received from the public offering in December 2023. The proceeds received from the public offering are restricted to the projects identified in the Company's prospectus dated December 10, 2023.

Trade and other receivables

Trade receivables significantly decreased by ₱284.9 million because of the declining generation sales during the year. This is further supported by the fact that the average collection period for 2023 and 2022 consistently remained at around 48 to 49 days. Please refer to the analysis of revenues in the comparison of financial performance portion of this report.

Prepayments and other current assets

The increase in prepayments and other current assets is attributable to the acquisition of materials and supplies and certain financial investments made during the year. The former is for stock replenishment and the latter is for mutual funds that are subject to a favorable return.

Liabilities

The Company's liabilities decreased by ₱74.9 million which is significantly caused by the decrease in trade and other payables.

Refundable deposits

The ₱57.4 million increase in refundable deposits is the result of new customers and the required updating for customers who their increased consumption during the year.

Trade and other payables

The Company's trade payables significantly decreased because of the decrease in generation charges billed by the Company's power suppliers. The actual rates billed by power suppliers are the same rates used to bill the Company's end consumers without any markup (pass-through).

Most of the Company's power requirements are supported by coal power plants. Their rates are variable to the price of coal in the market and the foreign currency exchange rates. This resulted in a decrease in trade payables as of December 31, 2023, as well as the pass-through revenues and related receivables. Please refer to the analysis of changes in revenues.

Provisions

Provisions increased due to the expected customer refunds arising from the directive of the ERC. On 25 April 2022, the Company received a letter from the ERC that formalizes the scheme and formula for computing the excess of the Company's actual billings to customers against the maximum amount allowed for the Company. The estimated amount of refund as of 31 December 2023 has been recognized by the Company as an obligation until such time that ERC will require implementation of the refund to the customers.

Income and other tax liabilities

Income and other tax liabilities decreased despite the increase in income tax expense due to the timing of payment of income tax liabilities. The majority of the income tax obligations during the year were paid in the earlier quarters of the year.

Stockholders' Equity

The increase in the Company's equity amounting to ₱563.6 million represents the effect of the public offering, the current year's results of operations as reported in the statement comprehensive income, reduced by the amounts of dividends declared.

In compliance with the requirements of the ERC for securities registration of at least 15% of a distribution utility's common shares of stock, the Company filed with the Securities and Exchange Commission (SEC) its application for the registration of its shares and a public offering 207.0 million primary common shares at an offer price of ₱3.42 per share. This was subsequently approved by the SEC in December 2023. In the same month, the Company was able to raise a total of ₱708.0 million from this public offer.

As of December 31, 2022 and December 31, 2021

Assets

The Company's total assets increased by ₱595.6 million, mainly arising from its current assets.

Property, plant and equipment

Property, plant and equipment increased by ₱34.5 million, net of the annual depreciation expense amounting to ₱199.6 million. A significant portion of the additions during the year pertain to the construction and completion of the Company's New Petersville and New Milenyo Substations. Petersville is the Company's main entry point of power from NGCP. The New Petersville Substation is intended to be an improved version of the Old Petersville Substation with additional bays that can transmit power to more substations within the franchise area. The New Milenyo Substation, on the other hand, is constructed on acquired land after the maturity of the Old Milenyo's land lease contract. Other additions to the Company's property and equipment would include meter and transformer installations, pole erections and improvement of the Company's distribution lines to serve the rising demand and the increasing number of customers.

Right-of-use assets and Lease liabilities

Right-of-use assets and the related lease liabilities decreased due to the monthly amortization and rental payments. The additions include only the renewal of agreements that matured during the year.

Deferred tax assets – net

Deferred tax assets increased by ₱29.1 million from temporary differences that are deductible from future taxable income. The main portion of these relates to additional provisions recognized during the year.

Retirement benefit assets - net

The decrease in retirement benefit assets is brought about by the excess of the retirement expense and other comprehensive losses during the year against the Company's contributions to the retirement fund.

Other non-current assets

Other non-current assets decreased by ₱75.7 million due to certain advances related to the construction of the 2 new substations. These were reversed and recognized as part of property and equipment upon receipt of the goods or actual performance of services.

Cash and cash equivalents and Short-term placements

Cash and cash equivalents increased by ₱797.9 million mainly from the Company's results of operations. Moreover, the Company's short-term placements in 2021 which has a maturity of more than 90 days are classified during the year as part of cash and cash equivalents.

Trade and other receivables

Trade receivables increased by ₱169.0 million mainly because of the increase in sales during the year. This is supported by the fact that the percentage of receivables that are overdue for more than 180 days decreased from 8% in 2021 to 5% in 2023.

Prepayments and other current assets

The increase in prepayments and other current assets is attributable to the acquisition of materials and supplies and certain financial investments made during the year. The former is for stock replenishment and the latter is for some mutual funds that are subject to a favorable return.

Liabilities

The Company's liabilities increased by ₱269.5 million. The increase was derived from three (3) major accounts: refundable deposits, provisions and income and other tax liabilities.

Refundable deposits

The ₱87.3 million increase in refundable deposits is the result of new customers and the required updating for customers who increased their consumption during the year.

Provisions

Provisions increased due to the expected customer refunds arising from the directive of the ERC. On 25 April 2022, the Company received a letter from the ERC regarding the treatment of the lapsed periods for distribution utilities under the Performance Based Regulation. This letter formalizes the scheme and formula for computing the excess of the Company's AWAT over MAP. The estimated amount of refund as of 31 December 2022 has been recognized by the Company as an obligation until such time that ERC will require implementation of the refund to the customers.

Trade and other payables

The Company's trade payables had a modest increase despite the significant increase in purchased power for comparative years. The main reason for this is the balance of the Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment ("GRAM/ICERA") recovery scheme as of 31 December 2021, in the amount of ₱110.7 million. This recovery scheme pertains to adjustment recovery mechanisms for costs in fuel, purchased power, and foreign exchange rates that have been incurred by the NPC in the previous years and were approved by the ERC in 2017 for PSALM. These recovery schemes will be billed to customers and remitted to PSALM by AEC every month. Following the provisions of the Philippine Financial Reporting Standards, AEC recognized the related receivable and payable from this transaction in the financial statements. It matured on 31 December 2022 and is at nil as of the said date.

The Company's accrued expenses increased by ₱6.6 million due to the increase in customers who acquired solar panels to augment their power needs and reduce their electric utility payments. Customers' excess capacity can be applied to subsequent power bills and is included in the Company's monthly accruals.

Income and other tax liabilities

Income and other tax liabilities increased due to the increase in annual income tax for 2022. In addition to the increase in total taxable income for 2022, the Company does not have any income tax payable as of 31 December 2021 because of the over-remittances of the Company during that year.

Stockholders' Equity

The increase in the Company's equity amounting to ₱326.1 million represents the current year's results of operations as reported in the statement comprehensive income, reduced by the amounts of dividends declared.

As of December 31, 2021 and December 31, 2020

Assets

The Company's total assets increased by ₱191.1 million, the bulk of which arose from current assets, specifically cash and cash equivalents and short-term placements.

Property, plant and equipment, Right-of-use assets and Lease liabilities

The increase in property, plant and equipment pertains to an acquisition of land amounting to ₱57.6 million. Other capital asset additions in the form of distribution transformers, meters, poles, wires and other line materials were negated by the annual depreciation expense. On the other hand, right-of-use assets and the related lease liabilities decreased due to the monthly amortization and rental payments. There was only one new rental agreement entered into during the year.

Deferred tax assets – net

The decrease in deferred tax assets by ₱27.5 million is the net effect of the recognition of additional temporary differences and the reduction of corporate tax rates. On 26 March 2021, the President of the Philippines signed into law Republic Act No. 11534, otherwise known as the CREATE Act" which reduced corporate tax rates from 30% down to 25%. This resulted in the required reduction of recognized deferred taxes in the Company's financial statements.

Retirement benefit asset - net

The recognition of the Company's net retirement benefit asset in the 2021 financial statements is the result of the increase in discount rates from 3.69% in 2020 to 5.04% in 2021. The increase in discount rates reduced the present value of the retirement benefit obligation. This is further supported by the recognition of remeasurements of the post-employment benefit plan under Other Comprehensive Income and the decrease in the Revaluation Reserves account in Equity. The remeasurement, in addition to the annual contribution of ₱12.0 million, resulted in a net surplus of the fair value of plan assets over the defined benefit obligation. The net retirement benefit obligation in 2020 is recognized under the non-current liabilities section of the statement of financial position.

Non-current trade receivables

The Company's non-current trade receivables in 2020 pertain to the GRAM/ICERA recovery mechanism. The recovery scheme matured on 31 December 2022. Accordingly, there was no longer a non-current portion as of 31 December 2021.

Other non-current assets

For other non-current assets, a significant portion of the increase pertains to advances made with several contractors for the construction of the New Petersville and New Milenyo Substations. The increase also includes additional advances for several switchgears that will be imported from Belgium.

Cash and cash equivalents

The Company's cash and cash equivalents posted a decrease of ₱121.3 million but the same is solely attributable to investments made in short-term placements or time deposits with maturities that are more than 90 days and therefore do not qualify as cash and cash equivalents. Net cash flows from operating activities as of 31 December 2021 is at ₱656.3 million.

Trade and other receivables

Current trade and other receivables increased modestly by ₱17.0 million. The said increase is the net effect of the increase in pass-through generation rates and the improvement in collection during the year. Generation rates are at ₱6.89 per kWh in December 2021 and ₱4.60 per kWh in December 2020. Collection, on the other hand, improved during the year following the entry of vaccines, the improvement of the pandemic situation and the re-opening of the economy which enabled most of AEC's customers to recover financially. Furthermore, in 2021, there are no longer regulatory rules on collection extensions. Had the situation remained the same as of the close of the year 2020, total trade and other receivables might have increased exponentially.

Prepayments and other current assets

Prepayments and other current assets increased in 2021 due to two (2) factors. The first includes certain advances related to the relocation of some of the Company's facilities within a leased area. The second pertains to the excess creditable taxes as of 31 December 2021. Due to the lower corporate income tax rate of 25% and the lower taxable income and income tax expense, the Company's quarterly payments and creditable withholding taxes were in excess of the remaining annual income tax payable. Such excess was utilized by the Company in the first quarter of 2022.

On the other hand, two (2) other assets included in this account exhibited a decrease. Materials and supplies decreased due to the increased operations of the Company as the pandemic wanes. Input VAT decreased due to the new BIR ruling which states that input VAT from capital asset purchases is no longer subject to amortization.

Liabilities

Total liabilities increased by ₱51.1 million, attributable mainly to the increase in trade and other payables.

Refundable deposits

Refundable deposits increased by a net of 8% while customer numbers only increased by a net of 1%. Refundable deposits required of each customer are based on estimated monthly consumption and the retail rates of the current period. The disparity was caused by the refunds of closed customer accounts with lower rates and the collection of new deposits under the current high retail rates (see discussions on Trade and Other Receivables – Current).

Trade and other payables

The increase in current trade and other payables is contributed by two (2) significant factors. First is the increase in generation rates as discussed in the current trade and other receivables section. Second is the increase in kilowatt-hours consumed by customers from 336.3 million kWh in 2020 to 512.1 million kWh in 2021. The significant increase in the latter is affected by the pandemic. The celebration of the Christmas holidays was limited in the year 2020 while the same and other economic activities are already starting to return to normal by the end of 2021 with the arrival of the vaccines during the year. Moreover, it is to be noted that the said increase in balance is still net of the repayments of GRAM/ICERA recovery schemes for the year 2021 in the amount of ₱105.6 million.

Provisions

The decrease in provisions for 2021 pertains to the payment of certain tax liabilities recognized in the previous year. There were no additional provisions recognized during the year.

Income and other tax liabilities

The decrease in income and other tax liabilities is due to the excess creditable withholding taxes during the year. Please refer to the analysis on prepayments and other current assets accounts.

Equity

The Company's equity accounts moved due to the recognition of income during the year, the declaration of dividends and the acquisition of 285,714 treasury shares. In 2021, one (1) of the Company's stockholders sold his shares to the Company at book value. The total cost of the treasury shares is ₱62.9 million.

DISCUSSION ON FINANCIAL OPERATION

For the Years Ended December 31, 2023 and December 31, 2022

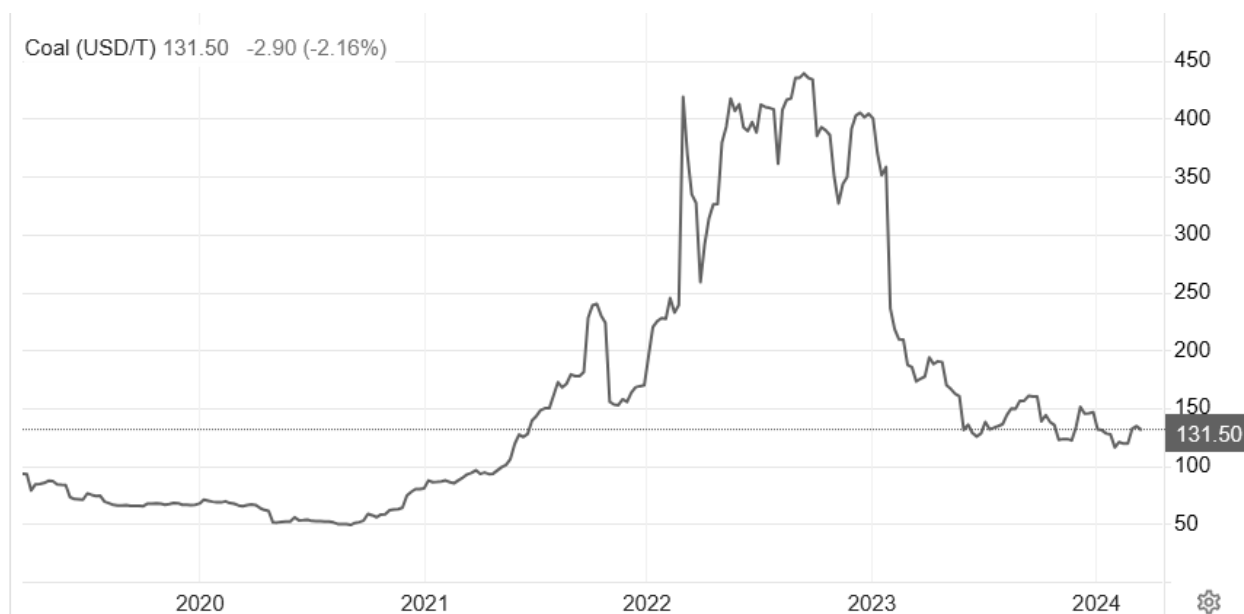
Revenues

The Company's sales of electricity decreased by ₱513.1 million or 6%.

	2023	2022
Pass-through revenues	P 6,453,916,539	P 7,067,746,239
Distribution revenues	<u>1,217,941,770</u>	<u>1,117,184,533</u>
	<u>P 7,671,858,309</u>	<u>P 8,184,930,772</u>

The net decrease was brought about by the following factors:

- (a) Pass-through revenues decreased by ₱613.8 million or 9%. Pass-through revenues pertain to the amount billed by power suppliers which is subsequently billed by the Company at the same rate to the end users. As previously discussed, the majority of the Company's power providers are coal plants. During the year average generation rates decreased from ₱9.08/kWh in 2022 to ₱8.03/kWh in 2023 due to the identified decrease or normalization of the price of coal in the world market. Coal prices started to increase by the end of 2020 and reached their peak during the second half of 2022. By the second half of 2023, the effect of the decline in coal prices has already been noticeable in the amounts billed by the power suppliers. This, in turn, resulted in lower amounts billed to the Company's customers and the resulting receivables as of December 31, 2023. This is further supported by the decline in trade and other payables account as of the same date. Please refer to the coal price graph below from <http://tradingeconomics.com>.



(b) Distribution revenues increased by 9% mainly attributable to the increase in kWh which increased by 8% to 731.3 million kWh.

Costs and Operating Expenses

Purchased Power and Transmission Charges

The Company's main cost is its purchased power and transmission charges.

Purchased power and transmission charges decreased by 10% approximating the decrease in pass-through revenues of 9%. This can be solely attributable to the decrease in average generation rates. Furthermore, transmission charges also decreased during the period as the power supply of the national power grid is more stable than in 2022. *General and Administrative Expenses*

General and administrative expenses increased by ₱108.2 million.

Depreciation and amortization expense increased by ₱26.9 million due to capital asset additions, specifically the completion of the New Petersville and New Milenyo Substations in August of 2022.

Salaries and employee benefits increased by ₱12.2 million because of bonuses and benefits provided to the Company's employees during the Company's 100th Anniversary Celebration on August 12, 2023.

Taxes and licenses increased due to the increase in gross revenues for the year 2022, the base amount of the annual business and local franchise tax being charged by the Angeles City Local Government Unit.

The Company's outside services are in the form of security, meter reading and bill handling services outsourced from various providers. The increase in outside services is attributable to the new office and warehouse locations, to the increase in rates charged by the service providers, and to the increase in the number of our customers.

Professional fees increased to ₱28.4 million due to professional fees paid in relation to the Company's ten (10)-year distribution development plan and the legal fees incurred for the Company's planned public offering.

Other Income and Charges

Other operating income increased due to the renewal of pole rental agreements in 2023 and the related updating of the pole rental rates.

Provisions expense in 2022 is higher than in 2023. In April 2022, ERC issued a formal notice on the computation of the AWAT vs. MAP refund scheme. The Company updated its previous computations and recognized the differences in 2022. The 2023 provisions solely pertain to the computed monthly excess of actual amounts billed over the maximum allowable price provided by ERC.

Finance income is higher in 2023 due to the investments made in short-term, high-yield financial assets.

Finance costs is lower in 2023 due to the maturity of the GRAM/ICERA recovery scheme in December 2022. The interest expense arising from the unwinding of the discount of the related liability is included as part of the finance cost in the 2022 financial statements.

Tax Expense

Tax expense increased along with the profit before tax as there were minimal permanent tax differences in the Company's income and expense accounts.

For the Years Ended December 31, 2022 and December 31, 2021

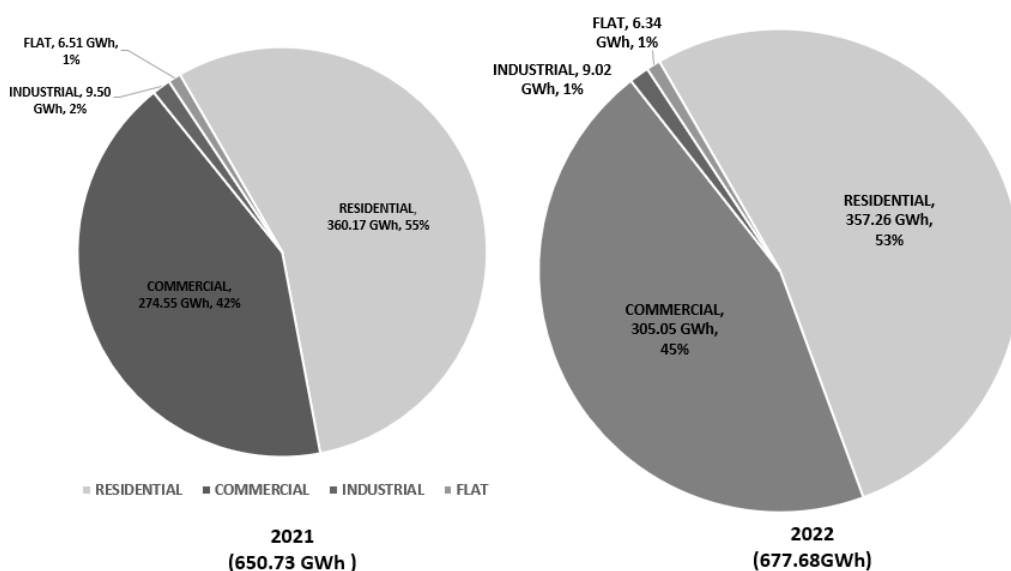
Revenues

The Company's sales of electricity increased by ₱2.6 billion or 46%:

	2022	2021
Pass-through revenues	P 7,067,746,239	P 4,529,259,051
Distribution revenues	<u>1,117,184,533</u>	<u>1,062,398,296</u>
	<u>P 8,184,930,772</u>	<u>P 5,591,657,347</u>

The increase was brought about by the following factors:

- (a) KWh sales increased by 27.0 million or 4% from 650.7 million as of December 2021 to 677.7 million as of December 2022. This increase in customer consumption is attributable to the increase in customer numbers by 3% and the almost complete opening of the economy. Continuous vaccination drives within municipalities and cities provided immunity to the population and enabled them to live in the new normal. While the work-from-home system had indeed been an acceptable practice, the Company's commercial customers, especially restaurants and service-oriented businesses were able to re-open. The graph below shows that the increase in the consumption of commercial customers approximates the increase in kilowatt hour sales for the year.



- (b) Pass-through revenues increased by 56% from ₱4.5 billion to ₱7.1 billion mainly from the increase in generation rates. Average generation rates increased from ₱5.69/kWh in 2021 to ₱9.08/kWh in 2022. This significant increase in generation rates is the effect of the increase in the price of coal, as aforementioned in the June 2023 analysis of the increase in revenues. Coal prices started to increase in late 2020. It was greatly affected by conflicts within international players with China banning coal imports from Australia and other countries banning imports from Russia at the height of the Ukraine war.
- (c) Distribution revenues increased by 5%. As the distribution rate remained the same since 2015, the increase is brought about by the increase in kilowatt-hour with minimal effect from the increase in local government taxes that are also billed from customers. Local government taxes increased in 2022 as gross revenues increased from year to year.

Costs and Operating Expenses

Purchased Power and Transmission Charges

Purchased power and transmission charges increased by 49% with the increase in generation rates and kilowatt-hour consumption. The percentage increase is lower than the percentage increase in pass-through revenues because of the credits received from one of our power suppliers. In 2022, the Company received a ₱159.9 million reduction in its power bills from the Unutilized Contracted Capacity of the Buyer (“UCCB”). UCCB pertains to the excess or unutilized contracted power that was sold by the power supplier to the electricity market, the proceeds of which are shared with the Company. On the other hand, transmission charges increased by 24% in 2022 from ancillary charges required to maintain the reliability of the national grid.

General and Administrative Expenses

General and administrative expenses increased by ₱18.6 million. The significant contributors are as follows:

Depreciation and amortization expense increased by ₱13.4 million due to capital asset additions and the completion of the New Petersville and New Milenyo Substations in August of 2022. Depreciation of constructed assets starts upon completion.

Salaries and employee benefits increased by ₱0.9 million due to a special bonus given during the 99th anniversary celebration of the Company. The effects of resignations, retirements and hiring of new employees are minimal.

Taxes and licenses increased due to the increase in business taxes and local franchise taxes which are based on gross revenues for the year 2021.

Repairs and maintenance for the year 2022 are regular costs of maintaining the Company's assets. Repairs and maintenance for 2021 include certain one-time costs incurred on substations and IT software.

Professional fees increased to ₱15.3 million due to professional fees paid to the Company's external legal counsel for services rendered on a legal case.

Annual supervisory fees paid to the ERC are fixed at ₱10.0 million. Other various ERC charges usually arise based on need (*e.g.*, meter testing and calibration and certain permit fees on the Company's filings and applications). In 2021, the Company incurred ₱2.8 million on a filed capital asset acquisition application.

Communication, light and water increased due to the increased electricity cost as discussed in the pass-through revenues and purchased power sections of this analysis. The Company's own-used electricity is billed at the same rate charged to customers.

Insurance expense increased due to an increase in rates that are induced by inflation. Transportation and travel increased due to the increased mobility of personnel.

Impairment loss on trade and other receivables decreased as collection improved. Upon expiration of the directive of the ERC to extend grace periods to customers on account of the pandemic, the Company immediately reinforced its collection of receivables to manage its cashflows. Customers were provided with options to be able to cope with their obligations.

Rent payments that are excluded in the recognition of right-of-use assets and lease liabilities increased due to additional short-term leases of equipment.

Other operating expenses are lower in 2022 due to a deficiency tax payment in 2021 amounting to ₱19.5 million.

Other Income and Charges

Other operating income increased due to the increase in pole rentals and miscellaneous income. Pole rentals are higher due to new attachments of lessees while miscellaneous income is significantly higher because of a payment received for the requested relocation of our power lines and the recognition of income from the sale of excess purchased power to the electricity market. On the other hand, there was no gain in the reversal of provisions during the year.

Provisions expense in 2022 pertains to the recognition of customer refunds on distribution charges. In April 2022, ERC issued a formal notice on the computation of the AWAT vs. MAP refund scheme.

Finance income and finance costs decreased due to the collection and repayment of the GRAM/ICERA recovery scheme. The related receivables and payables are carried at fair value. The collection and repayment reduced the interest from the unwinding of the discount on the accounts.

Tax Expense

Tax expense increased along with the profit before tax as there were only very minimal permanent differences in the Company's income and expense accounts.

For the Years Ended 31 December 2021 and 31 December 2020

Revenues

The Company's sales of electricity increased by ₱944.6 million or 20%.

	2021	2020
Pass-through revenues	P 4,529,259,051	P 3,690,270,217
Distribution revenues	<u>1,062,398,296</u>	<u>956,834,650</u>
	<u>P 5,591,657,347</u>	<u>P 4,647,104,867</u>

The increase was brought about by the following factors:

- The increase in generation rates started to be noticeable within the second quarter of 2021. Average generation rates for 2021 and 2020 are at ₱5.69/kWh and ₱4.67/kWh, respectively, with an increase of 18%. This increase is brought about by 2 factors: (1) the increase in coal prices and (2) the intermittent operation of the Company's main power supplier throughout the year. As previously discussed, coal prices started to increase in the last part of 2020 because of international conflicts and the war between Russia and Ukraine. On the other hand, with the plant shutdowns of our main power supplier for almost the entire year of 2021, the Company was exposed to the prices in the electricity market which is induced by demand.
- The increase in kilowatt-hours barely contributed to the increase of 3%. It is contributed by the slight recovery of commercial customers who were greatly affected by the Covid-19 pandemic.
- Distribution revenues due to the increase in kilowatt-hours and the recovery of the commercial customers. The recovery of commercial customers, with distribution rates that are usually higher than residential ones, impacted the Company's sales mix and gross revenues. On top of this, starting in 2021, the clarifications made by ERC on the treatment of local government taxes resulted in the recognition of the billed amounts as part of gross revenues and as part of expenses instead of the previous net presentation in financial statements. It resulted in an additional ₱56.5 million in distribution revenues and the same amount of increase in taxes and license expenses.

Costs and Operating Expenses

Purchased Power and Transmission Charges

Purchased power and transmission charges increased by ₱1.1 billion or 31%.

	2021	2020
Purchased power	P 4,196,635,647	P 3,039,664,326
Transmission charges	<u>507,573,068</u>	<u>555,299,156</u>
	<u>P 4,704,208,715</u>	<u>P 3,594,963,482</u>

Purchased power increased by 38% in relation to the increase in coal prices and the Company's exposure to the electricity market. However, the percentage increase in purchased power is almost double the increase in revenues and the aggregate purchased power and transmission charges for the year are higher than the pass through revenues by ₱174.9 million (under-recoveries). As previously noted, the purchased power rate of a specific month is used as the revenue billing rate of the succeeding month. With the increasing prices alongside decreasing consumption from the second to the last quarter, the Company was unable to recover the actual amounts paid to power suppliers. These under-recoveries may be collected from customers in subsequent periods upon approval by the ERC.

Transmission charges significantly decreased by ₱47.7 million due to lower ancillary charges with power supply being sufficient to meet the demands during the year.

General and Administrative Expenses

General and administrative expenses increased by 22%. The significant contributors are as follows:

Depreciation and amortization expenses decreased with certain assets being fully depreciated during the year. Moreover, the additions in 2021 and 2020 are limited by the lockdowns and health precautions.

Salaries and employee benefits increased by ₱5.9 million because of the retroactive salary increase of supervisors and the bonuses arising from the signing of the collective bargaining agreement. Moreover, the 2021 salaries are lower by almost ₱4.0 million than usual due to the two (2)-month lockdown imposed by the government. The salaries provided to employees during the said two (2) months were approved by management to be payable by employees for five (5) years.

The significant increase in taxes and licenses is due to the clarification by ERC on the treatment of local government taxes (refer to the December 2021 analysis on pass-through revenues).

Repairs and maintenance increased because of certain one-time costs incurred on the Company's one substation and IT software.

Professional fees increased to ₱15.3 million because of the following:

- (a) Assistance of the Company's legal counsel over a case;
- (b) Professional study and review for a planned substation.

Annual supervisory fees paid to the ERC are fixed at ₱10.0 million. Other various ERC charges usually arise based on need (*e.g.*, meter testing and calibration and certain permit fees on the Company's filings and applications). In 2021, the Company incurred a ₱2.8 million regulatory fee on a filed capital asset acquisition application. Every year, the Company is required to file its capital asset acquisition application to the ERC. The asset acquisitions require ERC's approval because these investments are included in the computation of distribution rates given to each electric utility.

Impairment loss on trade and other receivables decreased as the Company was able to collect its accumulated receivables from 2020.

Insurance expenses slightly decreased due to the individual identification of insured assets and the related clean-up of the insured assets list.

Communication, light and water increased due to the increased electricity cost as discussed in the pass-through revenues and purchased power sections of this analysis.

Other operating expenses are higher during the year due to a deficiency tax payment amounting to ₱19.5 million.

Other Income and Charges

Other operating income decreased due to the following:

- (a) 2020 gain on reversal of discount of returned long-term guarantee deposit with Angeles Power, Inc., a related party power supplier;
- (b) 2020 interest income from the unwinding of discount of long-term guarantee deposit until the date of payment; and

- (c) 2020 gain on rent concessions from an amendment to Philippine Financial Reporting Standards 16, Leases.

Finance costs decreased as the GRAM/ICERA payables were settled. The collection and repayment reduced the interest from the unwinding of the discount on the accounts. Furthermore, the interest expense on refundable deposits was updated in the third quarter of 2021 using the latest government bank savings interest rate which is lower than the rate used in previous years.

Finance income was significantly reduced due to the decrease in interest rates of short-term placements (within cash and cash equivalents in 2020 and a separate line item in 2021). The average rate in 2020 was 2.15% while the average rate in 2021 was 1.00%. In addition to this, was the effect of GRAM/ICERA collections which reduced the interest from the unwinding of the discount on the receivables.

Loss on sale of supplies inventory is from the sale of bunker fuels in the old power plant.

For provisions, the Company did not recognize any provisions for refunds on distribution charges in 2021 since the refund computation initially allowed by ERC to a certain electric distribution utility was contested by several consumer groups. The final formula was only issued and approved by ERC in April 2022.

Tax Expense

Tax expense decreased along with the profit before tax as there were only very minimal permanent differences in the Company's income and expense accounts.

KEY PERFORMANCE INDICATORS (Years 2023, 2022 & 2021)

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

	2023	2022	2021	2020
Return on Equity <i>Net Profit divided by Total Equity</i>	16.49%	15.35%	11.43%	14.71%
Return on Assets <i>Net Profit divided by Average Assets</i>	9.86%	7.86%	5.80%	7.31%
Debt to Equity Ratio <i>Total Liabilities divided by Total Equity</i>	0.75	0.95	0.97	1.01
Current Ratio <i>Total Current Assets divided by Total Current Liabilities</i>	2.63	2.10	1.90	1.87
Average Collection Period <i>Average Accounts Receivable divided by Average Sales per day (Sale of Electricity divided 365 days)</i>	48.69 days	47.88 days	63.70 days	68.00 days

LIQUIDITY RISKS

In September 2023, the Company will be refunding pass-through over-recoveries totaling ₱180.1 million to its customers in compliance with a new ERC directive. The same will impact the Company's cash inflows, however, due to the availability of cash and cash equivalents, the Company does not foresee that it will have any cashflow or liquidity problems within the next twelve (12) months from December 31, 2023.

The Company's liquidity requirements pertaining to trade and other receivables and refundable deposits are disclosed in Note 4 of the 30 June 2023 financial statements.

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. All known obligations or probable exposures are included in the Company's provisions and other liability accounts.

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.

Other than those arising from new ERC directives, 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 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 known trend, event, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on its net sales or revenues apart from what is disclosed in its Prospectus dated December 10, 2023.

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 under Exhibit “A-1” under the “Use of Proceeds” Section of the Prospectus dated December 10, 2023.

COMMITMENTS AND CONTINGENCIES

Provisions

ERC Resolution No. 16 requires all distribution utilities to file their consolidated applications to address any over/under recoveries on generation, transmission, system loss and other pass through charges, as well as with the lifeline and senior citizen subsidies. The Company filed its application for confirmation of its over and under recoveries of its automatic pass-through cost adjustments for the billing periods January 2011 to December 2013 in 2014, for the billing periods January 2014 to December 2016 in 2017, for the billing periods January 2017 to December 2019 in 2020 and for the billing periods January 2020 to December 2022 in 2023. In 2020, the Company received provisional authority orders from the ERC to refund and collect the over and under recoveries from the applications filed in 2014 and 2017. The Company is still awaiting the confirmation and final resolution of the ERC.

The Company also estimated certain over recoveries on distribution charges, the refund of which to customers is identified to be probable based on orders issued by the ERC to other distribution utilities. As of December 31, 2023, the Company’s application for approval of these refunds is still under evaluation by the ERC. In addition, the Company is also involved in certain cases as defendant and for which provisions were made in prior years. There are no developments yet to such cases as of December 31, 2023.

Based on assessed outcome of the aforementioned, the Company has recognized a provision for probable losses amounting to P40.1 million and P108.6 million in 2023 and 2022 respectively. The related expense is presented as Provisions under Other Income (Charges)-Net section in the statements of profit and loss.

The outstanding liability arising from these provisions as of December 31, 2023 and 2022 amounting to P428.1 million and P388.0 million, respectively, is presented as Provisions in the statements of financial position.

Others

There are other commitments and contingent liabilities that arise in the normal course of the Company’s operations which are not reflected in the financial statements. As of December 31, 2023 and 2022, management is of the opinion that losses, if any, from these commitments and contingencies will not have a material effect on the Company’s financial statements.

Item 7. Financial Statements

The Audited Financial Statements (“AFS”) of the Company as of and for the years ended December 31, 2023 and 2022 and the schedules listed in the accompanying index to Supplementary Schedules are filed as part of this report (*see Exhibit A-2*).

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The AFS of the Company, for the years ended December 31, 2023 and December 31, 2022 have been audited by P&A Grant Thornton, independent or external auditor.

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

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Disclosures on 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, and supervise the affairs of the Company. Pursuant to the Articles of Incorporation, the Company shall have 9 members of the Board, namely:

NAME	AGE	CITIZENSHIP	POSITION	TERM
Geromin T. Nepomuceno	69	Filipino	Chairman of the Board/ Director	1 year
Maria Rita Josefina V. Chua	59	Filipino	President and Chief Executive Officer/ Director	1 year
Arsenio N. Valdes	69	Filipino	Assistant Corp. Secretary/ Director	1 year
Robert Gerard B. Nepomuceno	60	Filipino	Treasurer/ Director	1 year
Richard Hubert N. Wilkerson	64	American	Director	1 year
Emmanuel Joseph M. Nepomuceno	48	Filipino	Director	1 year
Rafael N. Mapua	53	Filipino	Director	1 year
Ivanna G. de la Peña	69	Filipino	Independent Director	1 year
Horacio E. Cebrero III	61	Filipino	Independent Director	1 year
Atty. Benedict R. Tugonon	48	Filipino	Corporate Secretary	1 year
Michael Angelo D. Colle	61	Filipino	Chief Operating Officer and Senior Vice President	1 year
Aldrin Erwin James T. Nepomuceno	41	Filipino	Chief Finance Officer and Senior Vice President	1 year

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge, none of the following enumerated events have occurred during the past five (5) years that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter or control person of the registrant:

- (a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (b) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- (c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- (d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

The table below shows the compensation received by the Company's top executives. All figures set forth below shall be in Philippine pesos.

NAME AND PRINCIPAL POSITION	FISCAL YEAR COVERED	SALARY	BONUS	OTHER ANNUAL COMPENSATION
Maria Rita Josefina V. Chua <i>President & Chief Executive Officer</i>	2021	4,147,200	641,200	515,998
	2022	4,282,077	706,982	611,223
	2023	4,959,556	1,151,090	693,308
Michael Angelo D. Colle <i>Chief Operating Officer</i>	2021	1,994,440	321,407	277,558
	2022	2,089,317	348,189	301,320
	2023	2,267,736	560,400	349,215
Aldrin Erwin James T. Nepomuceno <i>Chief Financial Officer</i>	2021	1,459,602	229,367	188,430
	2022	1,531,079	255,149	210,131
	2023	1,697,499	418,591	234,086
Myra Cresencia V. Rivera <i>Vice President, Human Resources</i>	2021	2,054,202	329,767	284,124
	2022	2,065,678	344,249	296,810
	2023	2,019,367	535,491	315,482
All Other Officers as a Group**	2021	4,463,527	723,821	559,571
	2022	5,638,111	854,305	554,045
	2023	6,540,839	1,596,734	824,902

**Apart from the standard arrangements set forth in the succeeding section, the Company's directors do not receive any compensation as such.

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 October 11, 2023, the Company shall have three (3) committees namely, the Corporate Governance Committee, Risk Management & Oversight Committee and Audit Committee. The Committee chairpersons shall be entitled to a per diem of Fifteen Thousand Pesos (₱15,000.00) for each meeting attended while Committee members shall be entitled to a per diem of Ten Thousand Pesos (₱10,000.00) for each meeting attended.

Except for discretionary mid-year and year-end bonuses shown in the table below, no other compensation, in any form, is paid to them for the services they provide as directors of the Company. All figures set forth below shall be in Philippine Peso.

Name	Position	Compensation for 2022	Compensation for 2023
1. Geromin T. Nepomuceno	Chairman of the Board/ Director	260,000	371,111
2. Maria Rita Josefina V. Chua*	President/ Director	260,000	407,059
3. Robert Gerard B. Nepomuceno	Treasurer/ Director	260,000	381,111
4. Arsenio N. Valdes	Director	260,000	371,111
5. Richard Hubert N. Wilkerson	Director	260,000	371,111
6. Emmanuel Joseph N. Nepomuceno	Director	260,000	371,111
7. Rafael N. Mapua	Director	260,000	356,111
8. Ivanna G. de la Peña**	Independent Director	-	150,000
9. Horacio E. Cebrero III**	Independent Director	-	155,000
10. Richard Adrian Firmo T. Nepomuceno***	Director	-	100,556
11. Michael Anthony N. Wilkerson***	Director	-	100,556
12. Atty. Benedict R. Tugonon	Corp. Secretary	-	-

*Amounts excluded from the Executive Compensation Table above

**New to Position

***New to Position in 2023, replaced by Directors 8 and 9

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

Employment Contract with Executive Officers

There are no written employment contracts between the Company and its President, Chief Operating Officer and Chief Financial Officer.

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 that will exceed an aggregate sum of Two Million Five Hundred Thousand Pesos (₱2,500,000.00).

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

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

On December 14, 2023, the SEC approved AEC's application pursuant to the requirements of Sections 8 and 12 of the Securities Regulation Code, for the registration of Two Hundred One Million Six Hundred Eighty Thousand Six Hundred Thirty-Two (201,680,632) issued and outstanding preferred shares and One Billion One Hundred Seventy-Eight Million Four Hundred Forty-Eight Thousand Four Hundred (1,178,448,400) common shares, covered under MSRD Order No. 69 Series of 2023

A public offer was made, pursuant to the Certificate of Permit to Offer issued, for Two Hundred Seven Million Twenty Thousand (207,020,000) primary common shares. All of the Two Hundred Seven Million Twenty Thousand (207,020,000) primary common shares offered for sale to the general public were fully subscribed as of December 22, 2023. AEC now has one hundred thirty-nine (139) common stockholders and sixty-eight (68) preferred stockholders.

Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2023, there are no stockholders or beneficial owners of more than 5% of the Company's voting shares.

Security Ownership of Management

The security ownership of the Management and Directors of the Company are as follows:

Name of Beneficial Owner	Title of Share Held	Number of Preferred / Common Shares and Nature of Beneficial Ownership	Citizenship	Percent Ownership of Type of Share
Maria Rita Josefina V. Chua* *	Common	8,698,400; direct ownership	Filipino	0.74%
Aldrin Erwin T. Nepomuceno*	Common	7,023,800; direct ownership	Filipino	0.60%
	Preferred	1,977,261; direct ownership	Filipino	0.98%
Geromin T. Nepomuceno**	Common	17,031,700; direct ownership	Filipino	1.45%

Robert Gerard B. Nepomuceno**	Common	11,375,100; direct ownership	Filipino	0.97%
Arsenio N. Valdes**	Common	5,706,300; direct ownership	Filipino	0.48%
Richard Hubert N. Wilkerson**	Common	7,852,600; direct ownership	American	0.67%
Emmanuel Joseph N. Nepomuceno**	Common	23,614,300; direct ownership	Filipino	2.00%
	Preferred	6,536,836; direct ownership	Filipino	3.24%
Rafael N. Mapua**	Common	11,183,700; direct ownership	Filipino	0.95%
Ivanna G. de la Peña**	Common	1; direct ownership	Filipino	0.00%
Horacio E. Cebrero III**	Common	1; direct ownership	Filipino	0.00%

* *Executive Officer*

** *Director*

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 control of the Company.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

There are no transactions with or involving the Company in which a Director, executive officer, stockholder owns ten percent (10%) or more of the total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

ITEM 13. CORPORATE GOVERNANCE

As of December 31, 2023, the Company is still in the process of establishing the policies and procedures required under its Manual on Corporate Governance (the "Manual").

The Company, as adopted from its Manual and as approved by its Board of Directors, has already established its Corporate Governance Committee as of December 31, 2023. The Board appointed the members of the Audit, Risk and Oversight, and Executive Committees on March 12, 2024.

The Company is dedicated to conducting business in compliance with all relevant laws, rules, and regulations, as well as the highest levels of professionalism, ethics, and business conduct. The Company upholds its core business values of integrity, innovation, commitment, accountability, responsiveness, excellence and social and environmental responsibility, in order to promote adherence to the principles of good corporate governance.

The Directors and Officers of the Company consistently participate in training sessions and seminars to stay up to date on the latest developments and modifications in governance. The Company's Annual Corporate Governance Report (SEC Form-ACGR) will include information about the seminars and other initiatives it has taken to ensure that its Directors and Officers are knowledgeable and well informed on the leading practices on good corporate governance.

MONITORING AND ASSESSMENT

1. The Board of Directors shall conduct an annual self-assessment of its performance, including the performance of the Chairperson, Individual Members, and Committees.
2. The Board should have in place a system that provides a criteria and process to determine the performance of the Board, the individual Directors, and Committees which would allow for a feedback mechanism from AEC's Shareholders.
3. Each Committee shall report regularly to the Board of Directors.
4. The Compliance Officer shall establish an evaluation system to determine and measure compliance with the Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under the Manual.
5. The establishment of the evaluation system, including the features thereof, shall be disclosed in AEC's Annual Report or in such form of report that is applicable to AEC. The adoption of such a performance evaluation system must be approved by the Board of Directors.
6. The Manual shall be reviewed by the Board of Directors as needed unless the Board of Directors determines that it should be reviewed at more frequent intervals. The Manual may be amended as determined by the Board of Directors from time to time.
7. All business processes and practices being performed within any department or business unit of AEC that are not consistent with any portion of the Manual shall be discontinued unless they are changed to the extent necessary to be compliant with the Manual.

PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

- A. To strictly observe and implement the provisions of the Manual, the following penalties shall, after notice and hearing, be imposed on AEC's Directors, Officers, and Staff in case of violation of any of the provisions of this Manual:
 1. In case of the first violation, the subject person shall be reprimanded.
 2. Suspension from office shall be imposed in case of a second violation. The duration of the suspension shall depend on the gravity of the violation.
 3. For the third violation, the maximum penalty of removal from office shall be imposed.
- B. The commission of a third violation of the Manual by any Director of AEC shall be a sufficient cause for removal as a Director.
- C. The Compliance Officer shall be responsible for determining violation/s after notice and hearing and shall recommend to the Chairman of the Board of Directors the imposable penalty for such violation, subject to further review and approval.