

S.E.C. Registration Number									
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[illegible][illegible]

Secondary License Type, If Applicable

1	7	-	Q
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## Company's Email Address

[corporate@teiph.com](mailto:corporate@teiph.com)

Company's Telephone Number/s

(045) 606 - 1834

Mobile Number

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No. of Stockholders

49

Annual Meeting  
Month/Day

Every 3rd Friday of May
-------------------------

Fiscal Year  
Month/Day

12 / 31

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

Name of Contact Person

FLORIZA D. FORLALES

Email Address

[fforlaes@teiph.com](mailto:fforlaes@teiph.com)

Telephone Number/s

(045)606-1834

Mobile Number

0920-951-0075

### Contact Person's Address

Mabini St., Tarlac City, Tarlac
---------------------------------

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended 30 June 2022
2. Commission identification number 23874.
3. BIR Tax Identification No 004-070-881
4. Exact name of issuer as specified in its charter TARLAC ELECTRIC INC.
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office Postal Code  
MABINI ST., TARLAC CITY, TARLAC, PHILIPPINES 2300
8. Issuer's telephone number, including area code (045) 606-1834
9. Former name, former address and former fiscal year, if changed since last report Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of stock as of 30 September 2021
<u>Common Shares</u>	<u>5,750,000</u>

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

Yes [ ] No [ ☒ ]

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

Not Applicable

12. Indicate by check mark whether the registrant:

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

Yes [ ☒ ] No [ ]

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

Yes [ ☒ ] No [ ]

*f.*



## **PART I: FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

The Unaudited Interim Condensed Financial Statements of Tarlac Electric Inc. ("TEI" or the "Company") as of and for the period ended June 30, 2022 (with comparative figures as of December 31, 2021 and for the period ended June 30, 2021) and Selected Notes to the Interim Condensed Financial Statements are attached hereto as **Annex "A"**.

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

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

## **PART II: OTHER INFORMATION**

The following other information are attached hereto as **Annex "C"**:

- (a) Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68
- (b) Supplemental Schedule of Financial Soundness Indicators
- (c) Aging of Accounts Receivable
- (d) Quarterly Progress Report on the Use of Proceeds





## SIGNATURES

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

### TARLAC ELECTRIC INC.

Issuer

By:



**VITUS M. ROMERO**

President and General Manager



**FLORIZA D. FORLALES**

Accounting Head and Compliance Officer

Date: 15 August 2022



**TARLAC ELECTRIC INC.**  
**INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2022 AND DECEMBER 31, 2021**  
*(Amounts in Philippine Pesos)*  
**(UNAUDITED)**

	<u>Notes</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment – net	7	<b>P 1,819,506,892</b>	P 1,716,154,712
Deferred tax assets – net		<b>8,088,718</b>	8,913,011
Retirement benefit fund – net		<b>27,958,062</b>	27,958,062
Other non-current assets – net	8	<b>53,027,116</b>	49,239,700
Total Non-current Assets		<b>1,908,580,788</b>	1,802,265,485
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	<b>324,457,082</b>	399,021,693
Trade and other receivables - net	10	<b>709,691,764</b>	626,086,695
Other current assets	11	<b>191,539,689</b>	209,187,007
Total Current Assets		<b>1,225,688,535</b>	1,234,295,395
<b>TOTAL ASSETS</b>		<b>P 3,134,269,323</b>	P 3,036,560,880
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>NON-CURRENT LIABILITIES</b>			
Refundable deposits	13	<b>P 395,283,429</b>	P 384,317,927
Advances from customers	14	<b>163,718,877</b>	153,040,958
Accrued expenses	16	<b>45,076,150</b>	52,592,679
Interest-bearing loans and borrowings	12	<b>684,740</b>	2,696,965
Lease liabilities-non-current	7	<b>474,463</b>	823,594
Total Non-current Liabilities		<b>605,237,659</b>	593,472,123
<b>CURRENT LIABILITIES</b>			
Trade payables	15	<b>437,630,664</b>	333,685,253
Accrued expenses and other payables	16	<b>279,325,132</b>	276,502,794
Interest-bearing loans and borrowings	12	<b>135,209,776</b>	173,806,984
Dividends payable	17.4 (a)	<b>-</b>	54,000,000
Provisions	24	<b>9,825,738</b>	23,701,429
Lease liabilities	7	<b>1,524,651</b>	1,128,913
Total Current Liabilities		<b>863,515,961</b>	862,825,373
Total Liabilities		<b>1,468,753,620</b>	1,456,297,496
<b>EQUITY</b>			
Capital stock	17.2	<b>575,000,000</b>	575,000,000
Additional paid-in capital		<b>469,660,705</b>	469,660,705
Revaluation reserves	17.2	<b>( 9,540,442 )</b>	( 9,540,442 )
Retained earnings		<b>630,395,440</b>	545,143,121
Total Equity		<b>1,665,515,703</b>	1,580,263,384
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 3,134,269,323</b>	P 3,036,560,880

*See Selected Notes to Interim Condensed Financial Statements.*



TARLAC ELECTRIC INC.  
INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED JUNE 30, 2022  
(Amounts in Philippine Pesos)  
(UNAUDITED)

	Notes	Year-to-Date		For the Quarter	
		2022	2021	2022	2021
<b>SALE OF ELECTRICITY</b>	18	<b>P 2,083,441,847</b>	P 1,535,542,325	<b>P 1,139,318,020</b>	P 896,262,851
<b>COST OF ELECTRICITY SOLD</b>	19	<b>1,819,637,337</b>	1,311,731,734	<b>1,040,332,065</b>	772,941,284
<b>GROSS PROFIT</b>		<b>263,804,510</b>	223,810,591	<b>98,985,955</b>	123,321,567
<b>OTHER OPERATING EXPENSES</b>					
General and administrative	19	150,585,254	139,542,909	95,017,264	98,879,145
Impairment losses		10,587,906	7,138,749	-	-
		<b>161,173,160</b>	146,681,658	-	-
<b>OPERATING PROFIT</b>		<b>102,631,350</b>	77,128,933	<b>3,968,691</b>	24,442,422
<b>OTHER INCOME (CHARGES)</b>					
Finance costs – net		( 3,775,564 )	( 10,240,955 )	( 399,352 )	( 5,051,514 )
Gain (loss) on disposal of property and equipment		938,281	-	-	-
Provis Provisions		13,875,691	82,113,459	-	61,406,730
		<b>11,038,408</b>	71,872,504	( 399,352 )	56,355,216
<b>PROFIT BEFORE TAX</b>		<b>113,669,758</b>	149,001,437	<b>3,569,339</b>	80,797,638
<b>TAX EXPENSE</b>		<b>28,417,439</b>	29,277,293	<b>17,261</b>	13,042,673
<b>NET PROFIT</b>		<b>85,252,319</b>	119,724,144	<b>3,552,078</b>	67,754,965
<b>OTHER COMPREHENSIVE INCOME</b>					
Item that will not be reclassified subsequently to profit or loss					
Remeasurements on post-employment defined benefit plan		-	-	-	-
Tax income		-	-	-	-
		<b>-</b>	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P 85,252,319</b>	P 119,724,144	<b>P 3,552,078</b>	P 67,754,965
<b>EARNINGS PER SHARE</b>					
Basic and Diluted	23	<b>P 14.83</b>	P 29.93	<b>P 0.62</b>	P 16.94

*See Selected Notes to Interim Condensed Financial Statements.*



TARLAC ELECTRIC, INC.  
INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED JUNE 30, 2022  
(Amounts in Philippine Pesos)  
(UNAUDITED)

	Capital Stock (see Note 17)		Additional Paid-in Capital		Revaluation Reserves (see Notes 17)		Retained Earnings (see Note 17)			Total Equity				
							Appropriated	Unappropriated	Total					
Balance at January 1, 2022	P	575,000,000	P	469,660,705	( P	9,540,442 )	P	130,000,000	P	415,143,121	P	545,143,121	1,580,263,384	
Issuance of shares		-		-									-	
Reversal of appropriation		-		-		-	-	-	-	-		-	-	
Cash dividends declaration		-		-		-	-	-	-	-		-	-	
Appropriation for the year		-		-		-	-	-	-	-		-	-	
Total comprehensive income for period		-		-		-	-	85,252,319	85,252,319				85,252,319	
Balance at June 30, 2022	<b>P</b>	<b>575,000,000</b>	<b>P</b>	<b>469,660,705</b>	( <b>P</b>	<b>9,540,442</b> )	<b>P</b>	<b>130,000,000</b>	<b>P</b>	<b>500,395,440</b>	<b>P</b>	<b>630,395,440</b>	<b>P</b>	<b>1,665,515,703</b>
Balance at January 1, 2021	P	400,000,000	P	54,400	( P	15,904,668 )	P	120,000,000	P	329,123,044	P	449,123,044	P	833,272,776
Issuance of shares		-		-									-	-
Reversal of appropriation		-		-		-	-	-	-	-		-	-	-
Cash dividends declaration		-		-		-	-	( 80,000,000 )	( 80,000,000 )	( 80,000,000 )	(	80,000,000 )	-	( 80,000,000 )
Appropriation for the year		-		-		-	-	-	-	-		-	-	-
Total comprehensive income for the period		-		-		-	-	119,724,144	119,724,144				119,724,144	119,724,144
Balance at June 30, 2021	P	400,000,000	P	54,400	( P	15,904,668 )	P	120,000,000	P	368,847,188	P	488,847,188	P	872,996,920

*See Selected Notes to Interim Condensed Financial Statements.*



**TARLAC ELECTRIC, INC.**  
**INTERIM CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED JUNE 30, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*  
*(UNAUDITED)*

	Notes	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		P 113,669,758	P 149,001,437
Adjustments for:			
Provisions	24	-	( 41,413,459 )
Depreciation and amortization	7, 8	49,656,329	50,781,009
Impairment losses on trade receivables	10	10,587,906	7,138,749
Interest expense		4,877,114	11,290,092
Interest income		( 172,294 )	( 150,265 )
(Gain) loss on disposal of property and equipment		( 201,674 )	-
Gain on recovery of previously written-off receivables	10	( 1,037,759 )	( 898,872 )
Operating profit before working capital changes		177,379,381	175,748,691
Decrease (increase) in trade receivables		( 93,155,216 )	20,019,880
Decrease (increase) in other current assets		10,839,043	30,930,183
Increase in retirement benefit fund		-	-
Increase in trade payables		103,945,411	146,925,590
Increase (decrease) in accrued expenses and other payables		( 3,366,113 )	( 41,160,227 )
Increase (decrease) in provisions		( 13,875,692 )	( 40,700,000 )
Increase in refundable deposits		10,965,502	16,782,680
Increase (decrease) in advances from customers		10,677,919	6,782,264
Cash generated from operations		203,410,235	315,329,061
Interest received		172,294	150,265
Cash paid for taxes		( 28,417,439 )	( 63,076,895 )
Net Cash From Operating Activities		<u>175,165,090</u>	<u>252,402,431</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property and equipment	7	( 150,976,531 )	( 97,247,413 )
Repayment of lease liability	7	( 1,389,972 )	( 720,791 )
Interest expense on lease	7	108,502	-
Proceeds from disposal of property and equipment	7	201,674	-
Additions to computer software	8	1,813,174	( 1,823,891 )
Net Cash Used in Investing Activities		( 150,243,153 )	( 99,792,095 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from availment of interest-bearing loans and borrowings	12	30,000,000	320,000,000
Dividends paid	17	( 54,000,000 )	( 180,000,000 )
Repayments of interest-bearing loans and borrowings	12	( 70,609,433 )	( 293,837,491 )
Interest paid		( 4,877,115 )	( 11,290,093 )
Net Cash From (Used in) Financing Activities		( 99,486,548 )	( 165,127,584 )
NET DECREASE IN CASH AND CASH EQUIVALENTS		( 74,564,611 )	( 12,517,248 )
CASH AND CASH EQUIVALENTS			
AT BEGINNING OF PERIOD		<u>399,021,693</u>	<u>218,088,826</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>P 324,457,082</u>	<u>P 205,571,578</u>

*See Selected Notes to Interim Condensed Financial Statements.*

**TARLAC ELECTRIC INC.**  
**SELECTED NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021 AND DECEMBER 31, 2021**  
*(Amounts in Philippine Pesos)*

**1. GENERAL INFORMATION**

***1.1 Corporate Information***

Tarlac Electric Inc. (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 8, 1963. The Company has renewed its legislative franchise to install, operate and maintain an electric light, heat and power system, and to produce, buy and sell electricity in Tarlac City, Tarlac for a period of 25 years, by virtue of Republic Act (R.A.) No. 10795, which was signed into law on May 10, 2016 and took effect on October 18, 2016, i.e., 15 days after its publication on October 3, 2016.

As a power distribution utility firm, the Company is subject to the rules and regulations promulgated by the Energy Regulatory Commission (ERC). The ERC principally establishes and enforces a methodology for setting distribution wheeling rates and retail rates for the captive market of distribution utilities (see Note 22.1).

The registered office of the Company, which is also its principal place of business, is located at Mabini Street, Tarlac City, Tarlac.

***1.2 Continuing Impact of COVID-19 Pandemic on the Company's Business***

The COVID-10 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Company's business operations.

From 2020, the Company has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Company's business:

- adhered to the implemented laws and regulations related to collection of amounts from customers;
- implemented measures to mitigate transmission of COVID-19 such as by adjusting operation hours, making hand sanitizers available within properties, increasing the frequency of disinfection of facilities, limiting face-to-face meetings, requiring temperature checks for employees and customers, and implementing health protocols for employees;
- activated business continuity plans, both at corporate level and business operations level, and conducted scenario planning and analysis to activate contingency plans;
- deferred capital expenditures to manage Company's available funds;

The above-mentioned measures taken by the management, resulted to the following:

- slowdown in collection of receivables due to R.A. No. 11469, Bayanihan to Heal as One Act, and R.A. No. 11494, Bayanihan to Recover as One Act, including ERC-



- mandated payment schemes which aimed to assist and aid the citizens amidst the outbreak; and
- additional administrative expenses were incurred to ensure health and safety of its employees and customers such as the frequent disinfection of facilities and COVID-19 testing for its employees. This includes transportation services to its employees, daily supply of vitamins, face mask and other personal protective equipment as needed.

Based on the above transactions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Company would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern due to the effects of the pandemic.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements have been prepared in accordance with the accounting policies adopted by the Company in its recent annual financial statements for the year ended December 31, 2021.

The policies have been consistently applied to all periods presented, unless otherwise stated.

### ***2.1 Basis of Preparation of Interim Condensed Financial Statements***

#### ***(a) Statement of Compliance with Philippine Financial Reporting Standards***

The interim condensed financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The interim condensed financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### ***(b) Presentation of Interim Condensed Financial Statements***

The interim condensed financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income, expense and other comprehensive income or loss in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

These interim condensed financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the interim condensed financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Company's interim condensed financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the interim condensed financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

#### ***3.1 Critical Management Judgments in Applying Accounting Policies***

In the process of applying the Company's accounting policies, management has made the judgments in the succeeding pages, apart from those involving estimation, which have the most significant effect on the amounts recognized in the interim condensed financial statements.

(a) *Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of payment centers, the factors that are normally the most relevant are (a) if there are significant penalties should the Company pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised or not exercised or the Company becomes obliged to exercise or not exercise it. In assessing the enforceability of the option, an entity should consider whether the lessor can refuse to agree to a request from the lessee to extend the lease. Accordingly, if the lessee has the right to extend or terminate the lease, there are enforceable rights and obligations beyond the initial non-cancellable period and thus, the parties to the lease would be required to consider those optional periods in their assessment of the lease term.

*(b) Determination of Timing of Satisfaction of Performance Obligations*

The Company determines that its revenues from sale and distribution of electricity are recognized over time. The Company applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value of services rendered to date to the customers i.e., generally when the customers have acknowledged the Company's right to invoice.

*(c) Determination of Expected Credit Loss (ECL) on Trade Receivables*

The Company uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

*(d) Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 24.

### **3.2 Key Sources of Estimation Uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are presented below and in the succeeding pages.

*(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset, and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

*(b) Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.2(b).



(c) *Estimation of Useful Lives of Property and Equipment and Computer Software*

The Company estimates the useful lives of property and equipment and computer software based on the prescribed periods by the ERC and based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and computer software are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets.

Management assessed that as of June 30, 2022 and December 31, 2021, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

The carrying amounts of property and equipment and computer software are analyzed in Notes 7 and 8, respectively.

(d) *Determination of Net Realizable Value of Supplies Inventories*

In determining the net realizable value of supplies inventories, management takes into account the most reliable evidence available at the dates the estimates are made. The Company's core business is continuously subject to rapid technology changes which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories as presented in Note 11 is affected by price changes in different market segments of various spare parts and maintenance inventories. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Company's inventories within the next financial reporting period.

Based on management's assessment as of June 30, 2022 and December 31, 2021, the net realizable value of the supplies inventories is higher than its cost.

(e) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as of June 30, 2022 and December 31, 2021 will be fully utilized in the coming years.

(f) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on the Company's non-financial assets for the periods ended June 30, 2022 and December 31, 2021.

*(g) Valuation of Retirement Benefit Fund*

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected return on plan assets and salary rate increase.

A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the retirement benefit fund in the next reporting period.

#### **4. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company is exposed to a variety of financial risks which result from both its operating and financing activities. The Company's risk management is coordinated with its BOD and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

##### **4.1 Market Risk**

*(a) Foreign Currency Risk*

The Company has no significant exposure to foreign currency risk as most transactions are denominated in Philippine pesos, its functional currency.

*(b) Interest Rate Risk*

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. The Company has no significant exposure to interest rate risk since most of its interest-bearing financial assets and financial liabilities are at fixed rates or are noninterest-bearing.

##### **4.2 Credit Risk**

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments arising from selling services to customers and placing deposits with banks.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. In addition, for a significant proportion of sales, bill deposits are received to mitigate credit risk.

The maximum credit risk exposure of financial assets and contract assets is the carrying amount of the financial assets as shown in the interim condensed statements of financial position as summarized in the succeeding page.

	Notes	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash and cash equivalents	9	P 324,457,082	P 399,021,693
Trade receivables – net	10	709,691,764	626,086,695
Refundable deposits	11	3,246,681	3,227,102
Others	11	32,495	760,542
		<b>P 1,037,428,022</b>	<b>P1,029,096,032</b>

The Company's management considers that all the above financial assets that are not impaired for each of the reporting dates are of good credit quality.

The Company's credit risks are mitigated by securing refundable deposits or other credit enhancements as described below.

*(a) Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

*(b) Trade Receivables*

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The expected loss rates are based on the payment profiles of sales over a period of 36 months before June 30, 2022 and December 31, 2021, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Due to the effects brought by the novel strain of coronavirus (COVID-19), the Philippine government implemented certain measures to protect the health and welfare of the Philippine community. Included in these measures the enactment of R.A. No. 11469 and the subsequent R.A. No. 11494 (see Note 1.2). Incorporated in the provisions of these acts is the deferment of the payment of electric bills for thirty days and allowing such bills to be paid on a three-month, staggered basis. The Company also implemented schemes to ease the impact of Wholesale Electricity Spot Market (WESM) and coal and fuel spike price to its customers by deferring portion of its generation cost. These factors generally increase the collection period of the Company, however, there is no significant change in credit risk for trade receivables as these amounts are largely covered by refundable deposits in the event of non-payment.

The Company has P36.8 million and P26.2 million allowance for impairment as at June 30, 2022 and December 31, 2021, respectively (see Note 10). The Company recognized ECL



only on receivables over one year or more beyond the due date as receivables before these periods are historically collectible. The Company also considered other credit enhancements (i.e., refundable deposits) in assessing the ECL to be recognized. On that basis, the loss allowance as at June 30, 2022 and December 31, 2021 was determined based on months past due, as follows:

		<u>0-90 days</u>	<u>91-180 days</u>	<u>181-360 days</u>	<u>Over 360 days</u>
<u>June 30, 2022</u>					
<i>Expected credit loss rate</i>		0%	0%	0%	40.00%
Trade receivables	P	578,967,596	P 11,447,652	P 11,755,036	P 91,956,203
Loss allowance		-	-	-	36,786,740
<u>December 31, 2021</u>					
<i>Expected credit loss rate</i>		0%	0%	0%	36.76%
Trade receivables	P	481,993,408	P 16,152,739	P 13,904,862	P 71,279,211
Loss allowance		-	-	-	26,198,834

A reconciliation of the allowance for impairment of at the beginning and end of reporting periods is shown below.

	<u>Notes</u>	<u>June 30, 2022 (Unaudited)</u>	<u>December 31, 2021 (Audited)</u>
Balance at the beginning of period		P 26,198,834	P 21,074,092
Additional ECL		10,587,906	5,124,742
Reversal of ECL		-	-
Balance at the end of period		<u>P 36,786,740</u>	<u>P 26,198,834</u>

Trade receivables are usually due within 30 days and bear 2% surcharge per month for unpaid bills after due date. All trade receivables are subject to credit risk exposure. The Company's credit exposure is mitigated by securing bill deposits from customers which are deducted from the unpaid bills before any impairment losses are recognized (see Note 13).

### 4.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 90-day periods.

As of June 30, 2022, the Company's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 months	6-12 months	1-5 years	Later than 5 years
Trade payables	437,630,664			
Accrued expenses and other payables (excluding tax-related liabilities)	191,555,812	49,952,445	45,076,150	
Interest-bearing loans and borrowings	132,682,452	2,527,324	684,740	
Advances from customers	37,816,876		164,525,416	
Dividends Payable				
Refundable Deposits				395,283,429
	<u>P 799,685,804</u>	<u>P 52,479,769</u>	<u>P 165,210,156</u>	<u>P 395,283,429</u>

This compares to the maturity of the Company's financial liabilities as of December 31, 2021 as presented below.

	Current		Non-current	
	Within 6 months	6-12 months	1-5 years	Later than 5 years
Trade payables	333,685,253			
Accrued expenses and other payables (excluding tax-related liabilities)	148,513,715	33,580,937	52,592,678	
Interest-bearing loans and borrowings	171,866,506	1,940,478	2,696,965	
Advances from customers	45,323,342		153,040,958	
Dividends Payable	54,000,000			
Refundable Deposits				384,317,927
	<u>P 735,388,816</u>	<u>P 35,521,415</u>	<u>P 208,330,601</u>	<u>P 384,317,927</u>

The contractual maturities above reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

## 5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 5.1 *Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities*

For the Company's financial assets and financial liabilities as of June 30, 2022 and December 31, 2021, management determined that the carrying amounts of these financial instruments are equal to or approximate their fair values (i.e., financial assets or liabilities are interest-bearing or effect of discounting is immaterial); hence, no further comparison between the carrying amounts and fair values is presented.

A description of the Company's risk management objectives and policies for financial instruments is provided in Note 4.

### 5.2 *Offsetting of Financial Assets and Financial Liabilities*

The interest-bearing loans and borrowings with net amounts presented in the interim condensed statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	<b>Gross Amounts recognized in the statement of financial position</b>	<b>Related amounts not set-off in the statement of financial position</b>	<b>Net amount</b>
<b>June 30, 2022</b>			
Interest-bearing loans and borrowings	<u>P 135,894,516</u>	<u>(P118,832,873)</u>	<u>P 17,061,643</u>
<b>December 31, 2021</b>			
Interest-bearing loans and borrowings	<u>P 176,503,949</u>	<u>(P 69,178,650)</u>	<u>P 107,325,299</u>

For financial liabilities (i.e., interest-bearing loans and borrowings and their corresponding deposits) subject to enforceable master netting agreements or similar arrangements, each agreement between the Company and counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement (i.e., interest-bearing loans and borrowings which can be offset against any cash in banks maintained with the lender bank) will have the option to settle all such amounts on a net basis in the event of default of the other party.



## 6. FAIR VALUE MEASUREMENT AND DISCLOSURES

### 6.1 *Fair Value Hierarchy*

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The levels within the fair value hierarchy are presented below.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### 6.2 *Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed*

Management considers that the hierarchy of fair values of financial assets and financial liabilities measured at amortized cost, as disclosed in Note 6.1, at Level 3 (except for cash and cash equivalents which is at Level 1).

The Company has no financial assets and financial liabilities measured at fair value as of June 30, 2022 and December 31, 2021. There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments during these periods.

## 7. PROPERTY AND EQUIPMENT

The carrying amount of this account is composed of the following:

	Notes	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Property and equipment	7.1	<b>P 1,817,739,739</b>	P 1,714,443,560
Right -of-use assets	7.2	<b>1,767,153</b>	1,711,152
		<b><u>P 1,819,506,892</u></b>	<b><u>P 1,716,154,712</u></b>

As of June 30, 2022 and December 31, 2021, no impairment losses were recognized in for the Company's property and equipment and right-of-use assets.

### 7.1 Carrying Values of Property and Equipment

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of the reporting periods are shown below.

	Sub-Transmission and Distribution Equipment	Other Machineries and Equipment	Buildings, Fixtures and Improvements	Land	Substation Equipment	Construction in Progress	Total
<b>June 30, 2022</b>	<b>P 1,948,849,932</b>	<b>P 241,531,577</b>	<b>P 110,495,102</b>	<b>P 74,072,127</b>	<b>P 324,935,062</b>	<b>P 473,121,826</b>	<b>P 3,173,005,626</b>
Cost or Valuation	-	-	-	-	-	-	-
Accumulated Depreciation and amortization	(972,254,732)	(175,712,738)	(41,906,772)	-	(165,391,645)	-	(1,355,265,887)
Net carrying amount	<b>P 976,595,200</b>	<b>P 65,818,839</b>	<b>P 68,588,330</b>	<b>P 74,072,127</b>	<b>P 159,543,417</b>	<b>P 473,121,826</b>	<b>P 1,817,739,739</b>
<b>December 31, 2021</b>							
Cost or Valuation	1,900,743,568	227,827,612	111,101,797	74,072,127	321,973,633	388,835,677	3,024,554,413
Accumulated Depreciation and amortization	(947,684,393)	(160,066,427)	(40,782,651)	-	(161,577,382)	-	(1,310,110,853)
Net carrying amount	<b>P 953,059,175</b>	<b>P 67,761,185</b>	<b>P 70,319,145</b>	<b>P 74,072,127</b>	<b>P 160,396,252</b>	<b>P 388,835,677</b>	<b>P 1,714,443,560</b>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of the reporting periods is shown below.

	Sub-Transmission and Distribution Equipment	Other Machineries and Equipment	Buildings, Fixtures and Improvements	Land	Substation Equipment	Construction in Progress	Total
<b>Balance at January 1, 2022</b> net of accumulated depreciation and amortization	953,059,175	67,761,185	70,319,146	74,072,127	160,396,252	388,835,677	1,714,443,562
Additions	50,382,256	12,859,324	237,946	-	2,961,429	84,286,149	150,727,104
Reclassifications	-	488,963	(488,963)	-	-	-	-
Depreciation and amortization charges for the year	(26,846,232)	(15,290,633)	(1,479,798)	-	(3,814,264)	-	(47,430,927)
<b>Balance at June 30, 2022</b> net of accumulated depreciation and amortization	<b>976,595,199</b>	<b>65,818,839</b>	<b>68,588,331</b>	<b>74,072,127</b>	<b>159,543,417</b>	<b>473,121,826</b>	<b>1,817,739,739</b>

	Sub-transmission and Distribution Equipment	Other Machineries and Equipment	Buildings, Fixtures and Improvements	Land	Substation Equipment	Construction in Progress	Total
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 911,669,018	P 93,816,777	P 72,022,673	P 74,072,127	P 171,141,552	P 316,819,218	P1,639,541,365
Additions	92,632,269	7,915,462	1,208,750	-	1,711,232	67,018,797	170,486,510
Reclassifications	-	-	-	-	( 4,997,661 )	4,997,661	-
Depreciation and amortization charges for the year	( 51,242,112 )	( 33,971,054 )	( 2,912,278 )	-	( 7,458,871 )	-	( 95,584,315 )
Balance at December 31, 2021, net of accumulated depreciation and amortization	<u>P 953,059,175</u>	<u>P 67,761,185</u>	<u>P 70,319,145</u>	<u>P 74,072,127</u>	<u>P 160,396,252</u>	<u>P 388,835,676</u>	<u>P1,714,443,560</u>

The amount of depreciation and amortization for the three months ended June 30 is allocated and presented in the interim condensed statements of comprehensive income under the following accounts (see Note 19).

	2022 (Unaudited)	2021 (Unaudited)
Cost of electricity sold	P 27,190,835	P 24,311,604
General and administrative expenses	23,544,144	26,469,405
	<u>P 50,734,979</u>	<u>P 50,781,009</u>

The Company's land is carried at its deemed cost upon the Company's transition to PFRS (see Note 17.3).

Certain property and equipment with total carrying values of P1,038,336,388 and P1,012,729,472 as of June 30, 2022 and December 31, 2021, respectively, are used as



collaterals for certain interest-bearing loans and borrowings (see Note 12). There are no other restrictions on the Company's property and equipment.

As of June 30, 2022 and December 31, 2021, fully depreciated and amortized assets amounting to P534,051,705 and P519,056,838, respectively, are still being used in operations.

## 7.2 *Right-of-use Assets and Lease Liabilities*

The Company has leases for certain payment centers that has a remaining lease terms of one to two years. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the interim condensed statements of financial position as part of Property and Equipment account (for the right-of-use asset) and Lease liabilities account.

The carrying amount of the Company's right-of-use assets as at June 30, 2022 and December 31, 2021 and the movement during the period is shown below.

	<b>June 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Balance at beginning of the period	<b>P 1,711,151</b>	P 3,378,259
Additions	<b>1,328,076</b>	-
Amortization expense (see Note 19)	<b>(1,272,074)</b>	(1,667,108)
Balance at end of period	<b><u>P 1,767,153</u></b>	<u>P 1,711,151</u>

The movements in the lease liabilities recognized in the interim condensed statements of financial position are as follows:

	<b>June 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Balance at beginning of the period	<b>P 1,952,507</b>	P 3,566,480
Additions	<b>1,328,077</b>	-
Interest expense	<b>108,502</b>	216,668
Repayment of lease liabilities	<b>(1,389,972)</b>	( 1,830,641)
Balance at end of period	<b><u>P 1,999,114</u></b>	<u>P 1,952,507</u>

Lease liabilities are presented in the interim condensed statements of financial position as follows:

	<b>June 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Current	<b>P 1,524,651</b>	P 1,128,913
Non-current	<b>474,463</b>	823,594
	<b><u>P 1,999,114</u></b>	<u>P 1,952,507</u>

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at June 30, 2022 is as follows:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>Total</u>
Lease payments	P1,630,297	P 491,777	P -	P -	P 2,122,074
Interest Expense	<u>( 105,646)</u>	<u>( 17,314)</u>	<u>-</u>	<u>-</u>	<u>( 122,960)</u>
	<b><u>P 1,524,651</u></b>	<b><u>P 474,463</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 1,999,114</u></b>

This compares to the undiscounted maturity analysis of lease liabilities as at December 31, 2021 as follows:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>Total</u>
Lease payments	P 1,248,327	P 849,208	P -	P -	P 2,097,535
Interest Expense	<u>( 119,414 )</u>	<u>( 25,614)</u>	<u>-</u>	<u>-</u>	<u>(145,028)</u>
	<b><u>P 1,128,913</u></b>	<b><u>P 823,594</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 1,952,507</u></b>

The total cash outflow in respect of leases amounted to P1.4 and P0.7 million in 2022 and 2021, respectively. The Company has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to short-term leases and low-value assets for the periods ended June 30 are presented as Rent and are allocated on the following accounts (see Note 19).

	<b>2022 (Unaudited)</b>	2021 (Unaudited)
Cost of electricity sold	<b>P 16,157,752</b>	P 14,447,753
General and administrative expenses	<b><u>1,453,851</u></b>	<u>2,984,051</u>
	<b><u>P 17,611,603</u></b>	<u>P 17,431,804</u>

## 8. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deferred input value added tax (VAT) – net	P 42,936,947	P 42,936,948
Computer software – net	10,064,769	6,277,352
Others	25,400	25,400
Balance at end of period	<u>P 53,027,116</u>	<u>P 49,239,700</u>

A reconciliation of the carrying amount of computer software at the beginning and end of 2022 and 2021 is shown below.

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of the period, net of accumulated amortization	P 6,277,352	P 4,627,638
Additions	5,819,395	5,347,176
Amortization charges for the period	<u>( 2,031,978)</u>	<u>( 3,697,462)</u>
Balance at end of period net of accumulated amortization	<u>P 10,064,769</u>	<u>P 6,277,352</u>

Amortization of the computer software is included as part of Depreciation and amortization under General and Administrative Expenses account in the interim condensed statements of comprehensive income (see Note 19).

## 9. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash on hand	P 15,285,726	P 13,538,610
Cash in banks	297,413,118	373,736,596
Short-term placements	11,758,238	11,746,487
	<u>P 324,457,082</u>	<u>P 399,021,693</u>

Cash on hand consists of undeposited collections, petty cash and emergency funds as of June 30, 2022 and December 31, 2021.

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for a period ranging from 30 to 34 days and earn annual effective interests of 0.25% in 2022 and 1.25% in 2021.

## 10. TRADE RECEIVABLES

This account is composed of the following:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current:		
Trade receivables	P 694,126,487	P 583,330,220
Allowance for impairment	( 36,786,740)	( 26,198,834)
	657,339,747	557,131,386
Accrued receivables	52,352,017	68,955,309
	<b>P 709,691,764</b>	<b>P 626,086,695</b>

All of the Company's trade receivables have been reviewed for indications of impairment. Certain trade receivables, which are mostly due from residential and small commercial customers, were found to be impaired. Moreso, based on the management's assessment, as the result of the calculated ECL, the allowance for impairment of receivables recognized as of June 30, 2022 and December 31, 2021 was deemed adequate [see Note 4.2(b)].

As of June 30, 2022 and December 31, 2021, trade receivables also include pass-through receivables related to output VAT, universal charges, feed-in-tariff allowance (FIT-ALL) and other receivables from customers, which are to be subsequently remitted to the Company's suppliers (see Note 16). Pass-through charges pertaining to generation and transmission charges are billed to customers covering the estimated cost of the purchased power.

Accrued receivables pertain to amounts to be collected from customers pertaining to the Deferred Accounting Adjustment related to GRAM and ICERA [see Note 24.2(i)]. The outstanding balance arising from this transaction represents the present value of the future collections from customers.

## 11. OTHER CURRENT ASSETS

This account is composed of the following:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Supplies inventories	P 132,397,433	P 129,337,414
Deferred input VAT	22,156,130	29,857,391
Creditable withholding tax	3,803,026	14,377,357
Refundable deposits	3,246,681	3,227,102
Receivable from retirement fund	32,495	760,542
Other prepayments and assets	29,903,924	31,627,201
	<b>P 191,539,689</b>	<b>P 209,187,007</b>

Receivable from retirement fund pertains to reimbursable disbursements made by the Company for the retirement benefits of its retiring employees.

Other prepayments include receivables from employees and deposits on various suppliers.

## 12. INTEREST-BEARING LOANS AND BORROWINGS

The movements in interest-bearing loans and borrowings are shown below.

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period	P 176,503,949	P 440,078,002
Additions	30,000,000	400,000,000
Repayments	( 70,609,433)	( 663,574,053)
Balance at the end of period	<u>P 135,894,516</u>	<u>P 176,503,949</u>
Current	135,209,776	173,806,984
Non-current	684,740	2,696,965
	<u>135,894,516</u>	<u>176,503,949</u>

Bank loans represent secured and unsecured loans and mortgage payable from local commercial banks.

The important features and details of the loans are as follow:

- The Company entered into an Omnibus Line Agreement and Continuing Suretyship Agreement with the Development Bank of the Philippines (DBP) on October 13, 2010, which was renewed annually until October 31, 2022. This agreement grants the Company a credit line of P150,000,000. The outstanding balance of these loans amounted to nil as of June 30, 2022 and December 31, 2021, respectively, and are payable within three months. These loans bear annual interest rates of around 5.0%.
- Aside from the DBP loans, the Company had secured (through collateral and suretyship) and unsecured short-term loans from other local banks amounting to P135,894,516 and P176,503,949 as of June 30, 2022 and December 31, 2021. These are payable within three to six months. These loans bear annual interest rates ranging from 4.5% to 5%.
- These loans are secured by certain property and equipment (see Note 7).

Total interest expense on interest-bearing loans and borrowings amounted to P4,254,506 and P11,139,744 in June 30, 2022 and 2021 and these are shown as part of Finance costs account under Other Charges section of the interim condensed statements of comprehensive income. Interest payable as of June 30, 2022 and December 31, were nil and P185,996, respectively.

The Company is required to maintain current ratio of at least 1.0x, a debt-to-equity ratio of not more than 70:30 and debt service coverage ratio of at least 1.01x at any time during the effectivity of the credit line with DBP. These were met by the Company as of June 30,

2022 and December 31, 2021. In 2021, the Company paid all outstanding loans from DBP.

### **13. REFUNDABLE DEPOSITS**

Refundable deposits are obtained at the inception of service contract based on the estimated electricity for one month consumption of the customer. Refundable deposits can either be refunded at the end of the service contract of the customer or applied to unpaid electric bills. These refundable deposits are interest-bearing and earns interest rates based on the rates mandated by the ERC.

Refundable deposits, inclusive of accrued interest, amounted to P395,283,429 and P384,317,927 as of June 30, 2022 and December 31, 2021, respectively.

### **14. ADVANCES FROM CUSTOMERS**

Advances from customers represent the amount of advances from customers to cover the necessary expenditures relative to its connection. The said advances are refundable in accordance with the provision of the Distribution Services and Open Access Rules (DSOAR) as promulgated by the ERC. Advances from customers totaling P163,718,877 as of June 30, 2022 and P153,040,958 as of December 31, 2021, represent the amount estimated by management that will be refunded to customers in more than one year based on the expected achievement of the required distribution revenue per location. Advances from customers that are expected to be refunded within one year are included as part of Accrued Expenses and Other Payables in the interim condensed statements of financial position (see Note 16).

### **15. TRADE PAYABLES**

Trade payables are usually due within 15 to 60 days and do not bear any interest.

Trade payables include outstanding liabilities for the purchase of electricity from GNPower Mariveles Energy Center Ltd. Co. (GMEC) and National Grid Corporation of the Philippines (NGCP) as of June 30, 2022 and December 31, 2021. A prompt payment discount of 3% on capacity fee is given if the power bill is paid 10 days upon receipt of the power bill of GMEC. The said discount is credited on the subsequent bill (see Note 19).

Trade payables also include outstanding liabilities of P28,533,243 and P27,428,439 as of June 30, 2022 and December 31, 2021, respectively, to Tarlac Power Corporation (TPC) for the purchase of electricity (see Notes 19 and 21.1). Further, trade payables amounting to P1,087,762 as of June 30, 2022 and P1,127,566 as of December 31, 2021, represent amounts due to related parties under common ownership for the purchase of supplies inventories and lease of transportation equipment (see Notes 21.2 and 21.3).



# 16. ACCRUED EXPENSES AND OTHER PAYABLES

This account consists of:

	Notes	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current:			
Accrued power bill		P 73,111,345	P 50,444,127
DAA Payable		65,528,099	67,161,873
Advance from customers	14	37,816,876	45,323,342
Non-trade accounts payable		35,069,944	34,836,703
Pass-on VAT Payable	10	25,852,431	22,945,542
Accrued expenses		24,758,042	29,651,947
Franchise tax payable		17,188,395	26,139,260
		<u>279,325,132</u>	<u>276,502,794</u>
Non-current:			
Accrued expenses		45,076,150	45,076,150
DAA Payable		-	7,516,529
		<u>45,076,150</u>	<u>52,592,679</u>
		<u><b>P 324,401,282</b></u>	<u><b>P 329,095,473</b></u>

Accrued expenses include payables related to billing adjustments on purchased electricity, withholding tax, expanded withholding tax, final tax, fringe payable, and payable to SSS and Home Development Mutual Fund.

Non-trade accounts payables of the Company pertain to payables to Power Sector Assets and Liabilities Management (PSALM) Corporation and to National Transmission Corporation (NTC). Those pertaining to PSALM are the Universal Charges composed of missionary electrification charges and stranded contract costs of distribution utilities. The payable to NTC refers to FIT-ALL charges.

DAA payable pertains to the amounts to be remitted to PSALM pertaining to the Deferred Accounting Adjustment related to GRAM and ICERA [see Note 24.2(i)]. The interest expense arising from unwinding of discount for the years ended December 31, 2021 is presented as part of Finance Costs account in the interim condensed statements of comprehensive income.

Franchise tax payable pertains to the tax imposed by the Local Government Unit for the franchise grantees of electric utilities.

Pass-on VAT payable pertains to the pass-through VAT payable to supplier but pending collection from customers.

## 17. EQUITY

### 17.1 Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are discussed below.

- To provide an adequate return to shareholders; and,
- To ensure the Company's ability to continue as a going concern.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the interim condensed statements of financial position.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics underlying its business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The debt-to-equity ratio of the Company is presented below.

	<b>June 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Total liabilities	<b>P 1,468,753,620</b>	P 1,456,297,496
Total equity	<b>1,665,515,703</b>	1,580,263,384
Debt-to-equity ratio	<b>0.88: 1.00</b>	0.92: 1.00

Other than the aforementioned ratios in Note 12 which the Company is expected to maintain, there are no other externally imposed capital requirements.

### 17.2 Capital Stock

Capital stock consists of the following:

	Shares		Amount	
	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Common shares				
P100 par value				
Authorized – 10,000,000 shares				
Issued:				
Balance at beginning of the period	5,750,000	4,000,000	P 575,000,000	P 400,000,000
Effect of change in authorized capital stock (ACS)	-	-	-	-
Issued shares for the period	-	1,750,000	-	175,000,000
Balance at the end of the period	<b>5,750,000</b>	5,750,000	<b>P 575,000,000</b>	P 575,000,000

On November 15, 2019, the BOD approved the change in the Company's ACS from P1,000,000,000 divided into 200,000 Class A common shares with a par value of P1,000 per share and 8,000,000 Class B common shares with a par value of P100 per share to P1,000,000,000 divided into 10,000,000 common shares with a par value of P100 per share wherein each Class A common share is converted to 10 new Class B common shares. The application for amendment in the Company's articles of incorporation relating to this was subsequently filed with the SEC in February 2020 and was approved in July 2020.

On November 15, 2020, the Company applied for the registration of its 5,750,000 common shares with the SEC which was approved on June 28, 2021.

On June 28, 2021, the Company, by way of a primary offering (IPO), sold 1,750,000 of its common stock (Offer Share) at an offer price of P380.0 per Offer Share. As a result, the Company recognized additional paid-in capital amounting to P469.6 million, arising from the excess of subscription price over par value related to the issuance of the Offer Share. Transaction costs from the issuance amounting to P22.4 million was charged against the additional paid in capital relating to this issuance.

As of June 30, 2022 and December 31, 2021 the Company has forty-eight (48) stockholders owning 100 or more shares each of the Company's capital stock.

### **17.3 Revaluation Reserves**

No changes in the components and reconciliation of items of revaluation reserves presented in the interim condensed statements of financial position at their aggregate amounts under Revaluation Reserves account as of June 30, 2022 and December 31, 2021, as shown in the succeeding page:

	<b>Land</b>	<b>Retirement Benefit</b>	<b>Total</b>
<b>Balance as of January 1, 2021</b>	<b><u>P 10,140,678</u></b>	<b><u>(P 19,681,120)</u></b>	<b><u>(P 9,540,442)</u></b>
<b>Other comprehensive loss before tax</b>	-	-	-
<b>Tax income</b>	-	-	-
<b>Other comprehensive loss after tax</b>	-	-	-
<b>Balance as of June 30, 2022</b>	<b><u>P 10,140,678</u></b>	<b><u>(P 19,681,120)</u></b>	<b><u>(P 9,540,442)</u></b>

	Land	Retirement Benefit	Total
Balance as of January 1, 2020	<u>P 10,140,678</u>	<u>(P 26,045,346)</u>	<u>(P 15,904,668)</u>
Other comprehensive loss before tax	-	6,005,125	6,005,125
Tax income	<u>-</u>	<u>359,101</u>	<u>359,101</u>
Other comprehensive loss after tax	<u>-</u>	<u>6,364,226</u>	<u>6,364,226</u>
Balance as of December 31, 2021	<u>P 10,140,678</u>	<u>(P 19,681,120)</u>	<u>(P 9,540,442)</u>

#### 17.4 Retained Earnings

##### (a) Dividend Declaration

The BOD approved the declaration of cash dividends in 2021 as shown below. No dividends was declared as of June 30, 2022.

<u>Date of Declaration</u>	<u>Record Date</u>	<u>Dividend per Share</u>	<u>Total</u>
<u>2021</u>			
April 16, 2021	December 31, 2021	P 20.00	<u>P 80,000,000</u>
<u>2020</u>			
September 18, 2020	August 31, 2020	P 87.50	<u>P 350,000,000</u>

The unpaid portion of the cash dividends declared in 2021, net of the P8.0 million final withholding tax, is presented as Dividends Payable as of June 30, 2022 and December 31, 2022 amounting to nil and P54M, respectively.

##### (b) Appropriated Retained Earnings

On December 18, 2020, the BOD approved a new appropriation of P120,000,000 for the planned acquisitions and related construction of property and equipment for 2021. This appropriation was reversed by the BOD in December 2021.

On December 17, 2021, the BOD approved a new appropriation of P130,000,000 for planned acquisitions and related construction of property and equipment for 2022.

# 18. REVENUES FROM SALE OF ELECTRICITY

Revenues from sale of electricity for the nine months ended June 30, 2022 and 2021 consists of:

	2022 (Unaudited)	2021 (Unaudited)
Generation	P 1,373,886,117	P 908,644,505
Distribution	311,349,884	300,927,690
Transmission	179,463,288	132,538,735
Supply	64,476,841	63,337,609
Metering	61,778,581	60,434,379
System loss	68,584,255	54,009,855
Others	23,902,881	15,649,552
	<b>P 2,083,441,847</b>	<b>P 1,535,542,325</b>

The Company has only one reportable segment which pertains to distribution of electricity.

Further, the Company has only one geographical segment as all of its operations are based in Tarlac City.

The Company's customers are composed mainly of Residential, Small Commercial, Secondary, Primary, 69 KV and Streetlights customers.

# 19. COST AND OPERATING EXPENSES BY NATURE

Presented in the succeeding page are the details of cost and operating expenses by nature for the period ended June 30.

	Notes	2022 (Unaudited)	2021 (Unaudited)
Net purchased power		P 1,706,248,634	P 1,191,073,423
Salaries and employee benefits	20.1	72,518,717	72,038,450
Depreciation and amortization	7, 8	50,734,979	50,781,009
Outside services		46,020,463	38,563,848
Taxes and licenses		22,416,941	18,773,147
Repairs and maintenance		18,145,504	18,050,039
Rent	7.2, 21.3	17,611,603	17,431,804
Utilities		11,143,987	8,227,313
Impairment Losses		10,587,906	7,138,749
Security Services		10,157,384	10,000,994
Professional fees		2,309,374	13,200,016
Transportation and travel		2,232,365	1,355,009
Office supplies		1,867,095	2,742,869
Insurance		1,580,295	1,971,013
Representation		826,121	755,557
Others		6,409,129	6,310,152
		<b>P 1,980,810,497</b>	<b>P 1,458,413,392</b>

These expenses are classified in the interim condensed statements of comprehensive income as follows:

	<b>2022</b> <b>(Unaudited)</b>	2021 (Unaudited)
Cost of electricity sold	<b>P 1,819,637,337</b>	P 1,311,731,734
Other operating expenses	<b>161,173,160</b>	146,681,658
	<b><u>P 1,980,810,497</u></b>	<b><u>P 1,458,413,392</u></b>

Cost of electricity sold comprises of:

	Notes	<b>2022</b> <b>(Unaudited)</b>	2021 (Unaudited)
Purchased power from:			
GMEC	15	<b>P 933,071,188</b>	P 544,556,957
Independent Electricity			
Market		<b>446,956,795</b>	316,642,932
NGCP	15	<b>206,038,142</b>	162,915,304
TPC	15,21.1	<b>130,496,400</b>	175,118,892
Others		<b>1,027,912</b>	542,275
		<b><u>1,717,590,437</u></b>	<u>1,199,776,360</u>
Prompt payment discount	15	<b>( 11,341,803)</b>	( 8,702,937)
		<b><u>1,706,248,634</u></b>	<u>1,191,073,423</u>
Salaries and employee benefits	20.1	<b>31,257,604</b>	30,031,106
Depreciation and amortization	7	<b>27,190,835</b>	24,311,604
Outside services		<b>25,010,197</b>	38,563,848
Rent	7.2, 21.3	<b>16,157,752</b>	14,447,753
Repairs and maintenance		<b>13,772,315</b>	13,304,000
		<b><u>P 1,819,637,337</u></b>	<b><u>P 1,311,731,734</u></b>

## 20. EMPLOYEE BENEFITS

### *20.1 Salaries and Employee Benefits Expense*

Expenses recognized for employee benefits are presented below.

	Notes	<b>2022</b> <b>(Unaudited)</b>	2021 (Unaudited)
Short-term employee benefits		<b>P 72,518,717</b>	P 72,038,450
Post-employment defined benefit		<b>-</b>	-
		<b><u>P 72,518,717</u></b>	<b><u>P 72,038,450</u></b>



The amount of salaries and employee benefits is allocated and presented in the interim condensed statements of comprehensive income under the following accounts (see Note 19).

	<b>2022</b> <b>(Unaudited)</b>	2021 (Unaudited)
Cost of electricity sold	<b>P 31,257,604</b>	P 30,031,106
General and administrative expenses	<b>41,261,113</b>	42,007,344
	<b>P 72,518,717</b>	P 72,038,450

## 21. RELATED PARTY TRANSACTIONS

The Company's related parties include related parties under common ownership, and the Company's key management and officers and retirement benefit fund.

A summary of the Company's transactions with its related parties for the three months ended June 30, 2022 and 2021 is presented below:

Related Party Category	Notes	Amount of Transactions		Outstanding Balance		
		2022 (Unaudited)	2021 (Unaudited)	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)	
<b>Related Parties Under Common Ownership:</b>						
Purchase of electricity energy	21.1	<b>P124,351,735</b>	P 172,670,385	<b>P 28,533,243</b>	P 27,428,439	
Purchase of supplies inventories	21.2	<b>2,038,661</b>	7,282,054	-	-	
Lease of transportation equipment	21.3	<b>10,444,803</b>	10,212,431	<b>1,087,762</b>	1,127,566	
<b>Key Management Personnel</b>						
Compensation	21.4	<b>19,834,605</b>	10,236,893	-	-	
<b>Officers/Shareholders</b>						
Rental agreement	21.6	<b>824,700</b>	824,700	-	-	
Consultancy agreement	21.6	<b>P -</b>	P 600,000	-	P 600,000	

### 21.1 Purchase of Electric Energy

In the normal course of business, the Company purchases power from TPC, a related party under common ownership, under a Power Purchase Agreement (PPA) for a period of 10 years from January 1, 1998, subject to review every three years. On April 11, 2011, the ERC approved the extension and amendment of the PPA. The amended PPA is for a period of 15 years commencing on April 11, 2011. The rate is considered at arm's length as the PPA is approved by the ERC. Purchases are presented as part of Cost of Electricity Sold in the interim condensed statements of comprehensive income (see Note 19).

Outstanding liabilities, which are unsecured, noninterest-bearing and payable in cash within 30 days are included as part of Trade Payables account in the interim condensed statements of financial position (see Note 15).

### ***21.2 Purchase of Supplies Inventories***

The Company purchases spare parts and maintenance inventory from related parties under common ownership. Outstanding liabilities as of June 30, 2022 and December 31, 2021, which are noninterest-bearing unsecured and payable in a term of 30 days, are included as part of Trade Payables account in the interim condensed statements of financial position (see Note 15).

### ***21.3 Lease of Transportation Equipment***

The Company has existing lease agreements with certain related parties under common ownership covering certain transportation equipment for a period of one year, subject to renewal on an annual basis.

Total rent expense from the lease agreements is presented as part of Rent under General and Administrative Expenses in the interim condensed statements of comprehensive income (see Note 19). Outstanding liabilities, which are noninterest-bearing, unsecured and payable in a term of 30 days, are included as part of Trade Payables account in the interim condensed statements of financial position (see Note 15).

### ***21.4 Key Management Personnel Compensation***

The compensation of key management personnel relating to short term employee benefits amounted to P19.8 Million and P10.2 million for the periods ended June 30, 2022 and 2021.

### ***21.5 Continuing Suretyship Agreement***

The Company's stockholders acts as a surety in favor of certain banks for its revolving credit line for the Company's working capital requirements (see Note 12). The loans remain outstanding as at June 30, 2022 and December 31, 2021.

### ***21.6 Other Transaction with Shareholders***

The Company has other transactions with its shareholders pertaining to consultancy services and rental of office space. The transactions pertaining to the consultancy services and rentals are presented as part of Professional fees and Rent under General and Administrative Expenses account, respectively, in the interim condensed statements of comprehensive income (see Note 19). The outstanding balances as of June 30, 2022 and December 31, 2021, were unsecured, noninterest-bearing and payable every quarter and every 10<sup>th</sup> of the month for the professional fees and rent expense, respectively. These are presented as part of Accrued Expenses and Other Payables account in the interim condensed statements of financial position (see Note 16).

## **22. ELECTRIC POWER INDUSTRY REFORM ACT (EPIRA)**

On September 8, 2001, R.A. No. 9136, also known as EPIRA Law of 2001, was approved for the purpose of restructuring the electric power industry. Discussed in the succeeding page are the significant provisions of R.A. No. 9136.

### ***22.1 Functions and Powers of the ERC with Respect to Distribution Utilities***

The following are the functions and powers of the ERC with respect to distribution utilities:

- (a) The ERC shall establish and enforce a methodology for setting transmission and distribution wheeling rates and retail rates for the captive market of distribution utilities, taking into account all relevant considerations, including the efficiency or inefficiency of the regulated entities;
- (b) Review and approve any changes on the terms and conditions of service of any distribution utility;
- (c) Monitor and take measures in accordance with R.A. No. 9136 to penalize abuse of market power, cartelization, and anti-competitive or discriminatory behavior by any electric power industry participant;
- (d) Monitor the activities in the generation and supply of the electric power industry with the end in view of promoting free market competition and ensuring that the allocation or pass through of bulk purchase cost by distributors is transparent, non-discriminatory and that any existing subsidies shall be divided pro-rata among all retail suppliers; and,
- (e) Perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernization of the electric power industry.

### ***22.2 De-monopolization and Shareholding Dispersal***

Unless the distribution utility or the company holding the shares or its controlling stockholders are already listed in the Philippine Stock Exchange, Section 28 of R.A. No. 9136 provides that holdings of persons, natural or juridical, including directors, officers, stockholders and related interests, in a distribution utility and their respective holding companies shall not exceed 25% of the voting shares of stock.

### ***22.3 Performance-Based Regulation (PBR)***

The Company entered PBR at the third entry point, as originally described in Annex B of ERC Resolution No. 12-02 Series of 2004 “*Adopting a Methodology for Setting Distribution Wheeling Rates*,” dated December 10, 2004, and later amended by the ERC to make provision for four entry points. ERC issued the Final Determination as contained in its decision for the approval of the Company’s application for its Annual Revenue Requirement and performance Incentive Scheme for the Second Regulatory Period on June 8, 2010. The Second Regulatory Period commenced on July 1, 2010 and was terminated on June 30, 2014. In December 2021, ERC has promulgated the Rules for Setting Distribution Wheeling Rates which governs the distribution rate filing of private distribution utilities belonging to Group A for their fifth regulatory period. The Company belongs to Group C and is expected to reset for its fifth regulatory period in 2024.

## 23. EARNINGS PER SHARE

Earnings per share were computed as follows:

	<b>2022</b> <b>(Unaudited)</b>	2021 (Unaudited)
Net profit for the period	<b>P 85,252,319</b>	P 119,724,144
Divided by the weighted average Number of outstanding common shares	<b>5,750,000</b>	4,000,000
Earnings per share	<b>P 14.83</b>	P 29.93

There are no dilutive potential common shares at the end of each reporting period. The weighted average number of outstanding common shares was retrospectively adjusted for the stock split as a result of the increase in ACS (see Note 17.2).

## 24. COMMITMENTS AND CONTINGENCIES

The breakdown of the Company's provisions are as follows:

	Power Cost Over (Under) Recoveries (Note 24.1)	DWSA (Note 24.2)	Total
Balance at January 1, 2022	P 13,875,691	P 9,825,738	P 23,701,429
Reversal of provisions	( 13,875,691)	-	( 13,875,691)
Balance at June 30, 2022	<b>P -</b>	<b>P 9,825,738</b>	<b>P 9,825,738</b>
June 30, 2022			
Current	P -	P 9,825,738	P 9,825,738
Non-current	-	-	-
	<b>P -</b>	<b>P 9,825,738</b>	<b>P 9,825,738</b>
Balance at January 1, 2021	P 132,568,242	P 9,825,738	P 142,393,980
Reversal of provisions	( 118,692,551)	-	( 118,692,551)
Balance at December 31, 2021	<b>P 13,875,691</b>	<b>P 9,825,738</b>	<b>P 23,701,429</b>
December 31, 2021			
Current	P 13,875,691	P 9,825,738	P 23,701,429
Non-current	-	-	-
	<b>P 13,875,691</b>	<b>P 9,825,738</b>	<b>P 23,701,429</b>

#### **24.1 Over/Under Recoveries on Generation and Transmission Costs**

ERC Resolution No. 16, “*A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities*”, as amended by Resolution No. 21, Series of 2010, requires all Distribution Utilities to file their consolidated applications to address any over/under recoveries on generation and transmission cost, as well as with the lifeline and inter-class cross subsidies. Distribution utilities are required to file their application every three years.

As ordered by the ERC on December 5, 2019, it authorized the Company to collect the amount of P43.0 million from its customers and refund the amount of P80.5 million to its customers, relative to its consolidated applications for the period January 2011 to December 2013 and for the period January 2014 to December 2016, respectively, subject to the final evaluation of its applications by the ERC. The Company completed the collection and refund of the said under and over recoveries in July 2021. In addition, the ERC issued its Order dated January 28, 2021, authorizing the Company to implement its consolidated applications for the period January 2017 to December 2019 filed in August 2020 subject to the evaluation by the ERC. The Company filed for a Motion for Reconsideration before the ERC to defer the implementation and extend the period of refund/recovery. The Company started to implement the said Order in August 2021.

The Company recognized reversal of provision for probable power cost over recoveries resulting from the refund of net over recoveries amounting to P13,875,691 and P82,113,459 for the period ended June 30, 2022 and 2021.

#### **24.2 Legal Claims**

##### *(i) Additional Charges of Power Sector Assets and Liabilities Management Corporation (PSALM)*

In a petition for dispute resolution against the PSALM et al. filed before the ERC, the Company sought to nullify the DWSA charges being billed by PSALM to the Company. In an order issued by ERC on September 2010, the Commission directed the parties to observe the status quo until such time the Commission has finally resolved the instant petition.

On October 1, 2019, ERC issued an order to deny the petition filed by the Company on the DWSA charges being billed by PSALM. However, the Company submitted a motion for reconsideration to ERC on December 9, 2019. As of June 30, 2022 and December 31, 2021, ERC is yet to decide on the motion for reconsideration submitted by the Company.

On another matter, the ERC issued in various cases an order authorizing the PSALM to implement the 10<sup>th</sup> to 17<sup>th</sup> Generation Rate Adjustment Mechanism (GRAM) and the 15<sup>th</sup>-16<sup>th</sup> Incremental Currency Exchange Rate Adjustment (ICERA) Deferred Accounting Adjustment. This order would allow PSALM to collect additional amounts from the Company over a period of 60 months as collections are made from end customers. Also, PSALM is collecting from the Company certain amount representing also the 10<sup>th</sup>-17<sup>th</sup> GRAM and 15<sup>th</sup>-16<sup>th</sup> ICERA-DAA payable over a period of 60 months. With this, the Company contested the assessment as this was not included in the September 2017 ERC order. Thus, the Company advised PSALM to first get an order from ERC authorizing the collection of this amount.

The outstanding payables to PSALM from the above transactions are presented as part of Non-Trade Payables under Trade and Other Payables account in the interim condensed statements of financial position.

On the other hand, the outstanding receivables from customers in relation to the DAA as discussed above, are presented as Accrued receivables under Trade and Other Receivables account in the interim condensed statements of financial position (see Note 10).

(ii) *Energy Supply Contract (ESC) between San Miguel Energy Corporation (SMEC) and the Company*

On another matter, ERC rendered a decision on ERC Case No. 2011-081 in August 2015, making the provisional authority granted to the Company and SMEC on July 18, 2011 permanent, to which SMEC filed a motion for clarification and reconsideration. In May 2018, the ERC issued an order resolving SMEC's motion for clarification and reconsideration, wherein the Company and SMEC were directed to comply with the submission of their proposed recovery scheme for the difference between the final approved rates and the provisionally implemented rates.

On June 13, 2019, the Company and SMEC filed a motion for approval on their proposed recovery scheme before the ERC. However, the ERC did not issue an approval yet on the filed recovery scheme. Nonetheless, the Company accrued the related revenue and cost from the proposed recovery scheme based on the difference between the final approved rates and provisionally implemented rates amounting to P68.1 million in 2019.

### ***24.3 Franchise Extension***

By virtue of R.A. No. 10795 granting extension of the Company's franchise for another 25 years (see Note 1), the Company is required to meet certain reportorial and operational obligations in relation to the Company's operation of its electric distribution system.

Section 15, Dispersal of Ownership, of R.A. No. 10795 provides that the grantee should offer at least thirty percent (30%) of its outstanding capital stock or a higher percentage to Filipino citizens, as well as Section 43 (t) of R.A. 9136, otherwise known as the EPIRA, which requires distribution utilities to offer and sell to the public a portion of no less than fifteen percent (15%) of its common shares (the "public offering requirement"). With the SEC's approval of the Company's Registration Statement on June 28, 2021 and the subsequent offering, the Company is now deemed to have duly complied with the public offering requirement under its franchise and the EPIRA.

### ***24.4 Others***

There are other commitments and contingencies that arise in the normal course of operations that are not reflected in the accompanying interim condensed financial statements. As of June 30, 2022 and December 31, 2021, management is of the opinion that losses, if any, arising from these commitments and contingencies will not have a material effect on the Company's interim condensed financial statements.



## **25. SEASONAL OR CYCLICALITY OF OPERATIONS**

The energy sector's production is widely based on consumer demand. Since the Philippines is a tropical country, the Company's revenues tend to increase during the dry months of March to July. Profits of the Company tends to increase again normally during the last four months of the year, which is the holiday season due to large foot traffic in malls and other establishments and the overall increase in activity in the mentioned months.

## **PART II: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

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*The following discussions should be read in conjunction with the Unaudited Condensed Interim Financial Statements of Tarlac Electric Inc. (“TEI” or the “Company”) as of and for the period ended 30 June 2022 (with comparative figures as of 31 December 2021 and for the period ended 30 June 2021).*

### **DISCUSSION ON CHANGES IN FINANCIAL POSITION**

#### **For the Six (6) Month Period Ended 30 June 2022 and Period Ended 31 December 2021**

As of 30 June 2022, Total Assets amounted to Three Billion One Hundred Thirty-Four Million Two Hundred Sixty-Nine Thousand Pesos (₱3,134,269,000.00) consisting of Non-Current Assets of One Billion Nine Hundred Eight Million Five Hundred Eighty-One Thousand Pesos (₱1,908,581,000.00) and Current Assets of One Billion Two Hundred Twenty-Five Million Six Hundred Eighty-Nine Thousand Pesos (₱1,225,689,000.00). As of 31 December 2021, Total Assets amounted to Three Billion Thirty-Six Million Five Hundred Sixty-One Thousand Pesos (₱3,036,561,000.00) consisting of Non-Current Assets of One Billion Eight Hundred Two Million Two Hundred Sixty-Five Thousand Pesos (₱1,802,265,000.00) and Current Assets of One Billion Two Hundred Thirty-Four Million Two-Hundred Ninety-Five Thousand Pesos (₱1,234,295,000.00).

A minimal increase of five and 90/100 percent (5.90%) was noted in the Company’s Non-Current Assets. The increase is primarily due to the increase in Other Non-current Assets of Three Million Seven Hundred Eighty-Seven Thousand Pesos (₱3,787,000.00), and Property Plant and Equipment of One Hundred Three Million Three Hundred Fifty-Two Thousand Pesos (₱103,352,000.00), which reflects the completed and on-going construction of TEI’s capital expenditure projects such as, but not limited, to the construction of the Company’s Main Headquarters, the extension, upgrading, and rehabilitation of the Company’s primary, secondary, and sub-transmission lines, upgrading and rehabilitation of existing substations and construction of new substations, purchase and installation of meters and distribution transformers, and purchase of various software, information technology and communication equipment. The increase was mitigated by decrease in Deferred Tax Assets by Eight Hundred Twenty-Four Thousand Pesos (₱824,000.00).

Total Current Assets decreased by 70/100 percent (0.70%). The decrease is primarily due to the decrease in Cash and Cash Equivalents by Seventy-Four Million Five Hundred Sixty-Five Thousand Pesos (₱74,565,000.00) particularly due to cash used in Investing Activities of One Hundred Fifty Million Two Hundred Forty-Three Thousand Pesos (₱150,243,000.00) and Financing Activities of Ninety-Nine Million Four Hundred Eighty-Seven Thousand (₱99,487,000.00) against the cash provided by Operating Activities of One Hundred Seventy-Five Million One Hundred Sixty-Five Thousand Pesos (₱175,165,000.00).

TEI’s Total Liabilities increased by Twelve Million Four Hundred Fifty-Seven Thousand Pesos (₱12,457,000.00). As of 30 June 2022, Total Liabilities amounted to One Billion Four Hundred

Sixty-Eight Million Seven Hundred Fifty-Four Thousand Pesos (₱1,468,754,000) consisting of Non-Current Liabilities of Six Hundred Five Million Two Hundred Thirty-Eight Thousand Pesos (₱605,238,000.00) and Current Liabilities of Eight Hundred Sixty-Three Million Five Hundred Sixteen Thousand Pesos (₱863,516,000.00). As of 31 December 2021, Total Liabilities amounted to One Billion Four Hundred Fifty-Six Million Two Hundred Ninety-Seven Thousand Pesos (₱1,456,297,000.00) consisting of Non-Current Liabilities of Five Hundred Ninety-Three Million Four Hundred Seventy-Two Thousand Pesos (₱593,472,000.00) and Current Liabilities of Eight Hundred Sixty-Two Million Eight Hundred Twenty-Five Thousand Pesos (₱862,825,000.00).

TEI's Total Non-Current Liabilities increased by one and 98/100 percent (1.98%) amounting to Eleven Million Seven Hundred Sixty-Six Thousand Pesos (₱11,766,000.00). The increase is primarily due to the increase in Refundable Deposits of Ten Million Nine Hundred Sixty-Five Thousand Pesos (₱10,965,000.00), and increase in Advances from Customers by Ten Million Six Hundred Seventy-Eight Thousand Pesos (₱10,678,000.00). The increase is mitigated by the decrease in Accrued Expenses of Seven Million Five Hundred Seventeen Thousand Pesos (₱7,517,000.00) and Interest-Bearing Loans and Borrowings of Two Million Twelve Thousand Pesos (₱2,012,000.00).

The Company's Current Liabilities had a minimal increase of Six Hundred Ninety-One Thousand Pesos (₱691,000.00). The increase is brought by the increase in Trade Payables of thirty-one and 15/100 percent (31.15%), and Accrued Expenses and Other Payables of one and 02/100 percent (1.02%). The increase is mitigated by the full payment of Dividends Payable amounting to Fifty-Four Million Pesos (₱54,000,000.00), decrease in Provisions by fifty-eight and 54/100 percent (58.54%), and decrease Interest-Bearing Loans and Borrowings by twenty-two and 21/100 percent (22.21%).

The Company is required to maintain a current ratio of at least 1.0x, a debt-to-equity ratio of 70:30, and a debt service coverage ratio of at least 1.01x, in line with its credit line facility with the Development Bank of the Philippines (DBP). These were met by the Company as of 30 June 2022 and 31 December 2021.

Total Equity increased by Eighty-Five Million Two Hundred Fifty-Three Thousand Pesos (₱85,253,000.00). The increase is primarily due to the Company's result of operations for the period ended 30 June 2022.

On 07 July 2020, the Securities and Exchange Commission approved the conversion of the Company's Two Hundred Thousand (200,000) Class A common shares with par value of One Thousand Pesos (P1,000.00) per share to Two Million (2,000,000) common shares with par value of One Hundred Pesos (P100.00) per share, thereby increasing its issued and outstanding capital stock to Four Million (4,000,000) common shares.

On 28 June 2021, the Securities and Exchange Commission (SEC) approved the Company's Registration Statement of Five Million Seven Hundred Fifty Thousand (5,750,000) common shares, out of which, One Million Seven Hundred Fifty Thousand (1,750,000) common shares will be issued and offered for sale to the general public by way of primary offering at an initial price of P380 per share pursuant to Sections 8 and 12 of the Securities Regulation Code.

On 19 July 2019, the BOD approved the extension of the 2018 appropriation until 30 June 2020. This appropriation was reversed as approved by the BOD in February 2020.

On 18 December 2020, the BOD approved a new appropriation of P120,000,000 for the planned acquisitions and related construction of property and equipment for 2021. This appropriation was reversed by the BOD in December 2021.

On 17 December 2021, the BOD approved a new appropriation of P130,000,000 for planned acquisitions and related construction of property and equipment for 2022.

## **DISCUSSION ON RESULTS OF OPERATIONS**

### **For the Period Ended 30 June 2022 and 2021**

#### **Revenues**

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, Penalties and Surcharges on overdue accounts, Violation of Contract Charges, and Pole Rental.

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

Distribution Charges are based on the last approved rates of the Company for regulatory year 2014 under a Performance-Based Regulation basis. No changes to distribution charges can be made by the Company without the ERC's approval.

The Company distributes electricity to six (6) customer classes, namely: (1) Residential; (2) Small Commercial; (3) Secondary; (4) Primary; (5) 69KV; and (6) Streetlights.

Total Revenue for the period ended 30 June 2022 and 2021 are as follows:

<b>Revenue</b>	<b>2022 (in thousands)</b>	<b>%</b>	<b>2021 (in thousands)</b>	<b>%</b>
Generation	₱ 1,373,885.00	65.94%	908,644.00	59.17%
Distribution	311,350.00	14.94%	300,928.00	19.60%
Transmission	179,463.00	8.61%	132,539.00	8.63%
System loss	68,584.00	3.29%	54,010.00	3.52%
Supply	64,477.00	3.10%	63,338.00	4.12%
Metering	61,779.00	2.97%	60,434.00	3.94%
Others	23,903.00	1.15%	15,650.00	1.02%
<b>TOTAL</b>	<b>₱ 2,083,441.00</b>	<b>100.00%</b>	<b>1,535,543.00</b>	<b>100.00%</b>

The sale of electricity increased by thirty-five and 68/100 percent (35.68%) for the six (6) month period ended 30 June 2022, compared to the same period in 2021. The increase is a result of the increase in the Company's demand and energy sales, and higher generation charge compared to 2021.

The following table summarizes the energy sales per customer class for the period ended 30 June 2022 and 2021, as well as the customer count as of 30 June 2022 and 2021:

<b>Customer Class</b>	<b>Energy Sales in MWh</b>			<b>No. of Customers</b>		
	<b>2022</b>	<b>2021</b>	<b>% Inc/(Dec)</b>	<b>2022</b>	<b>2021</b>	<b>% Inc/(Dec)</b>
Residential	91,553	92,250	-0.76%	83,494	81,378	2.60%
Small Commercial	22,151	19,311	14.71%	5,033	4,824	4.33%
Secondary	24,320	23,476	3.60%	248	245	1.22%
Primary	86,343	78,793	9.58%	62	57	8.77%
69 KV	13,275	13,164	0.84%	2	2	0.00%
Streetlights	1,234	1,411	-12.54%	31	32	-3.13%
<b>Total</b>	<b>238,876</b>	<b>228,405</b>	<b>4.58%</b>	<b>88,870</b>	<b>86,538</b>	<b>2.69%</b>

As of 30 June 2022, the Company's total energy sales increased by four and 58/100 percent (4.58%) or by Ten Thousand Four Hundred Seventy-One megawatt hours (10,471MWh) from Two Hundred Twenty-Eight Thousand Four Hundred Five megawatt hours (228,405MWh) in 2021 to Two Hundred Thirty-Eight Thousand Eight Hundred Seventy-Six megawatt hours (238,876MWh) in 2022. The Company's total number of customers likewise increased by two and 69/100 percent (2.69%) or a total of Two Thousand Three Hundred Thirty-Two (2,322) customers.

### **Costs and Expenses**

The consolidated costs and expenses for the six (6) month period ended 30 June 2022 amounted to One Billion Nine Hundred Nine Hundred Eighty Million Eight Hundred Ten Thousand Pesos (₱1,980,810,000.00), which is higher by Five Hundred Twenty-Two Million Three Hundred Ninety-Seven Thousand Pesos (₱522,397,000.00) compared to the consolidated costs and expenses of One Billion Four Hundred Fifty-Eight Million Four Hundred

Thirteen Thousand Pesos (₱1,458,413,000.00) in 2021. The table below shows the breakdown of consolidated costs and expenses:

Particulars	<i>in Thousands</i>		% Inc/(Dec)
	2022	2021	
Net purchased power	₱ 1,706,249.00	₱ 1,191,073.00	43.25%
Salaries and employee benefits	72,519.00	72,038.00	0.67%
Depreciation and amortization	50,735.00	50,781.00	-0.09%
Outside services	46,020.00	38,564.00	19.33%
Taxes and licenses	22,417.00	18,773.00	19.41%
Repairs and maintenance	18,146.00	18,050.00	0.53%
Rent	17,612.00	17,432.00	1.03%
Utilities	11,144.00	8,227.00	35.46%
Impairment losses	10,588.00	7,139.00	48.31%
Security Services	10,157.00	10,001.00	1.56%
Professional fees	2,309.00	13,200.00	-82.51%
Transportation and travel	2,232.00	1,355.00	64.72%
Office supplies	1,867.00	2,743.00	-31.94%
Insurance	1,580.00	1,971.00	-19.84%
Representation	826.00	756.00	9.26%
Others	6,409.00	6,310.00	1.57%
<b>TOTAL</b>	<b>₱ 1,980,810.00</b>	<b>₱ 1,458,413.00</b>	<b>35.82%</b>

The net purchased power, consisting of generation and transmission costs net of any applicable discounts, accounted for eighty-six and 14/100 percent (86.14%) and eighty-one and 67/100 percent (81.67%) of the total costs and expenses for the six (6) months ended 30 June 2022 and 2021, respectively. The electricity distributed by the Company is purchased through its Power Purchase Supply Agreement (PPSA) duly approved by the ERC, whereas any imbalance was purchased from the WESM. The net purchased power cost in 2022 increased by forty-three and 25/100 percent (43.25%) from 2021 due to the higher pass-through generation cost as a result of higher coal and fuel prices, as well as WESM prices during the period.

Salaries and Employee Benefits amounting to Seventy-Two Million Five Hundred Nineteen Thousand (₱72,519,000.00) increased by 67/100 percent (0.67%) compared to same period last year.

Outside services amounting to Forty-Six Million Twenty Thousand Pesos (₱46,020,000.00) is higher by nineteen and 33/100 percent (19.33%) compared to last year. Outside services include information system services, customer-related expenses such as billings and collections, meter reading, and messengerial and janitorial services, among others.

Taxes and licenses which amounted to Twenty-Two Million Four Hundred Seventeen Thousand Pesos (₱22,417,000.00) is higher by nineteen and 41/100 percent (19.41%) amounting to One Million Seven Hundred Ninety Thousand Pesos (₱3,644,000.00) compared to the previous year primarily due to higher real property tax paid for 2022 compared to 2021



and higher revenue for the period which is the basis of local franchise tax accrued for the six (6) months period ended 30 June 2022.

Rent Expense amounting to Seventeen Million Six Hundred Twelve Thousand Pesos (₱17,612,000.00) increased by one and 03/100 percent (1.03%) compared to 2021.

Professional Fees amounting to Two Million Three Hundred Nine Thousand Pesos (₱2,309,000.00) is lower by Ten Million Eight Hundred Ninety-One Thousand Pesos (₱10,891,000.00). Professional fees incurred relative to the Company's registration with the Securities and Exchange Commission are included in the 2021 balance. These were adjusted against the Additional Paid-In Capital balance in December 2021.

Other expenses consisting of depreciation, utilities, office supplies, insurance, transportation and travel, representation expenses and other necessary operating expenses accounted for four and 94/100 percent (4.94%) of the total costs and expenses for the six (6) month period ended 30 June 2022. Said expenses had decreased by four and 52/100 percent (4.52%) compared to the same period last year.

The Company's Cost of Electricity Sold which amounted to One Billion Eight Hundred Nineteen Million Six Hundred Thirty-Seven Thousand Pesos (₱1,819,637,000.00) for the six (6) month period ended 30 June 2022 is thirty-eight and 72/100 (38.72%) higher compared to the One Billion Three Hundred Eleven Million Seven Hundred Thirty-Two Thousand Pesos (₱1,311,732,000.00) of the same period in 2021. The details of costs and expenses are summarized in the following table:

Particulars	<i>in Thousands</i>	
	2022	2021
Purchased Power	₱ 1,706,249.00	₱ 1,191,073.00
Salaries and Employee Benefits	31,257.00	30,031.00
Depreciation Expense	27,191.00	24,312.00
Outsourced Services	25,010.00	38,564.00
Rental Expense	16,158.00	14,448.00
Repairs and Maintenance	13,772.00	13,304.00
<b>Total</b>	<b>₱ 1,819,637.00</b>	<b>₱ 1,311,732.00</b>

### Other Charges

Reversal in the Provisions for the period ended 30 June 2022 amounting to Thirteen Million Eight Hundred Seventy-Six Thousand Pesos (₱13,876,000.00) pertains to the amount of net refund to customers per Order issued by the Energy Regulatory Commission for ERC Case No. 2020-030 CF dated 28 January 2021.

The net finance costs for the period ended 30 June 2022 amounting to Three Million Seven Hundred Seventy-Six Thousand Pesos (₱3,776,000.00) pertains to interest and finance

charges incurred by the Company on loans and refundable deposits, net of interests earned on bank deposits and gain from reversal of accounts previously written-off.

## KEY PERFORMANCE INDICATORS

The relevant key performance indicators of the Company are shown in the following table:

	30 June 2022	31 December 2021
Return on Equity		
<i>Net Profit divided by Total Equity</i>	0.05	0.23
Return on Assets		
<i>Net Profit divided by Average Assets</i>	0.03	0.07
Debt to Equity Ratio		
<i>Total Liabilities divided by Total Equity</i>	0.88	0.92
Current Ratio		
<i>Total Current Assets divided by Total Current Liabilities</i>	1.42	1.43
Average Collection Period		
<i>Average Current Trade and Other Receivables divided by Average Sales (Annualized) per day (Sale of Electricity divided by no. of days (365 days if one whole year))</i>	59 days	82 days

## LIQUIDITY RISKS

The Company considers the following items to pose a risk on its ability to meet its obligations as they fall due: close of business due to pandemic, labor strike, typhoon or any force majeure event, and non-payment or delays in payment by its customers.

The Company manages its liquidity risks by carefully monitoring scheduled debt servicing payments as well as cash outflows due in a day-to-day business. Liquidity needs are monitored periodically, on a day-to-day, week-to-week basis, as well as on the basis of a rolling 30-day projection.

As of 30 June 2022, the Company's financial liabilities have contractual maturities as shown below:

	Current		Non-current	
	Within 6 months	6-12 months	1-5 years	Later than 5 years
Trade payables	437,630,664			
Accrued expenses and other payables (excluding tax-related liabilities)	191,555,812	49,952,445		
Interest-bearing loans and borrowings	132,682,452	2,527,324	684,740	
Advances from customers	37,816,876		164,525,416	
Dividends Payable				
Refundable Deposits				395,283,429
	<u>P 799,685,804</u>	<u>P 52,479,769</u>	<u>P 165,210,156</u>	<u>P 395,283,429</u>

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

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

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

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

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

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

The Company does not have any material commitments for capital expenditures other than those described under the *Annex "D"* of this report.

## COMMITMENTS AND CONTINGENCIES

The breakdown of the Company's provisions are as follows:

	Power Cost Over (Under) Recoveries (Note 24.1)	DWSA (Note 24.2)	Total
Balance at January 1, 2022	P 13,875,691	P 9,825,738	P 23,701,429
Reversal of provisions	( 13,875,691)	-	( 13,875,691)
Balance at June 30, 2022	P -	P 9,825,738	P 9,825,738
June 30, 2022			
Current	P -	P 9,825,738	P 9,825,738
Non-current	-	-	-
	P -	P 9,825,738	P 9,825,738
Balance at January 1, 2021	P 132,568,242	P 9,825,738	P 142,393,980
Reversal of provisions	( 118,692,551)	-	( 118,692,551)
Balance at December 31, 2021	P 13,875,691	P 9,825,738	P 23,701,429
December 31, 2021			
Current	P 13,875,691	P 9,825,738	P 23,701,429
Non-current	-	-	-
	P 13,875,691	P 9,825,738	P 23,701,429

**TARLAC ELECTRIC INC.**  
**LIST OF SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2022**  
**(UNAUDITED)**

Schedule	Content	Page No.
<b><i>Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68</i></b>		
A	Financial Assets Financial Assets at Fair Value Through Profit or Loss Financial Assets at Fair Value Through Other Comprehensive Income Financial Assets at Amortized Cost	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	*
D	Long-term Debt	3
E	Indebtedness to Related Parties	4
F	Guarantees of Securities of Other Issuers	**
G	Capital Stock	5
<b><i>Other Required Information</i></b>		
	Reconciliation of Retained Earnings Available for Dividend Declaration	6
	Map Showing the Relationship Between the Company and its Related Parties	***
	Supplemental Schedule of Financial Soundness Indicators	7
	Aging of Accounts Receivable	8
*	<i>The Company does not prepare any consolidated financial statements</i>	
**	<i>The Company does not have guarantees of securities of other issuers</i>	
***	<i>The Company does not belong to a group of companies</i>	

**TARLAC ELECTRIC INC.**

Schedule A

**Financial Assets - Fair Value Through Profit or Loss, Fair Value Through Other Comprehensive Income and Amortized Cost**

**JUNE 30, 2022**

**(UNAUDITED)**

<b>Name of Issuing Entity and Accosiation of Each Issue</b>	<b>Number of Shares or Principal Amount of Bonds or Notes</b>	<b>Amount Shown in the Statement of Financial Position as of Reporting Period</b>	<b>Value Based on Market Quotation at End of Reporting Period</b>	<b>Income Received and Accrues</b>
<i>Fair Value Through Profit or Loss (FVTPL)</i>				
	N/A	N/A	N/A	N/A
<i>Fair Value Through Other Comprehensive Income (FVTOCI)</i>				
	N/A	N/A	N/A	N/A
<i>Financial Assets at Amortized Cost</i>				
Cash and cash equivalent		324,457,082.00	324,457,082.00	172,294.00
Trade and other receivables - net		709,691,764.00	709,691,764.00	
Refundable deposits		3,246,681.00	3,246,681.00	
Others		32,495.00	32,495.00	
<b>Total</b>		<b>1,037,428,022.00</b>	<b>1,037,428,022.00</b>	<b>172,294.00</b>

**TARLAC ELECTRIC INC.**

**Schedule B**

**Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**

**JUNE 30, 2022**

**(UNAUDITED)**

Name	Balances at Beginning of the Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-Current	
Receivable from Employees	1,571,123.00	1,505,754.00	2,004,313.00				1,072,564.00

Note:

*The total amount is included as part of Other prepayments under the Other Current Assets account in the interim condensed statement of financial position*

**TARLAC ELECTRIC INC.**

**Schedule D**

**Long-term Debt**

**JUNE 30, 2022**

**(UNAUDITED)**

Name of Bank	Amount Shown Under Caption "Current Portion of Interest-bearing Loans and Borrowings " in Related Statement of Financial Position	Amount Shown Under Caption "Non-current Portion of Interest-bearing Loans and Borrowings " in Related Statement of Financial Position
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Banco de Oro Loans Payable	40,000,000	-
China Banking Corporation Loans Payable	80,000,000	-
Development Bank of the Philippines Loans Payable	-	
Maybank Philippines, Incorporated Loans Payable	-	
Metropolitan Bank and Trust Company Loans Payable	10,000,000	-
Mortgage Payable	5,209,776	684,740
<b>Total</b>	<b>135,209,776</b>	<b>684,740</b>



**TARLAC ELECTRIC INC.**  
**Schedule E**  
**Indebtedness to Related Parties**  
**JUNE 30, 2022**  
**(UNAUDITED)**

<b>Name of Related Party</b>	<b>Balance at Beginning of Period</b>	<b>Balance at End of Period</b>
Tarlac Power Corporation*	20,764,275	28,533,243
Meka Corporation*	804,741	644,782
ETM Incorporated*	373,735	442,980

**Supplementary information on Indebtedness to Related Parties**

\* *The total amount is presented as part of Trade Payables in the interim condensed statement of financial position*

**TARLAC ELECTRIC INC.**  
**Schedule G**  
**Capital Stock**  
**JUNE 30, 2022**  
*(UNAUDITED)*

Title of Issue	Number of Shares Authorized	Outstanding as Shown Under the Related Interim Condensed Statement	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common Shares - P100 par value	10,000,000	5,750,000	-	3,282,800	829,950	1,637,250.00

**TARLAC ELECTRIC INC.**  
**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**JUNE 30, 2022**  
**(UNAUDITED)**

<b>Unappropriated Retained Earnings of the Company at Beginning of Year</b>	415,143,120.81
<b>Prior Periods' Outstanding Reconciling Item</b>	
Deferred tax income	-
	<hr/>
<b>Unappropriated Retained Earnings Available for</b>	
<b>Dividend Declaration at Beginning of Year, as Adjusted</b>	415,143,120.81
<b>Net Profit of the Company Realized During the Three (3) Month Period ended June 30, 2022</b>	
<b>Net Profit per interim condensed financial statements</b>	85,252,319.46
<b>Non-actual/unrealized income</b>	
Deferred tax income from deferred tax assets recognized in the profit or loss during the year	824,293.12
<b>Other Transaction During the Period</b>	
Cash dividend declaration	-
Reversal of appropriated retained earnings	-
Appropriation of retained earnings	-
	<hr/>
<b>Unappropriated Retained Earnings Available for</b>	
<b>Dividend Declaration as at June 30, 2022</b>	<b><u><u>501,219,733.38</u></u></b>

**TARLAC ELECTRIC INC.**  
**Supplemental Schedule of Financial Soundness Indicators**  
**JUNE 30, 2022 AND DECEMBER 31, 2021**  
**(UNAUDITED)**

Ratio	Formula		2022	Formula		2021
Current Ratio	Total Current Assets divided by		1.42	Total Current Assets divided by		1.43
	Total			Total		
	Current Liabilities			Current Liabilities		
	Total Current Assets	1,225,688,535		Total Current Assets	1,234,295,395	
	Divided by: Total Current			Divided by: Total Current		
	Liabilities	863,515,961		Liabilities	862,825,373	
	Current Ratio	1.42		Current Ratio	1.43	
Acid Test Ratio	Quick assets (Total Current Assets less		1.20	Quick assets (Total Current Assets less		1.19
	Other Current Assets) divided by			Other Current Assets) divided by		
	Total			Total		
	Current Liabilities			Current Liabilities		
	Total Current Assets	1,225,688,535		Total Current Assets	1,234,295,395	
	Less: Other Current Assets	191,539,689		Less: Other Current Assets	209,187,007	
	Quick Assets	1,034,148,846		Quick Assets	1,025,108,388	
	Divided by: Total Current			Divided by: Total Current		
	Liabilities	863,515,961		Liabilities	862,825,373	
	Acid Test Ratio	1.20		Acid Test Ratio	1.19	
Solvency Ratio	Total Assets divided by Total		2.13	Total Assets divided by Total		2.09
	Liabilities			Liabilities		
	Total Assets	3,134,269,323		Total Assets	3,036,560,880	
	Divided by: Total Liabilities	1,468,753,620		Divided by: Total Liabilities	1,456,297,496	
	Solvency Ratio	2.13		Solvency Ratio	2.09	
Debt-to-Equity Ratio	Total Liabilities divided by Total		0.88	Total Liabilities divided by Total		0.92
	Equity			Equity		
	Total Liabilities	1,468,753,620		Total Liabilities	1,456,297,496	
	Divided by: Total Equity	1,665,515,703		Divided by: Total Equity	1,580,263,384	
	Debt-to-Equity Ratio	0.88		Debt-to-Equity Ratio	0.92	
Assets-to-Equity Ratio	Total Assets divided by Total		1.88	Total Assets divided by Total		1.92
	Equity			Equity		
	Total Assets	3,134,269,323		Total Assets	3,036,560,880	
	Divided by: Total Equity	1,665,515,703		Divided by: Total Equity	1,580,263,384	
	Assets-to-Equity Ratio	1.88		Assets-to-Equity Ratio	1.92	
Interest Rate Coverage Ratio	Earnings before interest and taxes (EBIT)		27.67	Earnings before interest and taxes (EBIT)		14.45
	divided by Interest expense			divided by Interest expense		
	EBIT	117,717,094		EBIT	256,056,402	
	Divided by: Interest Expense	4,254,506		Divided by: Interest Expense	17,717,700	
	Interest Rate Coverage Ratio	27.67		Interest Rate Coverage Ratio	14.45	
Return on Equity	Net Profit divided by Total Equity		0.05	Net Profit divided by Total Equity		0.15
	Net Profit	85,252,319		Net Profit	176,020,077	
	Divided by: Average Total Equity	1,622,889,544		Divided by: Average Total Equity	1,206,768,080	
	Return on Equity	0.05		Return on Equity	0.15	
Return on Assets	Net Profit divided by Total Assets		0.03	Net Profit divided by Total Assets		0.06
	Net Profit	85,252,319		Net Profit	176,020,077	
	Divided by: Total Assets	3,134,269,323		Divided by: Total Assets	3,036,560,880	
	Return on Assets	0.03		Return on Assets	0.06	
Net Profit Margin	Net Profit divided by Total		0.04	Net Profit divided by Total		0.05
	Revenue			Revenue		
	Net Profit	85,252,319		Net Profit	176,020,077	
	Divided by: Total Revenue	2,083,441,847		Divided by: Total Revenue	3,230,767,851	
	Net Profit Margin	0.04		Net Profit Margin	0.05	

**TARLAC ELECTRIC INC.**  
**Aging of Accounts Receivable**  
**JUNE 30, 2022**  
**(UNAUDITED)**

<b>No. of Days Outstanding</b>	<b>Balance as of March 31, 2022</b>
0-90 days	578,967,596.17
91-180 days	11,447,651.78
181-360 days	11,755,035.63
Over 360 days	91,956,203.48
<b>Total</b>	<b>694,126,487.06</b>

**Note:**

*Amount does not include Non-Current Trade Receivables and Allowance on Impairment Loss*

**TARLAC ELECTRIC INC.  
PLANNED CAPITAL EXPENDITURES PROGRAM**

**ANNEX "D"**

Type	Category	Name	Description	Project Benefit	Impact if not Implemented	Target Completion Date	Project Cost, PhP	Quantity (ckm, MVA, MVar, MW)
Capacity	Subtransmission Facilities: Acquisition and Expansion	69kV Line Rehabilitation and Upgrading to 795 mcm ACSR conductor from NGCP Concepcion to Tarlac Junction via Maliwalo Line; and conversion to Ring Type System	Replacement of all rotten and weak 69kV pole structure and accessories; upgrading of 336 mcm ACSR conductor to 795 mcm, connecting NGCP Concepcion and Tarlac Junction, via Maliwalo Line; for incoming and outgoing fault isolation and protection: install four (4) additional Power Circuit Breakers (PCBs) and accessories,for Maliwalo and Panganiban Substations; 1.2 km 69kV Line extension from Panganiban Substation to proposed Mabini Substation using 795mcm ACSR.	This line acquired from NGCP (Transco) is too old and majority of its pole structures are starting to weaken and are vulnerable to typhoon. This concern needs to be resolved as soon as possible. Also, TEI load is growing faster than expected which demands a strong need to upgrade line to higher size (795mcm) to satisfy the N-1 line reliability. The conversion from Radial Type to Ring Type subtransmission system will yield to a more flexible switching capability. This will complement the full N-1 subtransmission line reliability of TEI since it needs no time for switching from different line sources.	TEI will not satisfy the N-1 line reliability in subtransmission level.	November 2022	56,117,315	16
Safety	Other Network Assets	Distribution Transformer (DT) Replacement and Proper Disposal for DENR Safety Compliance Batch 1 and Batch 2	Proper disposal and replacement of 15-250 kVA Polychlorinated Biphenyls (PCB) Distribution Transformers per DENR Administrative Order No. 01, Series of 2014.	The replacement of various sizes of distribution transformers is to comply with DENR safety requirement on the use of oil in the distribution system (all facilities that are using oil must be PCB-free).	The PCB contaminated distribution transformers will not be disposed properly and will not provide safety in the community which could be a non-compliance to DENR's requirement.	June 2022	104,573,590	

Type	Category	Name	Description	Project Benefit	Impact if not Implemented	Target Completion Date	Project Cost, PhP	Quantity (ckm, MVA, MVAR, MW)
Safety	Non-network Assets	Construction of new LIP Substation Switchgear and Control House to Replace the Old Structure	This project includes the replacement of the old switchgear panel model at LIP Substation, replacement and relocation of control house, and re-routing of feeder power cables.	<p>This project will address building safety concerns, particularly on the building foundation which was found to be weak. LIP substation building structure is now about 22 years old.</p> <p>This will give way to converting LIP Substation to main switch-bay substation type for a more flexible and reliable system. Also, since LIP SS is a switching substation, restructuring is found more favorable.</p> <p>This will also include the replacement of existing switchgear which is necessary to retire outdated equipment.</p>	The safety of TEI personnel on duty along with all of the company's equipment and materials present on-site will be at risk due to the weak integrity of the S/S foundation. The upgrading of its existing switchgear will also be affected, and the S/S will have to continue relying on its outdated equipment as a result.	May 2022	76,000,000	
Capacity	Substation: Additional	Proposed San Vicente SS with 25/33 MVA Transformer at Brgy. San Vicente	The general scope of work of this project is construction of New San Vicente Substation with 25/33 MVA, 69/13.8 kV, OA/FA Transformer and accessories, with building structures. This project also includes around 1.5 km of 69 kV sub-transmission line extension using 795MCM ACSR conductor.	<p>The proposed San Vicente Substation with 25/33 MVA transformer will address the following crucial concerns in the Poblacion and Northern area of Tarlac City:</p> <p>(1) It will relieve the critically loaded Panganiban Substation, which currently serves Poblacion and Northern areas. At present, Panganiban Substation is loaded by 81.52%.</p> <p>(2) It will satisfy N-1 reliability in the area. The existing set-up will breach the 70% limit on adjacent transformer capacity criteria by 2017.</p>	The Pangabiban S/S will be subjected to higher loads in the future in which the S/S might not be able to cater for all of its demand. TEI will not satisfy the N-1 reliability criteria in the area as the 70% limit on adjacent transformer capacity criteria will be breached.	December 2022	89,417,984	33
Reliability	Resiliency: System Reliability / Flexibility	Installation of 69kV Disconnect Switches and Fault Indicators	Installation of Disconnect Switches and Fault Indicators in specified locations in the 69kV system	To improve reliability in the 69kV sub transmission system	The improvement of the reliability of the 69kV sub transmission system will be negatively affected.	December 2022	4,192,825	

Type	Category	Name	Description	Project Benefit	Impact if not Implemented	Target Completion Date	Project Cost, PhP	Quantity (ckm, MVA, MVAR, MW)
Safety	Distribution Facilities: Replacement and Rehabilitation	Relocation of Poles and Upgrading of Primary Lines Due to DPWH Road Widening Project	This project includes the installation of additional poles, relocation of poles, reconfiguration of poles, and upgrading of lines from Brgy. Tibag to Brgy. Care Tarlac City due to DPWH road widening project.	The primary line poles caused obstruction at the road which was a threat in the safety of road users. It was also necessary to upgrade the lines to serve the growth in the area and to reduce the system loss.	Poles that are not relocated will be considered as road hazards and a big threat to the safety of road users. While not upgrading the primary lines will result to customer dissatisfaction as the demand continues to grow, and system losses will grow larger as well.	November 2023	6,644,918	3
Safety	Resiliency: System Reliability / Flexibility	Installation of Overhead Ground Wire at LIP Substation Feeder 2 (LIPLINE)	Installation of overhead ground wire (shield wire) at LIP Substation Feeder 2 (LIPLINE) using aluminum-clad steel wire	The frequent occurrence of lightning in the area causes forced power interruptions; the overhead ground wire that will be installed will prevent possible outages due to lightning strike which is also a threat to the safety in the area.	There will be possibilities of unsafe events for the public and potential risk on distribution equipment	April 2022	2,010,265	
Capacity	Substation: Upgrading	Upgrading of Maliwalo Substation	Additional 25/33 MVA, 69/13.8 kV, OA/FA power transformer and accessories including extension of 7.5 km underbuilt primary lines, and rehabilitation of old Maliwalo substation switchgear and control house.	The 10-MVA power transformer at Maliwalo Substation is expected to be overloaded due to the increasing number of commercial and agricultural businesses in the Maliwalo and Matatalaib area. TEI finds it necessary to have an additional transformer with a capacity 25/33MVA to meet the capacity requirement for its 10-year planning horizon.	The 10-MVA Transformer at Maliwalo Substation will be overloaded.	December 2023	96,360,373	33
Non-network Projects	Non-network Assets	Upgrade to Full SCADA Implementation for San Rafael, LIP, San Vicente, Panganiban, Maliwalo and TPC	Automation of all TEI's substations into One (1) complete SCADA system and separate it from TEI's Corporate Data Network	The project will have a central control center to monitor all substations. Power restoration will be fast as data will be accessible to the engineers for analysis in real time.	Power restoration will be slower and data will not be accessible to engineers for the analysis in real time.	December 2022	79,046,578	



Type	Category	Name	Description	Project Benefit	Impact if not Implemented	Target Completion Date	Project Cost, PhP	Quantity (ckm, MVA, MVAR, MW)
Non-network Projects	Non-network Assets	Acquisition of Additional Server and Storage System for Operations Network	The project is necessary to have a dedicated network infrastructure for operations in order to separate all corporate resources such as voice and video; to have a dedicated network and application level security infrastructure for both corporate and operations, thus mitigating threats and exploits.	The existing network system of the Company is being utilized primarily for its corporate network, whereas, the additional server and storage system will be used for the Company's operations network system. The project also aims to separate the Company's corporate and operations network systems to enhance security. The additional servers and storage facility will house the data from our SCADA project together with the control system.	There will be no additional server and sotrage system that will be used for the Company's operations network system.	June 2022	43,269,080	
Non-network Projects	Non-network Assets	Acquisition of Additional TEI Cyber Security and Threat Protection Project	The existing network system of the Company is being utilized primarily for its corporate network, whereas, the additional server and storage system will be used for the Company's operations network system. The project also aims to separate the Company's corporate and operations network systems to enhance security. The additional servers and storage facility will house the data from our SCADA project together with the control system.	The project is necessary to protect and secure TEI's Infrastructure from threats coming from virus, malware, phishing, hackers and any cyber security exploits from outside and within its network. Any breach or data loss will be detrimental to the company.	TEI infrastructure wil be vulnerable from threats coming from virus, malware, phishing, hackers and cyber security exploits from outside and within its network.	March 2022	19,584,056	
Reliability	Resiliency: System Reliability / Flexibility	Installation of Additional Fault Detection Devices and Automated Feeder Switches	Installation of fault indicators and automated feeder switches such as reclosers, motorized disconnect switches, and disconnect switches in practical locations of the 13.8 kV primary line distribution system	To increase the reliability of the system through automated switching and fault detection to restore service, thereby reducing the number of customers affected by prolonged outages. It is also important in preparation for Company's thrust to shift from conventional to SMART grid system.	There will be no reliability improvement or reduction of number of customers affected by prolonged outages.	December 2023	23,299,802	
Safety	Resiliency: System Reliability / Flexibility	Installation of Lightning Protection of Distribution Lines at Panganiban Feeder 2 (PANGSCRUZ)	Installation of 6.67 km of Overhead Ground Wire (shield wire) and Line Lightning Protection Devices (Smart Arrester i20z) in the overhead power distribution lines of Panganiban Substation Feeder 2 (PANGSCRUZ)	To prevent any possible danger, damages and/or outages due to the frequent occurrence of lightning in the area	The probability of danger, damages, and outages due to lightning will not be lessen.	June 2024	7,025,509	

Type	Category	Name	Description	Project Benefit	Impact if not Implemented	Target Completion Date	Project Cost, PhP	Quantity (ckm, MVA, MVAR, MW)
Non-network Projects	Non-network Assets	Installation of Harmonic Filter at San Rafael Office	To prevent any possible danger, damages and/or outages due to the frequent occurrence of lightning in the area	To mitigate the safety concerns and power quality parameters that are exceeding the limits. This project will provide safety for the personnel working at San Rafael Office and this will solve the problems which causes unwanted tripping and shorter life for equipment. Also, this project will help in compliance with the Philippine Distribution Code and will also encourage the industrial customers to comply with the power quality standards for their own safety.	The power quality problems in San Rafael office will not be mitigated. This will also cause a violation in the Philippine Distribution Code.	July 2024	508,929	
Non-network Projects	Non-network Assets	Purchase and Installation of Computer Equipment for Load Dispatch	Purchase and installation of computer equipment and display/projection facilities at the proposed Control Center.	TEI's Control Center will house all Network operations monitoring systems including SCADA, Radio and IP Communications, Service Crew Monitoring System and future Network Infrastructure system such as AMI and the likes.	There will be equipment, display, and projection facilities at the proposed Control Center.	December 2023	3,904,911	
Non-network Projects	Non-network Assets	Construction of San Rafael Warehouse	Construction of San Rafael Warehouse Extension, Pavers, Fence and Slabs	To properly secure to prevent any loss or theft of materials; properly store and manage inventories to prevent faster deterioration or damage due to changing weather conditions.	There will be no proper security to prevent loss or theft of materials.	December 2023	17,190,883	
Capacity	Other Network Assets	Various Metering Requirements RY2021-RY2022	Installation of various billing meters, distribution transformer check meters, including current, potential transformers, and metering module	To serve customer power requirements	The additional customer power requirements will not be served.	June 2022	83,000,000	
Capacity	Distribution Facilities: Acquisition and Expansion	Secondary Distribution Line Requirements RY2021-RY2022	Extension and Upgrading of Secondary Distribution Lines	To serve customer power requirements	The additional customer power requirements will not be served.	June 2022	24,000,000	49
Capacity	Other Network Assets	Distribution Transformer Requirements RY2021-RY2022	Installation and Upgrading of Distribution Transformers	To serve customer power requirements	The additional customer power requirements will not be served.	June 2022	55,000,000	
Capacity	Other Network Assets	Service Drop Requirements RY2021 and RY2022	Extension and Upgrading of Service Drop Wires	To serve customer power requirements	The additional customer power requirements will not be served.	June 2022	28,000,000	

Type	Category	Name	Description	Project Benefit	Impact if not Implemented	Target Completion Date	Project Cost, PhP	Quantity (ckm, MVA, MVAR, MW)
Safety	Other Network Assets	Installation of Lightning Protection of Distribution Lines at SANRAFARMENIA and LIPCAT Feeders	Installation of Overhead Ground Wire (shield wire) and Line Lightning Protection Devices (Smart Arrester i20z) in the overhead power distribution lines of SANRAFARMENIA and LIPCAT Feeders	To prevent any possible danger, damages and/or outages due to the frequent occurrence of lightning in the area	The probability of danger, damages, and outages due to lightning will not be lessen.	June 2024	9,000,000	
Capacity	Substation: Additional	Construction of Ayala Substation at Brgy. Central	Construction of new substation switchgear and control house, including the installation of 25/33 MVA, 69/13.8 kV, ONAN/ONAF power transformer and accessories.	TEI finds it necessary to have an additional substation including a transformer with a capacity of 25/33MVA to meet the capacity requirement for its 10-year planning horizon.	There will be not enough capacity of the power requirement	July 2023	272,000,000	33
Capacity	Subtransmission Facilities: Acquisition and Expansion	Extension of Subtransmission Line for Ayala Substation	Extension of subtransmission line to going to Ayala substation at Brgy. Central	TEI finds it necessary to extend the subtransmission line to meet the capacity requirement for its 10-year planning horizon.	There will be not enough capacity of the power requirement	June 2022	17,000,000	3
Other CAPEX	Other Network Assets	Installation of Dehydrating Breathers for Transformer Main Tanks	Installation of dehydrating breathers on six (6) transformer main tanks and on-load tap changers	To maximize the operating times and reliability by preventing air moisture from contaminating the oil in the power transformer	The operating time and reliability of the power transformer will no be maximized	December 2023	23,000,000	
Non-network Projects	Smart Grid	Upgrading to Advanced Distribution Management System (ADMS)	Installation, testing and commissioning of advanced distribution management system and substation automation system in all TEI substations.	Upgrading of TEI's substation network infrastructure from just data acquisition to control and management to advanced distribution management system will help the control room and substation operating personnel to monitor and control the substation. This will provide automated outage restoration and optimization of distribution system performance. Also, the project is in line with the Department of Energy's roadmap to a Smart Distribution Utility	There will be no improvement in outage restoration and optimization of distribution system performance	December 2023	35,000,000	
Non-network Projects	Non-network Assets	Acquisition of Service Vehicles	Replacement of six (6) units Old service vehicle with three (3) units of 4x2 pick-up trucks and three (3) 4x2 pick-up trucks with double cab steel canopy, and Purchasing of two (2) units 4x2 pick-up trucks and one (1) unit of 4x2 FX truck with rear aircon.	As number of customers increases, additional new service vehicles will improve service efficiency of the operations and ensure safety of company employees.	The efficiency of service of the operation will not improve.	December 2022	9,000,000	

Type	Category	Name	Description	Project Benefit	Impact if not Implemented	Target Completion Date	Project Cost, PhP	Quantity (ckm, MVA, MVAR, MW)
Non-network Projects	Smart Grid	Additional Cyber Security for TEI's Operations Technology Network	Installation, testing and commissioning of additional Cyber Security for TEI's Operations Technology Network	The upgrade of TEI's Network Infrastructure continues to improve as it complies with Department of Energy's roadmap to a Smart Distribution Utility.	There will be no enough defense on the improved threats such as cyber-attacks which will cause disruption to operation and services provided by TEI	December 2022	4,000,000	
Non-network Projects	Non-network Assets	Acquisition of Service Vehicles	Purchasing of new vehicles which includes three (3) units of brand new manlift, two (2) units of multi-utility vehicle, and one (1) line truck	As number of customers increases, additional new service vehicles and trucks will improve service efficiency of the operations.	The efficiency of service of the operation will not improve.	December 2022	37,173,000	
Non-network Projects	Smart Grid	Fiber Optic Loop	Installation of Fiber Optic Loop from NGCP Concepcion to LIP Substation and from LIP Substation to Maliwalo Substation	This will increase reliability in the TEI communication system. This communication system will be exclusive for TEI use, assuring security of data.	Security of data and reliability of communication system will be compromised	July 2022	4,719,000	
Capacity	Distribution Facilities: Acquisition and Expansion	Primary Distribution Line Requirements RY2021-RY2022	Extension and Upgrading of Primary Distribution Line	To serve customer power requirements	The additional customer power requirements will not be served.	June 2022	28,000,000	28
Non-network Projects	Non-network Assets	UCS Server Replacement	Installation, testing and commissioning of UCS Server Refresh as a replacement of the Old Network Servers.	TEI finds it necessary since existing server in San Rafael and Lazatin office already reach the end of its useful life. Also, it supports the upgrade of the network infrastructure which is line with Department of Energy's Smart Distribution Utility Roadmap (SDUR).	There will be no enough network servers to support the reliability of TEI's data storage.	March 2023	26,000,000	
Non-network Projects	Non-network Assets	Installation of additional 10 units of Uninterruptible Power Supply (UPS)	Installation of additional UPS in San Rafael and Lazatin Office to support the IT Servers and Equipment.	The upgrade of TEI's Network Infrastructure continues to improve as it complies with Department of Energy's roadmap to a Smart Distribution Utility.	The reliability of the Network Servers will be greatly affected that could result to a poor performance, slower uptime and can't maximize the potential of server virtualization. TEI's compliance with Smart Distribution Utility Roadmap by implementing Advance Distribution Management System is also affected, since it will require a reliable data storage for efficient operation.	March 2023	8,000,000	