

**DRAFT MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING  
OF TARLAC ELECTRIC INC.  
HELD ON JUNE 23, 2023 AT 10 A.M.  
VIA MICROSOFT TEAMS**

**PRELIMINARIES:**

The Corporate Secretary, Atty. Leandro Rodel V. Atienza, discussed some preliminary matters in relation to the meeting:

- That the proceedings was being recorded to allow proper documentation by the Corporation and that by staying logged in, the participants deemed to have given their consent to the recording;
- That should there be questions from the stockholders on any of the items to be discussed, the stockholders were requested to raise their hand through Microsoft teams to be recognized; lastly
- That for purposes of documenting the attendance for the meeting, all participants were requested to turn on their cameras for a quick screenshot.

**MEETING PROPER:**

**I. CALL TO ORDER/ CALLING OF THE ROLL**

The Company's 2023 Annual Stockholders' Meeting was called to order at 10:05 a.m. on 23 June 2023 by the Chairman of the Board, Engr. Vivencio M. Romero, Jr., who presided the meeting via Microsoft Teams at the Company's San Rafael Office in Tarlac City. The Corporate Secretary, Atty. Leandro Rodel V. Atienza, took the minutes of the meeting.

Prior to the actual conduct of the meeting, Ms. Floriza Forlales led a short prayer.

The Chairman introduced the members of the Board of Directors who were present during the meeting:

- Vitus M. Romero
- Maria Victoria R. San Pascual
- Venus M. Romero
- Miriam S. Galvez, independent director; and
- Vivencio M. Romero, Jr., the Chairman of the Board

The Chairman likewise introduced the Company's Corporate Secretary, Atty Leandro Rodel Atienza, and acknowledged the presence of the Company's external auditor, P&A Grant Thornton represented by the following:

1. Mr. Jun Cuaresma - COO
2. Mr. Boyet Murcia - Audit Practice Leader and incoming CEO
3. Miss Meg Punay - Partner
4. Mr. Edcel Costales - Partner
5. Miss Rhia Macasaquit - Manager

## **II. SECRETARY'S PROOF OF NOTICE OF MEETING**

The Corporate Secretary reported and confirmed that the Notice of the Stockholders' Meeting was sent to the stockholders through electronic means.

## **III. CERTIFICATION OF QUORUM**

The Corporate Secretary reported and certified that there was a quorum for the meeting since 5,640,000 shares out of the 5,750,000 shares or 98.09% out of the outstanding capital stock of the Corporation was present in person or by proxy.

## **IV. APPROVAL OF THE MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING HELD ON 28 JUNE 2022**

The Chairman submitted for approval the Minutes of the Annual Stockholders' Meeting held on June 28, 2022. Copies of the minutes were previously distributed to the Stockholders and posted on the website of the Corporation.

The Corporate Secretary presented the proposed resolution, as follows:

*“Resolved, to approve the minutes of the annual stockholders’ meeting held on June 28, 2022.”*

The Chairman asked the stockholders if there were questions on the proposed resolution.

No questions were asked on the proposed resolution. The Corporate Secretary proceeded in reporting and certifying that stockholders owning 5,640,000 shares of the Corporation have voted to approve the proposed resolution. The proposed resolution was thus adopted and approved.

## V. PRESENTATION OF THE PRESIDENT'S REPORT

The Chairman introduced the next item on the agenda which was the presentation of the President's Report by the Company's President and General Manager, Engr. Vitus M. Romero.

The President and General Manager presented the following report:

The Company registered a net profit of P270M for the year ended December 31, 2022, which was higher by 53.4% compared to 2021. This resulted from total revenues of P4.7B, energy sales of 480,839 MWh from 90,201 customers and a system loss of 4.80%. The Company's profit before tax and unaudited distribution net income before tax were P360M and P347M, respectively, and the Company's total assets as of December 31, 2022 was P3.4 Billion.

The increase in the Company's net profit for 2022 compared to 2021 was due to the net over recoveries on pass-through charges and increase in energy sales during the year. Generation rate in 2022 has significantly increased due to high fuel cost and WESM prices, resulting to higher generation revenue which contributed to the increase in total revenues for the year. The growth of 3.8% in energy sales likewise contributed to the increase in revenues.

The Financial Highlights for the year ended December 31, 2022 was also presented, to wit:

### *Results of Operations: Revenues*

The Company's revenues come from pass-through charges, distribution revenues and from other sources.

Pass-through charges amounting to P3.7B refer to generation, transmission and system loss. These charges increased by 59% compared to 2021 mainly due to higher rates resulting from high fuel cost, and growth in energy sales.

In 2022, the Company's distribution revenues, amounting to P881M, increased by 3% primarily due to the increase in its energy sales. Distribution revenue consisting of distribution, supply and metering charges, pertains to the Company's main source of revenue. The Company's distribution charges are based on its last approved rate application for the 4th regulatory year of its 2nd regulatory period under the Performance-Based Regulation (PBR) which ended on June 30, 2014. The Company cannot implement any changes in its distribution charges without ERC's prior approval.

Other revenues amounting to P69M pertain to net subsidies and other non-electric revenues such as pole rental, service charges and penalties on unpaid bills. Said revenues increased by 68% in 2022.

*Costs and Operating Expenses:*

The Company's Costs and Operating Expenses in 2022 amounted to P4.3B, which was higher by 38% compared to 2021. 86% of the Company's Cost and Operating Expenses pertains to net purchased power, composed of generation and transmission costs, with a significant increase of 45%. The increase in net purchased power was primarily due to high fuel cost, particularly the significant increase in the price of coal in the world market. The Company's base power supplier, GMEC, is a coal plant, whereas the Company's peaking supplier, TPC, is oil-based. WESM prices in 2022 likewise remained high. These circumstances resulted in an increase of 45% in the Company's net power cost in 2022.

The said increase in power cost also resulted to higher generation rates resulting to significantly higher local franchise tax of 29% and utilities expenses of 41%.

Salaries and employee benefits representing 4% of the Company's cost and operating expenses had no significant movement.

Outsource services remained at 3% of the Company's cost and operating expenses. An increase of 21% was noted due to the additional contractual services hired by the Company for its projects and maintenance activities.

Other accounts which had significant movement from 2021 to 2022 were the following:

Professional fees decreased by 45%. The unusually high professional fees in 2021 was due to the professional services hired by the Company for the registration of its shares with the Securities and Exchange Commission. Said services were no longer required in 2022.

Transportation and travel increased by 28%. Government agencies and other offices started to conduct meetings, public consultations, trainings, and seminars. These contributed primarily to the increase in transportation and travel for the year.

*Unaudited Distribution Net Income*

The 3% increase in distribution revenue primarily resulted from the growth in energy sales for the year. There has been no change in the Company's distribution rates.

## Draft

The increase in other income and expenses was mainly due to higher generation rates, contributing to a higher base in the computation of surcharges on past due accounts.

The increase in distribution revenue and net other income, coupled with the increase in operating costs and expenses, resulted to an increase in the unaudited distribution net income before tax of 12%.

### *Key Performance Indicators*

The Company's profitability was stable as shown in its net profit margin per year of 5-7%, return on equity of 15% to as high as 23% and return on assets of 6-8%. The increase in the Company's profitability ratio primarily resulted from the increase in energy sales and the higher generation rates during the year.

In 2022, there has been a minimal decline in the Company's liquidity, registering current ratio and debt-equity ratio at 1.2:1 and 47:53, respectively. Nonetheless, said liquidity ratios remained to be at acceptable levels.

The improved average collection period was primarily due to increased accessibility in paying customers' bills resulting from the Company's engagement with third-party payment centers as well as online payment facilities such as EC Pay, Gcash and BDO Online.

The Earnings Per Share and Book Value per Share for 2022 were P46.94 and P313.23 per share, respectively.

In addition, the President presented the Company's operations highlights for 2022.

### *Generation and Retail Rate*

Graphs showing the Company's generation rate and retail rate for the past 3 years were presented. The irregularity in the trend for the summer of 2020 can be noted. This was due to the lockdown implemented from March 16 to May 15 – demand went down, supply reserves went up, thus prices went down. Whereas generation rates and retail rates for 2022 were significantly higher than the previous years, as a result of higher fuel cost and continuing high WESM prices.

The graphs presented show the direct relationship of the Company's Generation Rate to its Retail Rate.

A table showing the retail rate for a residential customer consuming 120kWh per month was likewise presented showing the lowest rates for the year in green font, while the highest rates are shown in red font.

*Number of Customers:*

As of December 31, 2022, the Company had a total of 90,201 customers. Ninety-four percent (94%) or 84,695 of which were Residential Customers. The remaining six percent (6%) was composed of Small Commercial, Secondary, Primary, 69 kV and Streetlights. The Company's number of customers increased by 3.21% from 2021.

*Energy Sales Mix*

In 2022, the percentage of residential customer to total sales has slightly gone down from around 40% to 38% despite the increase in the number of customers and a slight increase in energy sales to non-residential customers.

In 2022, a growth of 3.75% was noted.

*Energy Sales (MWh)*

A graph showing the monthly MWh sales of the Company for 2020, 2021 and 2022 was presented. The noted dip in March 2020 resulted from the 2-month lockdown implemented due to the Pandemic, whereas the decline in November to December 2020 was due to the outages experienced in the franchise area due to Typhoon Ulysses. Comparing the behavior of the 2022 and 2021 energy sales, it was observed that the behavior of the monthly energy sales has already normalized.

*System Loss Comparison*

The Company has efficiently maintained a low system loss in the previous years, registering an even lower rate of 4.80% for 2022.

Lastly, the President gave the Company's outlook for 2023

In 2023, the prices of coal and fuel are expected to be lower but will not reach the prices prior to 2021 and WESM prices will likely be high, thus generation rate is expected to still be high. There will be no changes in the Company's distribution rates during the year.

As such, it is expected that the Company's collection efficiency will still be affected, nonetheless, the Company is committed in continuously improving its collection efficiency while trying to accommodate the needs of its customers.

The Company resumed with its capital expenditure projects in 2021. The construction of its Three-Storey Main Headquarters although incurred delays is expected to be finished by third quarter of 2023.

San Vicente Substation is expected to be operational by the end of the year.

Regulatory compliances:

1. The Company has filed for the approval of its capital expenditures projects for regulatory years 2021 and 2022 and is expected to complete the filing of its capital expenditure projects for RYs 2023 and 2024 by the 3rd quarter of the year.
2. The Company has filed for the confirmation of true-up calculation of actual weighted average tariff (AWAT) vs. its last approved maximum average price (MAP) until RY 2021. The application is for P499M under recoveries.
3. The Company also filed for the confirmation of its calculation for the over/under recovery of its pass-through costs from January 2020 to December 2022. The application is for a net under recovery of P94M.
4. The Company is in the process of preparing the data and information for its reset process for the 4th regulatory period under the performance-based regulation.

After the President's report, the President solicited questions from the stockholders. There being none, the Chairman, proceeded to the next item in the agenda.

## **VI. RATIFICATION OF THE AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2022**

The Chairman manifested that the Report of the President also included a summary of the financial condition of the Corporation based on its audited financial statements. The Chairman proceeded with the approval of the Audited Financial Statements of the Company as of December 31, 2022, which was filed with the Bureau of Internal Revenue and the Securities and Exchange Commission.

The Corporate Secretary presented the proposed resolution as follows:

*“Resolved, to note the Corporation’s Annual Report for the year 2022 and to approve the audited financial statements of the Corporation as of December 31, 2022.”*

The Chairman asked the stockholders if there were questions on the proposed resolution.

There being no questions, the Corporate Secretary was asked to present the voting results.

The Corporate Secretary reported that stockholders owning 5,640,000 shares of the Corporation have voted to approve the proposed resolution. Therefore, the resolution was approved.

**VII. RATIFICATION OF THE ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS, BOARD COMMITTEES AND MANAGEMENT FROM THE DATE OF THE LAST ANNUAL STOCKHOLDERS' MEETING UP TO 22 JUNE 2023**

The Chairman introduced the next item on the agenda which was the ratification of the Acts and Resolutions of the Board of Directors, Board Committees and Management from the Date of the Last Annual Stockholders' Meeting up to June 22, 2023.

The Corporate Secretary presented the proposed resolution as follows:

*“Resolved, to ratify each and every act and resolution, from the Date of the Last Annual Stockholders’ Meeting up to June 22, 2023 (the “Period”), of the Board of Directors (the “Board”), Board Committees exercising powers delegated by the Board, and each and every act, during the Period, of the officers of the Corporation performed pursuant to the resolutions of the Board, the Board Committees as well as pursuant to the By-Laws of the Corporation.”*

The Chairman asked the stockholders if there were questions on the proposed resolution.

There being no questions, the Corporate Secretary was asked to present the voting results.

The Corporate Secretary reported that stockholders owning 5,640,000 shares of the Corporation have voted to approve the proposed resolution. Therefore, the resolution was approved.

**VIII. RE-ALLOCATION OF THE PROCEEDS FROM THE INITIAL PUBLIC OFFER.**

The Chairman introduced the next item on the agenda which was the proposed re-allocation of the proceeds obtained from the Initial Public Offer of the Corporation.

## Draft

The Company's President, Mr. Vitus M. Romero discussed the proposed re-allocation.

As of March 31, 2023, the balance of the offering proceeds was Forty Million Two Hundred Seventy Thousand Four Hundred Ninety-Three Pesos and Fifty-Nine Centavos (P40,270,493.59). Said amount was originally allocated to the following:

- Upgrade to Full SCADA Implementation;
- Construction of Ayala Substation;
- Acquisition of Additional Cyber Security and Threat Protection;
- Additional Privacy Branch Exchange (PBX) Hardware and Licenses and Radio Communication System;
- Installation of Fiber Optic Loop;
- 69KV Line Rehabilitation and Upgrading to 795 mcm ACSR Conductor and Conversion to Ring-Type System; and
- Installation of 69KV Disconnect Switches and Fault Indicators

The proposed re-allocation was as follows:

1. The amount of Ten Million Pesos (P10,000,000.00) for the construction of the Company's San Vicente Substation;

With the impending completion of San Vicente Substation, the Company found it necessary to re-allocate portion of the balance of the offering proceeds as of March 31, 2023 to the said project.

2. The amount of Ten Million Pesos (P10,000,000.00) for the purchase of wires, poles and other line materials for the rehabilitation, maintenance and/or extension of distribution lines;
3. The amount of Five Million Pesos (P5,000,000.00) for the upgrading, replacement and/or installation of additional distribution transformers;

Items 2 and 3 were necessary to address the continuous growth in the Company's demand and number of customers, and the need to constantly upgrade the Company's distribution system to ensure safe and reliable delivery of service

4. The amount of Ten Million Pesos (P10,000,000.00) for the following information technology projects:
  - a. SCADA at Mabini Office

- b. Servers at Mabini and San Rafael Offices
  - c. Purchase of Uninterruptible Power Supply (UPS) for Mabini Office; and finally
5. The balance of Five Million Two Hundred Seventy Thousand Four Hundred Ninety-Three Pesos and Fifty-Nine Centavos (P5,270,493.59) for the construction of the Company's main building

With the impending completion of the main office building, the Company found it necessary to re-allocate portion of the balance of the offering proceeds to the construction and the related information technology projects.

The re-allocation would have no effect on the implementation of the projects where the re-allocation was coming from. Said projects would still be implemented as scheduled.

After the presentation, the Chairman asked the Corporate Secretary to present the proposed resolution.

The Corporate Secretary presented the proposed resolution as follows:

*“Resolved, to approve the re-allocation of the proceeds of the Initial Public Offer as follows:”*

- 1. The amount of Ten Million Pesos (P10,000,000.00) for the construction of the Company's San Vicente Substation;*
- 2. The amount of Ten Million Pesos (P10,000,000.00) for the purchase of wires, poles and other line materials for the rehabilitation, maintenance and/or extension of distribution lines;*
- 3. The amount of Five Million Pesos (P5,000,000.00) for the upgrading, replacement and/or installation of additional distribution transformers;*
- 4. The amount of Ten Million Pesos (P10,000,000.00) for the Company's information technology projects; and*
- 5. The balance of Five Million Two Hundred Seventy Thousand Four Hundred Ninety-Three Pesos and Fifty-Nine Centavos (P5,270,493.59) for the construction of the Company's main building.*

The Chairman asked the stockholders if there were questions on the proposed resolution.

There being no questions, the Corporate Secretary was asked to present the voting results.

The Corporate Secretary reported that stockholders owning 5,640,000 shares of the Corporation have voted to approve the proposed resolution. Therefore, the resolution was approved.

#### **IX. ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS**

The Chairman proceed to the next item on the agenda which was the Election of the Board of Directors for the year 2023 to 2024. The Chairman asked the Corporate Secretary to present the nominees qualified to be elected as members of the Board and the election results.

The Corporate Secretary presented the list of nominees and certified that the nominees were qualified to be elected as directors of the Corporation. The nominees and the proposed resolution were presented as follows:

*“Resolved, to elect the following nominees as directors of the Corporation to serve as such, beginning today until their successors are elected and qualified:”*

*Engr. Vivencio M. Romero, Jr.  
Engr. Vitus M. Romero,  
Mr. Venus M. Romero  
Ms. Maria Victoria R. San Pascual  
Engr. Miriam S. Galvez*

The Corporate Secretary likewise reported the results of election and showed the tabulation of votes with all of the nominees receiving a total of 5,639,680 votes each. Thus, the Corporate Secretary certified that all the nominees have received enough number of votes to be elected to the Board of Directors for the year 2023-2024.

#### **X. APPOINTMENT OF EXTERNAL AUDITOR**

The Chairman then introduced the next item on the agenda which was the appointment of external auditor. He asked the Corporate Secretary to present the proposed resolution.

The Corporate Secretary presented the proposed resolution as follows:

Draft

*“Resolved, as endorsed by the Board of Directors, to approve the election of P&A Grant Thornton, as external auditor of the Corporation for the year 2023.”*

The Corporate Secretary reported and certified that stockholders owning 5,640,000 shares of the Corporation have voted to approve the proposed resolution. Thus, the resolution was approved.

**XI. OTHER MATTERS**

The Chairman asked the Corporate Secretary if there were any other matters that require consideration of the Stockholders.

The Corporate Secretary reported none.

**XII. ADJOURNMENT**

There being no other matters to be discussed, the Chairman adjourned the Annual Stockholders' Meeting at 10:39 a.m.

ATTY. LEANDRO RODEL V. ATIENZA  
Corporate Secretary

ATTEST:

VIVENCIO M. ROMERO, JR.  
Chairman



**NOTICE OF THE POSTPONEMENT OF THE ANNUAL  
STOCKHOLDERS' MEETING**

**TO ALL STOCKHOLDERS:**

The Board of Directors of Tarlac Electric Inc., during its regular meeting on 17 March 2023, authorized and approved the postponement of the Annual Stockholders' Meeting ("ASM") originally scheduled to be held on the 3<sup>rd</sup> Friday of May 2023, as per the Company's Amended By-Laws, to 23 June 2023 at 10 o'clock in the morning. The postponement aims to give the Corporation sufficient time to prepare for the additional reportorial matters to be presented to the stockholders during the ASM.

The official notice and instructions for the meeting shall be sent to all stockholders prior to 23 June 2023 in accordance with SEC regulations and the corporation's by-laws.

Please be guided accordingly.

  
**ATTY. LEANDRO RODEL V. ATIENZA**  
Corporate Secretary