

 PhilRatings PHILIPPINE RATING SERVICES CORPORATION	ISSUER CREDIT RATING REPORT
	ALSONS CONSOLIDATED RESOURCES, INC. (ACR)

Date: April 17, 2024
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Analyst's Note:

For this particular rating exercise, the Issuer Credit Rating has been assigned in relation to the Company's P3.0-billion Commercial Paper (CP) Program. In view of such, from a rating standpoint, a maximum outstanding CP issuance of P3.0 billion at any one time was considered. At present, the Company has outstanding CPs amounting to P2.01 billion.

ACR's outstanding CPs as of report-writing date

Tranche	Amount (in PhP billions)	Issue Date	Maturity Date	Assigned Rating	Assigned Outlook
Series W	0.86	Jun. 16, 2023	Jun. 14, 2024	PRS Aa minus (corp.)	Stable
Series X	0.33	Nov. 29, 2023	May 29, 2024	PRS Aa minus (corp.)	Stable
Series Y	0.82	Nov. 29, 2023	Nov. 27, 2024	PRS Aa minus (corp.)	Stable
Total CPs – P2.01 billion					

A company rated PRS Aa (corp.) differs from the highest rated corporates only to a small degree, and has a STRONG capacity to meet its financial commitments relative to that of other Philippine corporates. PhilRatings also included a minus (-) sign to further qualify the rating.

A Stable Outlook, on the other hand, is assigned when a rating is likely to be maintained and or to remain unchanged in the next 12 months.

Given the above-mentioned outstanding CPs, the credit rating considers an additional P988 million within the year. ACR intends to issue a fourth tranche of up to **P516.7 million** under the CP Program in the second quarter of 2024, with the proceeds to be used for working capital and other general corporate purposes.

PhilRatings notes that ACR was able to pay all its CPs which matured since the last credit rating review.

ACR's CPs that matured since the last rating review

Tranche	Amount (in PhP billions)	Issue Date	Maturity Date
Series S	1.0	Jun. 27, 2022	Jun. 26, 2023
Series T	0.15	Dec. 23, 2022	Jun. 23, 2023
Series U	0.47	Dec. 23, 2022	Dec. 22, 2023
Series V	0.52	Jun. 16, 2023	Dec. 15, 2023
Total CPs – P2.14 billion			

RATIONALE

The start of full operations of Mindanao-Visayas Interconnection Project and the commencement of Wholesale Electricity Spot Market and Retail Competition and Open Access in Mindanao. The Mindanao-Visayas Interconnection Project (MVIP) aims for the physical integration of Mindanao with the broader Luzon-Visayas Grids. In January 2024, the interconnection project started full operations. As such, ACR can now sell its excess capacity to Visayas and Luzon, which may also help address the oversupply situation in the Mindanao region. The Wholesale Electricity Spot Market (WESM), on the other hand, is a centralized platform for buyers and sellers to trade power as a commodity. Initially, only the Luzon and Visayas Grids are integrated into WESM. In January 2023, WESM commenced operations in Mindanao. With this mechanism in place, electric cooperatives (ECs) and distribution utilities (DUs) could prevent outages by tapping the spot market to fill their power supply deficiencies. In March 2024, the Retail Competition and Open Access¹ (RCOA) was implemented in Mindanao.

Notwithstanding the foregoing, PhilRatings notes, however, that ACR's portfolio of power projects is subject to geographic concentration risk given that its power assets are highly concentrated in Mindanao. As such, the performance of its power business is more subject to the economic conditions of the region where it operates compared with other power companies which have a wider geographic footprint.

The Company's ability to establish joint ventures with strong partners for particular projects. Over the years, ACR has developed partnerships with other well-established companies which can provide more opportunities for expansion. Two of its power plants, Western Mindanao Power Corporation (WMPC) and Southern Philippines Power Corporation (SPPC), are joint ventures (JV) among ACR (55%), Toyota Tsusho Corporation (25%; TTC) of Japan, and Aboitiz Power Corporation (20%; AP). TTC is also the Company's partner for the 210-MW Sarangani Energy Corporation (SEC) coal-fired power plants. TTC is the trading arm of the Toyota Group, while AP is the power arm of the Aboitiz Group. As of report-writing date, AP has an outstanding rating of PRS Aaa, with a Stable Outlook, for its P43.3 billion in outstanding fixed-rate bonds. Moreover, Alsons Thermal Energy Corporation (ATEC), which is the holding company for ACR's coal-fired power assets, is currently in partnership with Global Business Power Corporation (GBP). With GBP's track record as the leading power producer in the Visayas, ACR can build up its power projects in Mindanao and Western Visayas, particularly in light of the recent commencement of the full operations of MVIP.

Its planned expansion projects which will further diversify its generation mix. While the current capacity of ACR harnesses energy purely from non-renewable sources, it is currently developing renewable energy (RE) projects. The Company anticipates boosting its existing hydro, coal, and diesel capacity by a total of 274.39 megawatts (MW) and its solar capacity by 188MWp² with its various projects in the pipeline. Of the 274.39MW, 105MW will come from its coal-fired power facility in Zamboanga City, 86.39MW will be attributable to the Company's ongoing and planned hydroelectric power plants (HEPPs) and the remaining 83MW will be from ACR's in-island back-up diesel power plant in Bohol. Such will be complemented by 188MWp to be derived from its solar projects. The foregoing expansion plans are in line with the Company's long-term goal of reaching a balanced generation mix (50% from non-RE sources and 50% from RE sources), serving the complete power requirements of its customers (i.e., baseload, intermediate, peaking, back-up as well as ancillary). Investing in RE will also allow the Company to diversify its revenue mix and minimize potential risks that may arise from using certain fuel types. Moreover, the government's

¹ Allows contestable customers (customers with loads in excess of 500 kW) to choose their electricity supplier

² Megawatt peak

moratorium on new coal power plants will effectively accelerate the transition to a balanced generation mix, with the expansion projects for its oil-based and RE power segments going forward.

PhilRatings noted, however, that the Company's total installed capacity has been unchanged since 2020. Most of ACR's ongoing and prospective projects, which have been part of its pipeline for over five years, have encountered several delays, particularly due to the effects of the pandemic. As such, their target commercial operation dates have, in many cases, been pushed back.

Continued recovery marked by notable revenue growth and improved profitability. In 2022, ACR's revenue significantly went up to ₱12.0 billion, up by 19.3% from ₱10.0 billion in the previous year. Such growth was attributed to improved operations and increased energy dispatch throughout the year. Despite facing elevated costs and expenses in 2022, ACR's net income grew to ₱1.9 billion, soaring by 42.4%. Such was a huge improvement from the 29.3% net income decline recorded in 2021. Alongside the increase in revenue, the growth in net income growth was also fueled by the gain recognized by KAIEDC for the lot it leased to Panhua. Nonetheless, excluding this one-time gain, ACR's net income still posted a modest 10.4% increase, reaching ₱1.5 billion.

For full year 2023, ACR posted a modest revenue growth of 3.6%, increasing from ₱12.0 billion to ₱12.4 billion. The growth was on account of increased power demand in Mindanao and the Company's participation in the WESM. ACR also managed to control its costs and expenses in 2023 which led to an improved operating margin, from 28.1% in 2022 to 30.1% in 2023. Notably, in November 2023, SPPC's long-outstanding receivables from the National Power Corporation (NPC) were fully collected, resulting in an income recognition amounting to ₱277.9 million and a reversal of expected credit losses in 2023. Such collection partially offsets the lower income from leases due to the lot sales to Panhua in 2022. Despite the modest top-line growth, ACR posted a 21.9% increase in net income, reaching ₱2.3 billion. Net profit margin, likewise, improved from 15.6% to 18.4% in 2023. EBIT interest coverage remained more than adequate at 2.6x as of end-2023.

Without the one-time claim from NPC, net income would have amounted to ₱2.0 billion.

Satisfactory liquidity, supported by positive operating cash flows. The Company has also demonstrated its ability to generate substantial cash inflows from its core business operations. In 2023, the Company's cash generated from operating activities surged to ₱6.4 billion, posting a 43.8% increase from the ₱4.4 billion generated in 2022. The Company's cash balance, however, declined to ₱2.4 billion from ₱2.8 billion as of end-2022.

With the decline in the ending cash balance, current assets also dropped in 2023 reaching ₱10.6 billion, down by 6.0% from ₱11.3 billion as of end-2022. On the other hand, current liabilities grew by 16.6%, from ₱9.8 billion to ₱11.4 billion. Current ratio, therefore, dropped to 0.9x as of end-2023. Nonetheless, EBIT interest coverage remained more than adequate at 2.6x as of end-2023.

BUSINESS PROFILE

COMPANY BACKGROUND

ACR is a publicly-listed investment holding company of the Mindanao-based Alcantara Group, through its ultimate parent, Alsons Corporation. It has core interests in energy and power generation, as well as property development.

ACR was originally known as Victoria Gold Mining Corporation and later on, as Terra Grande Resources, Inc. Established in 1974, it was formerly engaged in the business of oil exploration, petroleum and other mineral products. In 1995, it changed to its current name and it shifted its primary purpose to that of an investment holding company to mark the entry of the Alcantara Group.

Listed in Table 1 are the subsidiaries and associates of ACR as of end-September 2023. These companies are primarily engaged in investment holding, power generation, management services and real estate development.

Table 1 List of Subsidiaries of ACR as of end-September 2023

Subsidiaries	Nature of Business	Percentage of Ownership (%)	
		Direct	Indirect
Conal Holdings Corporation (CHC)	Investment Holding	100.00	
Alsing Power Holdings, Inc. (APHI)	Investment Holding	20.00	80.00
Western Mindanao Power Corporation (WMPC)	Power Generation		55.00
Southern Philippines Power Corporation (SPPC)	Power Generation		55.00
Alto Power Management Corporation (APMC)	Management Services		60.00
APMC International Limited (AIL)	Management Services		100.00
Mapalad Power Corporation (MPC)	Power Generation		100.00
Ubay Power Corporation (UPC)	Power Generation		100.00
Alsons Renewable Energy Corporation (AREC)	Investment Holding	80.00	
Siguil Hydro Power Corporation (Siguil)	Power Generation		80.00
Kalaong Power Corporation (Kalaong)	Power Generation		80.00
Sindangan Zambo-River Power Corp. (Sindangan)	Power Generation		80.00
Bago Hydro Resources Corporation	Power Generation		80.00
Alsons Thermal Energy Corporation (ATEC)	Power Generation	50.00*	
Sarangani Energy Corporation (SEC)	Power Generation		37.50
ACES Technical Services Corporation (ACES)	Management Services		50.00
San Ramon Power, Inc. (SRPI)	Power Generation		50.00
Alsons Power International Limited (APIL)	Power Generation	100.00	
Alsons Land Corporation (ALC)	Real Estate	99.55	
MADE (Markets Developers), Inc.	Distribution	80.44	
Kamanga Agro-Industrial Ecozone Development Corporation (KAED)	Real Estate	100.00	
Alsons Power Supply Company (APSC)	Customer Service	100.00	

**50% ownership plus 1 share of the total voting and total outstanding capital stock*

BUSINESS SEGMENTS

The Company’s core businesses are grouped into two major business segments – (1) Energy and Power and (2) Property Development. Aside from the foregoing, however, ACR is also engaged in other activities such as product distribution and investment holding activities. In the following table, these are shown in aggregate as ‘Other Investments’.

ACR’s Energy and Power segment remained as the Company’s main source of revenue in 2022 and in the 9M2023 as shown in Table 2. The Property Development segment, on the other hand, had a marginal contribution of less than 1% in the abovementioned periods. ACR's Other Investments came in a far second to the Energy and Power segment in terms of revenue share, accounting for 4.16% and 6.08% of the total revenues in 2022 and in 9M2023.

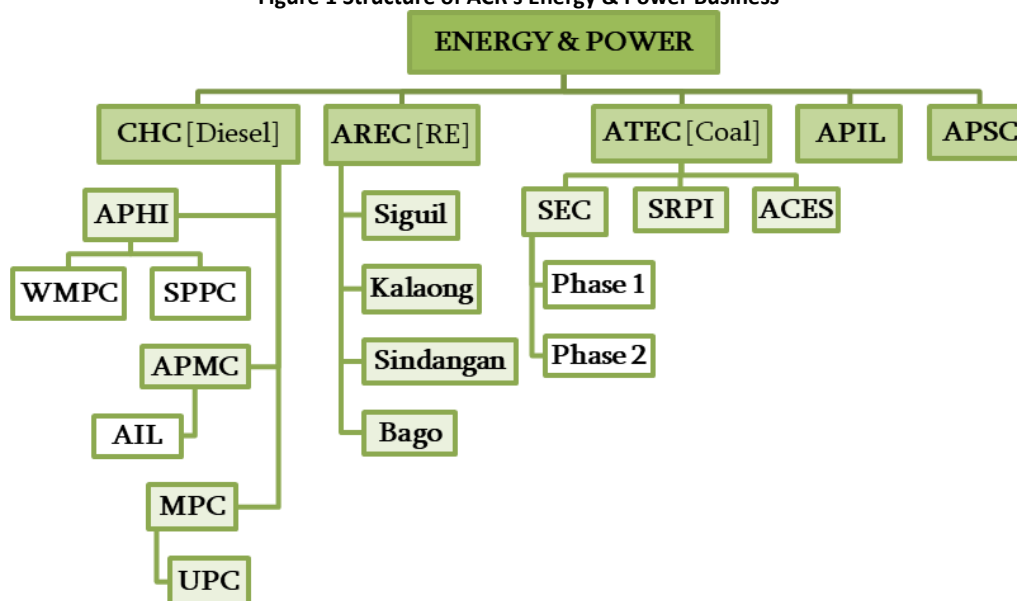
Table 2 Revenue Breakdown

	Amounts in PhP millions				% of Total			
	2021	2022	9M2022	9M2023	2021	2022	9M2022	9M2023
Energy and Power	10,092.49	12,168.16	8,781.47	10,099.86	100.45	101.49	94.90	101.05
Property Development	3.33	29.21	563.42	20.12	0.03	0.24	6.09	0.20
Other Investments	628.21	499.03	576.00	608.00	6.25	4.16	6.23	6.08
Adjustments/Eliminations	(677.18)	(707.17)	(667.89)	(732.65)	(6.74)	(5.90)	(7.22)	(7.33)
Total*	10,046.85	11,989.24	9,253.00	9,995.32	100.00	100.00	100.00	100.00

**Includes Intersegment Revenues*

Energy and Power

Figure 1 Structure of ACR's Energy & Power Business



The Company's energy and power business is mainly held by its four holding firms, namely: CHC, APHI, AREC, and ATEC. CHC owns all of ACR's diesel-fired power generation businesses. APHI, in particular, owns WMPC and SPPC. AREC, on the other hand, owns all of the Company's RE businesses while ATEC owns all of ACR's coal-fired power generation businesses. ACR is also developing power projects outside the country through its wholly-owned subsidiary, APIL.

CHC and Subsidiaries

As previously mentioned, CHC is the holding company for ACR's diesel-fired power generation assets. Under such are APHI, APMC, and MPC.

APHI directly owns two of ACR's operating power generation subsidiaries, namely, WMPC and SPPC.

WMPC operates a 100MW diesel-fired plant in Sangali, Zamboanga City. It has three outstanding power sales agreements (PSA): (1) PSA with the Zamboanga City Electric Cooperative, Inc. (ZAMCELCO) for the supply of 50MW of power to Zamboanga City until December 2025, (2) ancillary services procurement agreement (ASPA) with the NGCP until April 2024, and (3) PSA with Cagayan Electric Power and Light Company (CEPALCO) pegged at 1MW until December 2025.³ According to management, its PSA with ZAMCELCO is currently under dispute resolution following the latter's non-payment of invoices since January 26, 2023. To address this and considering that WMPC's ASPA with the NGCP is set to expire in April, the company participated anew in the competitive selection process (CSP) in January 2023 for the supply of ancillary services to NGCP. On April 18, 2023, NGCP awarded the ASPA to WMPC. The contracted capacity under the ASPA consists of 30MW for dispatchable reserve, 15MVAR/20MW⁴ for reactive power support, and for black start service⁵ for the plant's certified capacity of 100MW. The terms and conditions of the ASPA, however, are still subject to formal confirmation by the ERC.

SPPC similarly operates a 55MW diesel-fired power plant in Alabel, Sarangani Province. At present, SPPC has no outstanding PSA. According to management, SPPC is expected to resume its role as a peaking and intermediate power station in around five years' time. In the meantime, ACR is developing a solar power project that will use the vacant portion of the SPPC property to take advantage of growing preference for renewable energy.

Both WMPC and SPPC are JVs among ACR (55%), TTC (25%) of Japan, and AP (20%). TTC is the trading arm of the Toyota Group while AP is the power arm of the Aboitiz Group. As of report-writing date, AP has an outstanding rating of PRS Aaa, with a Stable Outlook, for its P43.3 billion in outstanding fixed-rate bonds.

Another power generation subsidiary of ACR through CHC is MPC. MPC operates a 103MW diesel-fired power plant in Iligan City. Similar to WMPC, MPC has been awarded an ASPA with the NGCP in April 2023. This covers a contracted capacity of 40MW for dispatchable reserve. The terms and conditions of the ASPA, however, are still subject to formal confirmation by the ERC.

Under MPC is Ubay Power Corporation (UPC). UPC is currently developing an 83MW in-island back-up power plant in Brgy. Imelda Ubay, Bohol which will supply back-up power to Energy Development

³ The foregoing PSA, which originally covers 30 MW, is indefinitely suspended at the request of CEPALCO given the current supply-demand condition within its franchise area. Instead of terminating the PSA, however, CEPALCO opted to temporarily reduce the contracted capacity to keep it in its supply portfolio.

⁴ MVAR stands for Megavolt-Amperes Reactive.

⁵ A black start is the process of restoring an electric power station or a part of an electric grid to operation without relying on the external electric power transmission network to recover from a total or partial shutdown.

Corporation's (EDC) Unified Leyte Geothermal Power Plant. The project is expected to be completed this year.

APMC, on the other hand, handles the management and the maintenance operations of the three foregoing diesel-fired power plants, as well as that of power plant projects outside the country. It is a partnership between ACR, through CHC, and TTC.⁶

AREC and Subsidiaries

AREC is the holding company for ACR's RE businesses. It currently holds 100% equity in the following companies – Siguil, Kalaong, Bago, and Sindangan.

Siguil is a 14.5MW run-of-river⁷ HEPP that is currently being built along the Siguil River basin in Maasim, Sarangani Province. This project is considered as ACR's first renewable venture. Management shared that the construction of the plant is already complete. The plant is presently undergoing testing and commissioning and is expected to be operational by June 2024.

Also in Sarangani, Kalaong is a 21MW run-of-river HEPP that will consist of three power stations built along the Kalaong River in Maitum, Sarangani Province. The project is currently under development.

Another RE project in the pipeline, Bago is a 42MW run-of-river HEPP that will consist of four power stations built along the Bago River in Negros Occidental.

Sindangan, on the other hand, is a combined 8.81MW HEPP and 29MWp⁸ solar power project located in the municipalities of Siayan and Dumingag in Zamboanga Del Norte. PhilRatings noted that the Company initially envisioned Sindangan to be a 20MW HEPP. In order to optimize the cost in meeting ZANECO's energy requirement, however, ACR decided to reduce the hydro component and introduce a solar component to the project.

Both Bago and Sindangan are currently in advanced pre-development stages.

Once completed, these projects are expected to augment the power supply in Sarangani Province, Negros Occidental, Zamboanga, General Santos City, and other key municipalities in South Cotabato.

According to management, the ongoing El Nino phenomenon in the country has no observable adverse impact on the Company's HEPPs at this moment.

ATEC and Subsidiaries

ATEC is the holding company for ACR's coal-fired power assets. It is currently a partnership between the Company and GBP. With GBP's track record as the leading power producer in the Visayas, such partnership will substantially benefit consumers and enable ACR to beef up its power projects in Mindanao and Western Visayas, particularly in light of the full energization of the MVIP in January 2024. ***(Analyst's Note:***

⁶ Source: http://alcantaragroup.com/page_energy_power.php

⁷ Run-of-the-river hydroelectric systems are those that harvest the energy from flowing water to generate electricity in the absence of a large dam and reservoir.

⁸ Megawatt peak

Kindly refer to the Mindanao Power Industry section for more details regarding the interconnection project.) It will also allow ACR to explore other energy-related projects in Southern Philippines, including opportunities in smaller islands with sizeable power demand growth potential.

Under ATEC are SEC, SRPI, and ACES.

SEC operates a 210MW coal-fired power plant in Maasim, Sarangani Province. The first phase (105MW) began commercial operations in 2016, while the second phase (105MW) began commercial operations in October 2019. It should be noted that ATEC owns 75% of SEC while the remaining 25% is owned by TTC.

SEC Phase 1 has established PSAs with four electric cooperatives (ECs) for 105MW or 100% of its capacity for a tenor of 25 years.

SEC Phase 2, on the other hand, has established PSAs with various DUs and ECs for 80MW or 76.1% of its capacity for a tenor of 25 years. Management shared that the remaining uncontracted capacity of SEC Phase 2 will supply the power needs of Panhua Integrated Steel, a Chinese steel plant that is located right beside the SEC plant. Construction of the steel plant commenced in April 2023 and will be completed by the second quarter of 2025. While waiting for the steel plant to commence operations, SEC is going to sell its uncontracted capacity to other contestable customers with the implementation of RCOA in the region.

SRPI oversees a 105MW coal-fired power plant that will be located in the Zamboanga Ecozone. The company has already begun site preparation and clearing works. Once completed, SRPI can supply power to Zamboanga City and other parts of the Zamboanga Peninsula. Of its total capacity, a 25-year contract was already entered into with ZAMCELCO for 85MW. The issuance of Notice To Proceed (NTP) for the project, however, has been deferred by the Department of Energy (DOE). According to management, deferral was mainly due to market conditions and unresolved issues with ZAMCELCO. In the meantime, ACR seeks to maintain the validity of SRPI's permits and await market signal for more base load capacity, either to contestable customers in Mindanao or to utilities and contestable customers in the Visayas and Luzon.

ACES, on the other hand, serves as the operations and maintenance provider of SEC and SRPI.

Capacity Overview

As of report-writing date, the Company had a total installed capacity of 468MW which was unchanged since 2020. Of its total capacity, 326MW or 69.65% is contracted. PhilRatings notes that the total contracted capacity is higher by 10MW or 3.16% from the last credit rating review. In terms of generation mix, on the other hand, 258MW (55.1%) of the total installed capacity is attributable to its diesel power plants while the balance of 210MW (44.9%) is attributable to its coal power generating facilities. PhilRatings notes that while its current operational plants are non-renewable power projects, its project pipeline consists mostly of renewable power projects.

Tables 3 and 4 show a summary of the Company's existing power plants and planned power projects as of report-writing date.

Table 3 Existing Power Plants as of Report-Writing Date

Power Plant	Parent Company	Expected Life	Commercial Operation Date	Location	Installed Capacity (MW)	Contracted Capacity (MW)	Contract Expiration	Fuel Type
WMPC	APHI	18 years	Dec. 1997	Zamboanga City	100	101	2024, 2025	Diesel
SPPC	APHI	28 years	Apr. 1998	Sarangani Province	55	0	-	Diesel
MPC	CHC	30 years	Jul. 1993 (MPC 1) Dec. 1993 (MPC 2)	Iligan City	103	40	*TBC	Diesel
SEC Phase 1	ATEC	25 years	April 2016	Sarangani Province	105	105	2041, 2044	Coal
SEC Phase 2	ATEC	25 years	October 2019	Sarangani Province	105	80	2041, 2044	Coal
Total Installed Capacity – 468MW Total Contracted Capacity – 326MW								

**For Final Confirmation of the ERC*

Table 4 Ongoing and Planned Power Projects

Power Plant	Parent Company	Expected Life	Target Start of Commercial Operation	Location	Capacity	Fuel Type
Siguil	AREC	35 years	June 2024	Sarangani Province	14.5MW	Hydro
SRPI	ACR	25 years	-	Zamboanga City	105MW	Coal
UPC	MPC	15 years	2024	Bohol	83MW	Diesel
Sindangan	AREC	35 years	August 2026	Zamboanga del Norte	8.89MW+ 29MWp	Hydro & Solar
Bago	AREC	35 years	June 2027	Negros Oriental	42MW	Hydro
Kalaong	AREC	35 years	-	Sarangani Province	21MW	Hydro
Bawing*	AREC	30 years	April 2026	Sarangani Province	98MWp	Solar
SPPC Solar*	CHC	30 years	March 2026	Sarangani Province	61MWp	Solar
Total Expected Additional Capacity – 274.39MW + 188MWp						

**Subject to Board Approval*

ACR anticipates boosting its existing hydro, coal, and diesel capacity by a total of 274.39MW and its solar capacity by 188MWp, with its various projects in the pipeline. Of the 274.39MW, 105MW will come from its coal-fired power facility in Zamboanga City, 86.39MW will be attributable to the Company's ongoing and planned HEPPs, and the remaining 83MW will be from ACR's in-island back-up diesel power plant in Bohol. Such will be complemented by 188MWp to be derived from its solar projects. These projects, once finished, will increase ACR's overall hydro, coal, and diesel capacity to 742.39MW and its solar capacity to 188MWp.

It is worth noting, however, that PhilRatings has observed push backs in the target commercial operation dates of the Company's power projects over the years. According to ACR, adjustments in project timelines are typically necessitated by either changes in market conditions or delays in the action of permitting authorities. Furthermore, some projects require more time to allow for changes in the technical scheme or design arising from findings in the course of the technical feasibility studies. Nonetheless, the Company assured that it adopts a proactive and agile approach to project development, adding that its track record for developing and implementing viable power projects will attest its ability to overcome challenges and complete projects.

Operational Highlights (2022 and 9M2023)

In 2022, WMPC, SEC Phase 1, and SEC Phase 2 generated lower energy while MPC recorded minimal energy output during the year. SPPC had no energy output as it is currently mothballed. All power plants'

average net dependable capacity in 2022 were unchanged from 2021. Nonetheless, the foregoing did not materially affect ACR's revenues since the Company's contracts are capacity-based.⁹

Table 5 For the Period ended December 2021

	Power Plants				
	WMPC	SPPC	MPC	SEC Phase 1	SEC Phase 2
Actual Energy Generated (GWh)	114.66	0	0	452.07	527.32
Ave. Net Dependable Capacity ¹⁰ (MW)	100.0	0	42.0	105.0	105.0
Net Capacity Factor ¹¹ (%)	13.09	0	0	49.15	57.33
Availability Factor ¹² (%)	98.90	0	100.0	93.45	93.54

Table 6 For the Period ended December 2022

	Power Plants				
	WMPC	SPPC	MPC	SEC Phase 1	SEC Phase 2
Actual Energy Generated (GWh)	99.38	0	0.45	402.72	425.23
Ave. Net Dependable Capacity (MW)	100.0	0	42.0	105.0	105.0
Net Capacity Factor (%)	11.66	0	1.48	43.78	46.23
Availability Factor (%)	95.40	0	100.0	88.35	91.64

In 9M2023, the SEC power plants continued to be the main energy producers of the Company. The balance came from WMPC. SPPC and MPC, on the other hand, had no output for the period.

Compared to 9M2022, SEC Phase 1 and Phase 2 both recorded higher energy output in 9M2023. WMPC's output for the foregoing interim period, on the other hand, was slightly lower. All power plants' average net dependable capacity in 9M2023 were unchanged from 9M2022. Given the waning effects of the pandemic, the demand for power in Mindanao has recovered in 9M2023. Moreover, ACR started selling its output to the WESM upon the commencement of the latter in January 2023.

Table 7 For the Period ended September 2022

	Power Plants				
	WMPC	SPPC	MPC	SEC Phase 1	SEC Phase 2
Actual Energy Generated (GWh)	75.24	0	0	326.19	272.41
Ave. Net Dependable Capacity (MW)	100.0	0	42.0	105.0	105.0
Net Capacity Factor (%)	11.76	0	0	47.24	39.45
Availability Factor (%)	95.68	0	100.0	98.85	88.87

Table 8 For the Period ended September 2023

	Power Plants				
	WMPC	SPPC	MPC	SEC Phase 1	SEC Phase 2
Actual Energy Generated (GWh)	64.24	0	0.14	499.97	467.15
Ave. Net Dependable Capacity (MW)	100.0	0	42.0	105.0	105.0
Net Capacity Factor (%)	10.07	0	0.05	72.41	67.66
Availability Factor (%)	90.96	0	100.0	97.40	100.0

⁹ Capital recovery fee and fixed operation and maintenance (O&M) fee are paid by the customer regardless of usage.

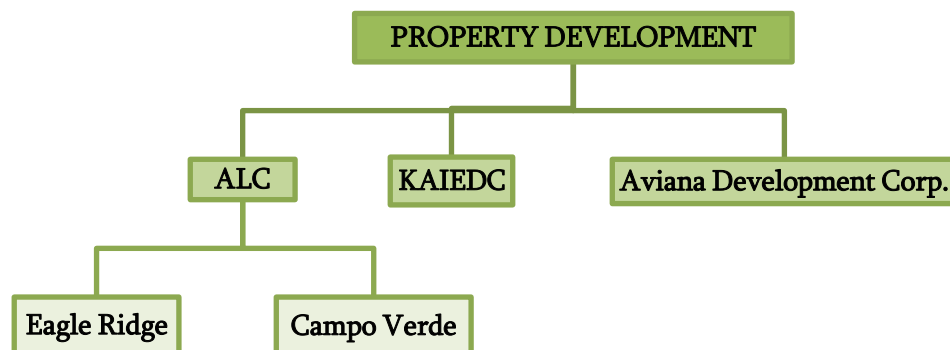
¹⁰ The maximum power a power plant can supply under specified conditions for a given time interval without exceeding approved limits of temperature and stress

¹¹ The ratio of its actual output over a period of time, to its potential output if it were possible for it to operate at full capacity indefinitely. According to the DOE, the typical capacity factors per power plant type are the following: (1) baseload - 67% and above; (2) intermediate - 23% to 67%; and (3) peaking - below 23%.

¹² The amount of time that it is able to produce electricity over a certain period, divided by the amount of the time in the period

Property Development

Figure 2 Structure of ACR's Property Development Business



ACR is also engaged in property development business through its subsidiaries, ALC and KAIEDC.

Established in 1994, ALC continues to build up its real estate portfolio thru investments in projects with immediate development potential. These include residential, commercial, mixed-use, and township and estate projects that have trading income activities (sale), high-value recurring-income businesses (rentals), JV arrangements and asset management opportunities.

The Eagle Ridge Residential Estates and the Eagle Ridge Golf & Country Club in Cavite were developed by ALC. A residential development, known as Acropolis Residential Estate Project, located inside Eagle Ridge will be launched in the second quarter of 2024. Such will offer 120 units of 300-450 square meter (sqm) lots for sale. Moreover, a commercial development, known as Eagle Ridge Town Center, is targeted to start site development in the second half of 2024.

The Campo Verde project, on the other hand, was developed by ALC in partnership with Sunfields Realty Development Inc. in 2006. Campo Verde is an 11-hectare property located inside the Lima Technology Center. ALC has acquired adjacent property for possible expansion of this project.

In 2010, KAIEDC was established to develop the Kamanga Agro-Industrial Economic Zone. This ecozone is accredited by the Philippine Economic Zone Authority (PEZA) as an agricultural and light-industry zone. Incentives prescribed by law, through PEZA, are expected to encourage enterprises to set up their business, or relocate to, this ecozone. In July 2022, KAIEDC successfully closed a long-term lease agreement for a 47-hectare property with a locator. In January 2023, another three hectares were added to the long-term lease agreement by the same locator.

Moreover, ACR's SEC plants are located in the Kamanga Agro-Industrial Economic Zone. The foregoing will be beneficial for the Company as the locators in the area will also serve as potential customers of the power plant.

ACR and Ayala Land, Inc. (ALI) also entered into a JV agreement in 2013, through Aviana Development Corporation (Aviana). As of report-writing date, ALI has an outstanding rating of PRS Aaa, with a Stable Outlook, for its P115.25 billion in outstanding fixed-rate bonds.

The JV was established to build Azuela Cove, a 26-hectare estate in Lanang, Davao City, Mindanao. According to management, the first tower of The Residences at Azuela Cove, Ayala Land Premier's (ALP) two-tower residential development inside the estate, was completed in the first half of 2023 and started turnover activities to the owners. The second tower, on the other hand, began the turnover of units to owners in January 2024. According to management, Aviana will launch Phase Two of its ALP development this year. There are ongoing discussions to locate a resort hotel and a business school inside the estate. Aviana is also looking forward to opening Phase One of its commercial retail project - Azuela High Street (AHS) in November 2024.

Table 9 Property Development Projects

	Project Launch Date	Type of Development	Location	Land Area (in ha)
Eagle Ridge Golf & Residential Estate	1997	Golf Course Development with Residential Component	General Trias, Cavite	700 ha
Kamanga Agro-Industrial Economic Zone	2011	Economic Zone	Maasim, Sarangani Province	125 ha
Campo Verde	2005	Housing Project	Malvar, Batangas	15 ha
Azuela Cove	2017	Mixed-use Community	Lanang, Davao City	26 ha

OWNERSHIP

As of end-2023, the Alcantara Group effectively owned 79.97% of the total outstanding shares of ACR through its three subsidiaries, namely: Alsons Corporation, Alsons Power Holdings Corp. (APHC) and Alsons Development and Investment Corporation (ALDEVINCO).

Table 10 Major Shareholders

Stockholder	Percentage of Ownership (%)
Alcantara Group of Companies	79.97
Alsons Corporation	41.21
APHC	19.87
ALDEVINCO	18.89
Others (including the public)	20.03
Total	100.00

Since its establishment in the 1950s, the Alcantara Group has become one of the largest and most diversified Filipino-owned conglomerates in the Philippines. Its business interests span a wide range of industries, including power generation, agribusiness, forestry, transportation, real estate development, and construction. The Group was borne out of the vision of Conrado Alcantara, a pioneering businessman who set out to tap Mindanao's vast and undeveloped resources.

Through the Alcantara Group's over 60 years of experience in its various businesses in Mindanao, ACR is able to acquire in-depth local knowledge of its operating environment.

At present, management is not aware of any peace and order concerns that could impact the Company's operations. As a preventive measure, ACR continues to enhance and implement the security programs that has assured the safety of its power plants.

MANAGEMENT

PhilRatings notes that there have been some material changes in the Company's Board of Directors and Executive Officers since the last rating review.

Tirso G. Santillan, Jr., the Chief Operating Officer (CEO) and Executive Vice-President of ACR, as well as the Head of the Power Business, retired effective March 31, 2024. Nonetheless, he shall remain a member of the Company's Board of Directors.

Replacing him as the CEO of the Power Business is Antonio Miguel B. Alcantara. Mr. Alcantara has over 15 years of experience in the energy industry, through his tenure at Alsons Power. He served as the deputy CEO of the Group prior to his appointment. He is also the Chief Investment and Strategy Officer of ACR. Given his extensive industry knowledge, Mr. Alcantara expressed his commitment to lead the Group's expansion strategies, enhance and diversify its power portfolio, and strengthen relationships with its stakeholders.

Similarly, Alexander Benhur M. Simon who had been serving as the Vice President and Chief Finance Officer (CFO) of ACR, retired from his position effective December 31, 2023. The Deputy CFO, Philip Edward B. Sagun, and the Comptroller, Carina U. Matutina, are acting as Officers-in-Charge (OIC) in the interim pending the appointment of ACR's succeeding CFO.

Nicasio I. Alcantara continues to be the Company's Chairman and President since his appointment in 2021. He previously led ACR as Chairman and President from 1995 to 2001. From 2001 to 2009, he was Chairman and Chief Executive Officer (CEO) of Petron Corporation. He currently holds leadership positions and board directorships in several companies within and outside the Group. He has over 45 years of involvement in both public and private companies, and in diverse industries. Mr. Nicasio Alcantara holds a Business Administration degree from the Ateneo de Manila University and a Master in Business Administration (MBA) degree from Sta. Clara University in California, USA.

Ms. Editha I. Alcantara remains as the Vice-Chairperson of ACR. She holds a Business Administration degree from Maryknoll College, and an MBA degree from Boston College. Ms. Alcantara became the President of C. Alcantara and Sons, Inc. in 1992 after serving as the Treasurer of the same company. Presently, she is also a Director (since 1980) and Treasurer (since October 2000) of other companies in the Alcantara Group.

ACR had a total of 504 employees as of December 31, 2023. The Company expects minimal changes in its manpower for the next 12 months. All employees of the Company, along with its subsidiaries, are not unionized.

While ACR is a family-owned corporation, family members continue to be supported by professional managers.

LEGAL ISSUES

SPPC had long-outstanding receivables that were disputed by NPC. The receivables amounted to US\$7.3 million and P96.3 million from April 25, 2005 to April 25, 2010. The dispute was first elevated to the ERC in 2013, then to the Court of Appeals (CA) in 2015 and finally to the Supreme Court (SC) later that same year. All three of them ruled in favor of SPPC. In July 2016, the SC held NPC liable to pay SPPC. On March 13, 2020, ERC issued an order recommending that SPPC file a money claim with the Commission on Audit (COA). Pursuant to the order, SPPC filed a Petition for Money Claim on June 15, 2020. On November 26, 2021, the COA partially granted SPPC's Petition for Money Claim, subject to the usual accounting and auditing rules and regulations. Management stated that although the claim is against NPC, it is actually PSALM which will pay SPPC the long outstanding receivables given the former's mandate to assume all of NPC's liabilities as per the Electric Power Industry Reform Act (EPIRA).

On March 8, 2023, COA upheld SPPC's position by resolving that PSALM is liable with NPC for the Money Claim filed by SPPC, allowing SPPC to collect the amount claimed against both NPC and PSALM. On June 1, 2023, PSALM filed its motion for reconsideration of the COA decision. SPPC, to preserve its rights, filed an opposition to PSALM's Motion for Reconsideration. As of March 15, 2024, COA has not yet resolved PSALM's Motion for Reconsideration.

Pending the resolution of PSALM's Motion for Reconsideration, NPC paid SPPC P68.64 million representing the Philippine Peso Fee Payment Portion. The US Dollar Fee Payment Portion, amounting to \$5.77 million (P317.58 million) was settled by NPC on November 29, 2023.

STRATEGY

ACR's expansion strategy is based on the needs of the Mindanao grid. The Company is positioning its diesel plants to perform roles that are not effectively and efficiently served by coal-fired power plants such as servicing intermediate and peaking capacities, as well as providing ancillary services. In addition, ACR is developing a pipeline of hydro power projects to improve its generation mix with renewable sources. Through this approach, ACR aims to mitigate fuel-type specific risks such as volatilities in fuel costs and regulatory concerns linked to certain fuel types. This will also allow the Company to provide a complete power solution to the Mindanao grid and therefore, diversify its revenue and cash flow sources.

In particular, the Company's project pipeline consists of various non-RE and RE power projects that aim to create a balanced generation mix of 50% RE and 50% non-RE over the long term. This target is consistent with DOE's aims to increase the share of RE in the country's energy mix to 50% by 2040. PhilRatings notes, however, that the Company's current generation mix is still 100% non-renewable.

The Company expects the continued strong performance of its coal-fired powerplants considering the termination of RESA¹³ contracts of bilateral customers. Moreover, since the commencement of WESM¹⁴ in Mindanao, ACR has been seeing higher dispatch from its customers. The Company's DU customers prefer to dispatch more power from the SEC coal plant to lessen their exposure to the fluctuations of electricity prices in the WESM.

¹³ Renewable Energy Supply Agreement

¹⁴ The WESM is the country's trading floor of electricity which was launched last January 26, 2022. It is a centralized venue for buyers and sellers to trade electricity as a commodity, where prices are based on actual demand and supply.

Considering the oversupply situation in the region, ACR's diesel power plants are serving only as providers of ancillary services and back-up supply in Mindanao. Nonetheless, the beginning of MVIP's full operations in January 2024 will open new opportunities for the Company's diesel assets as this will enable the export of the region's excess capacity to the other parts of the country. Such will pave the way for new RE facilities to be built without compromising grid stability.

Given the strong demand for RE in the markets which it serves, ACR is currently directing most of its resources to the development and construction of various RE projects which it will roll out in the next five years. Of the various available RE sources in the country, PhilRatings notes that hydro and solar are the main priority technologies of ACR in developing its RE projects.

While bulk of its power projects are located in Mindanao, the Company is also looking at potential projects in Luzon and Visayas.

Another potential sales channel for ACR's power business is the recent commencement of the Retail Competition and Open Access (RCOA) in Mindanao in March 2024. Aside from the traditional bilateral contracts with distribution utilities, the Company can now sell power that it produces to commercial and industrial customers directly. This expanded marketing universe could help increase the Company's revenues going forward. Among the products that the Company can offer to contestable customers are back-up power supply and a balanced energy mix. While RE are preferred by most customers, it can have intermittency. As such, a balanced mix involving diesel and coal will make the mix reliable.

Environmental, Social, and Governance (ESG) Report

In relation to its environmental impact, ACR engages only in projects and activities that comply with environmental laws. Its power subsidiaries abide by the regulations embodied in the Electric Power Industry Reform Act (EPIRA). All its plants meet the exhaust emission standards set by the Department of Environment and Natural Resources (DENR).

Moreover, meeting its desired energy usage and practicing energy conservation as much as feasible have been top priorities of the Company in their daily operations. ACR advocates responsible resource management and seeks to strengthen its competitiveness by conserving energy and resources, reducing environmental loads, and improving productivity. The Company's actions and decisions were guided by its Environmental Management System that is certified in accordance with the requirements of ISO 14001:2015.

In terms of its social impact, the Company advocates for diversity and inclusion within its organization. At present, ACR is establishing best practices as an Equal Opportunity employer to attract and retain quality talent and bolster its reputation with its stakeholders. ACR also established relevant policies on anti-discrimination, anti-harassment, and human rights that aligned with relevant and existing labor laws and standards. Regarding the health and safety of its employees, the Company ensures that the organization remains fully compliant with relevant legislation, Codes of Conduct, and the Zero Accident Vision as articulated in its Occupational Health and Safety Management System.

Lastly, in the area of Corporate Governance, ACR promulgates its Anti-Corruption Policy and practices through its Code of Business Conduct and Ethics that covers all employees, as well as business partners and suppliers. The Internal Audit team regularly conducts a review of the Company's Code of Business

Conduct and related policies, including Whistle Blowing Policy, Gifts Policy, Travel Policy, and those dealing with suppliers.

Business Profile Updates (Based on the Company's 2023 Annual Report)

As of end-2023, ACR had a new subsidiary known as Alabel Solar Energy Corporation (ASEC). ASEC is a power generation company that is wholly owned by the Company's subsidiary, AREC.

In terms of revenue contribution, the Power Business continued to be the main source of revenue for ACR in 2023. It accounted for close to 100% of the Company's revenues for the period.

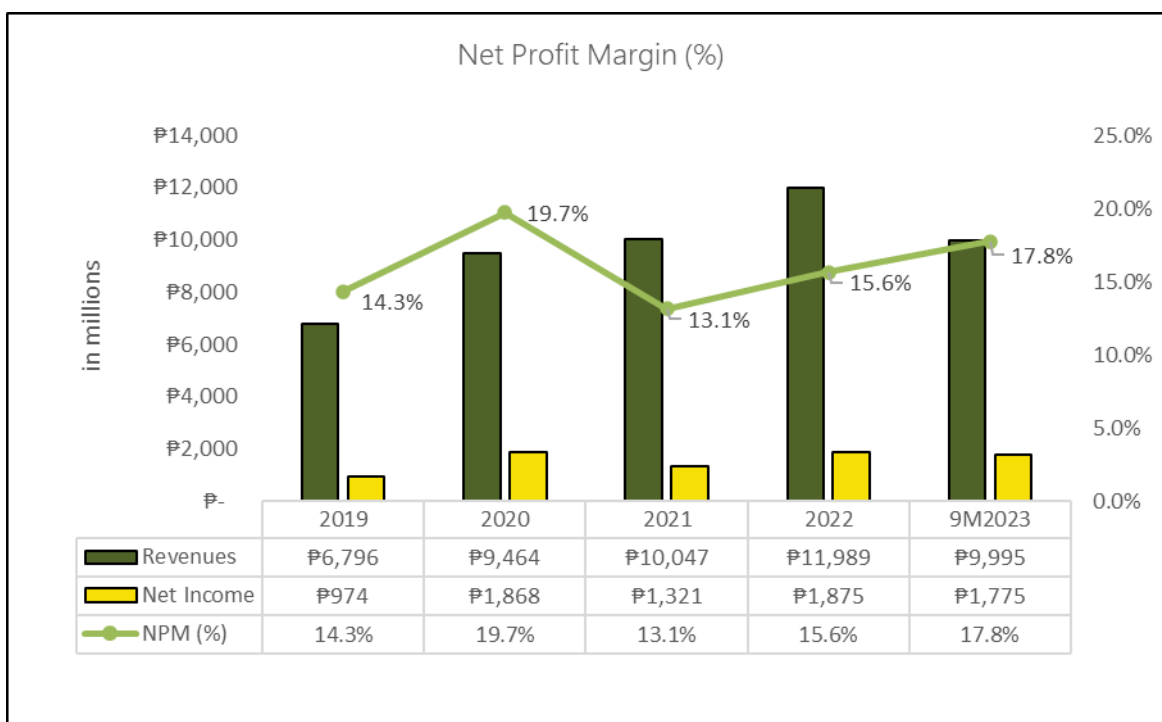
In 2023, the Company saw an improvement in the operation of its power companies as reflected in the higher energy dispatch recorded throughout the period. The latter was driven by rising power demand in Mindanao in 2023.

As of March 14, 2024, SRPI’s project has maintained a shovel-ready project site to accommodate the mobilization of the Engineering, Procurement, and Construction (EPC) contractor upon issuance of NTP. According to ACR, the current oversupply and demand situation in the Mindanao grid points to 2028 as the opportune schedule for need of new capacity in the system. The Company views that such would correspond to a 2025 timing of NTP issuance for SRPI's project.

FINANCIAL REVIEW

Profitability

Figure 3. Historical Net Profit Margin (NPM)



2022

ACR's consolidated revenues posted a notable increase in 2022, reaching ₱12.0 billion, from ₱10.0 billion in 2021. The 19.3% increase was attributable to the improved operations of ACR's power companies, coupled with an increase in energy dispatch in 2022. The cost of services, however, grew at a faster rate during the year. The cost of services amounted to ₱7.8 billion in 2022, 24.1% higher compared to the ₱6.3 billion recorded in the previous year. Such increase was driven by higher fuel costs and the cost of acquiring the industrial lot for expansion of the Ecozone Industrial Estate.

Additionally, general and administrative (G&A) expenses also grew by 25.1%, from ₱678 million to ₱848 million in 2022. The increase in G&A was driven by the ₱165 million impairment on goodwill recorded during the period. Such was a result of the decline in the recoverable amounts allocated to the cash-generating units (CGUs), driven by the reduction in dispatchable reserves forecast and an increase in discount rates. Consequently, operating profit margin (OPM) declined to 28.1% in 2022 from 31.0% in 2021. EBITDA margin, likewise, declined from 47.0% to 44.3% in 2022.

Finance charges in 2022 amounted to ₱1.7 billion, a marginal decline from ₱1.7 billion in 2021. The decrease was due to the settlement of maturing loans of Sarangani Energy in 2022.

In 2022, the Company recorded a significant increase in other income from ₱0.9 million in 2021 to ₱424 million. This was on account of the gain recognized by KAIEDC for the lot it leased to Panhua. ACR recorded a ₱417 million profit from the said transaction.

As a result of the aforementioned, net income accelerated from ₱1.3 billion in 2021 to ₱1.9 billion in 2022, posting a 42.0% growth. ACR's net profit margin (NPM) improved from 13.1% to 15.6% in 2022. Similarly, EBIT interest coverage also improved and remained more than adequate at 2.3x in 2022, from 1.9x in 2021.

However, the debt service coverage ratio (DSCR) remained below 1.0x, at 0.4x as of end-2022.

Excluding the one-time gain from the income generated from the lease to Panhua, ACR's revenue managed a modest growth of 10.4% to ₱1.5 billion.

9M2023 vs 9M2022

In 9M2023, the Company's total revenues were up by 8.0%, growing from ₱9.3 billion in 9M2022 to ₱10.0 billion. Such growth was on account of the continued improvement in demand, as the impact of the pandemic continued to ease. The start of the WESM operation in Mindanao, likewise, contributed to the boost in top line. Due to improved demand, expenses for services and real estate sales also rose by 12.0%, climbing from ₱5.8 billion to ₱6.5 billion in 9M2023. Such increase in the cost of services was also attributed to the higher fuel cost for the period.

G&A expenses, on the other hand, significantly dropped by 50.4%, from ₱819 million in 9M2022 to ₱406 million in 9M2023 driven by the lower marketing expenses, tax settlements, and transportation costs. As a result, operating margin grew from 28.9% to 31.4% in 9M2023, while EBITDA margin was relatively stable at 41.7% from 41.0% in 9M2022.

Net finance charges for the period amounted to ₱1.1 billion, relatively flat from the ₱1.2 billion recorded in the same period last year. The slight decline was due to lower interest rates and continuing amortization of maturing debts.

In 9M2023, the Company's consolidated net income was significantly up by 31.8%, reaching ₱1.8 billion from ₱1.3 billion in 9M2022. Net profit margin also grew from 14.6% to 17.8% during the period. EBIT interest coverage remained more than adequate, and increased further from 2.3x in 9M2022 to 2.6x in 9M2023.

Meanwhile, DSCR was unchanged at 0.4x.

2023

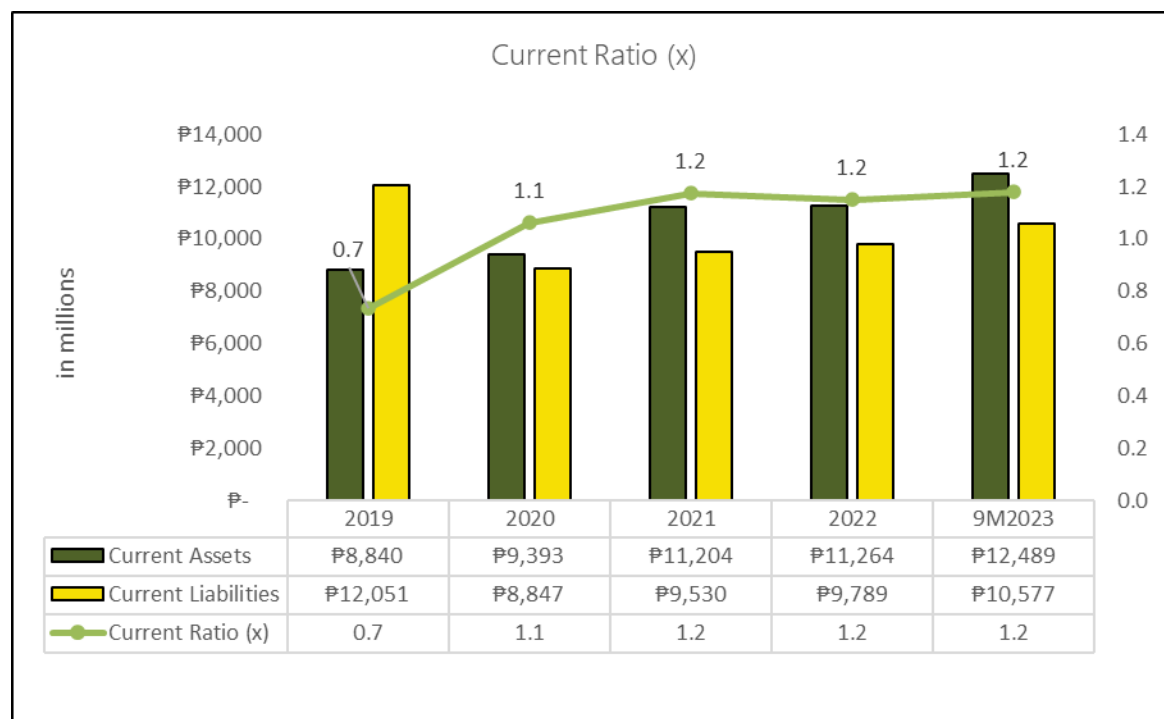
For full-year 2023, ACR disclosed that it recorded a modest revenue growth at 3%, increasing from ₱12.0 billion to ₱12.4 billion. Despite the modest top-line growth, the Company posted a 22% hike in net income to ₱2.3 billion. Such growth remained driven the stronger power demand and WESM participation. The figures are based on ACR's press release dated March 14, 2024. The Company has yet to provide the 2023 audited financial statements, as of report writing date.

Projected Period (2023-2025)

Over the projected period, the topline is seen to post modest growth. The utilization of the uncontracted capacity of Sarangani and the commencement of operations of the Siguil Hydro and Ubay projects is expected to drive such growth. Moreover, ACR is also seen to implement cost optimization strategies to lower its costs and expenses, which would result in continuous improvement in the Company's operating profit margin. The topline growth and the subdued costs and expenses are expected to drive the Company's net income growth from 2023-2025.

Cash flow and Liquidity

Figure 4. Historical Current Ratio



2022

Cash inflows from operating activities and proceeds from loan availments were the Company's primary source of cash. Such cash was primarily allocated to support working capital, investments in property, plant, and equipment (PPE), settle the Company's maturing debt obligations, cover interest costs, and distribute dividends.

In 2022, cash generated from operating activities amounted to ₱4.4 billion, a 17.4% increase from the ₱3.8 billion in 2021. The Company's dividend payment and the payments made for the purchases of coal in November and December 2021 were offset by the decrease in inventory due to the timing of the coal purchases, and the release of the debt reserve account of Sarangani Energy Corporation (Sarangani). Sarangani secured a standby letter of credit from a local bank in 2022, as a result of which the debt service account was no longer required. In 2021, the debt service balance was ₱722 million.

The Company's cash was also used to invest in additional PPE. In 2022, ACR's PPE additions amounted to ₱1.4 billion, higher compared to the ₱493 million in 2021. Such increase was due to the additional project costs incurred for the construction of Siguil Hydro Power plant, as well as the additional expenses for the Company's machinery and other equipment. Cash used for investing activity grew from ₱976 million to ₱2.0 billion in 2022.

ACR also generated cash through additional loans. The additional loans, however, were offset by the payments of maturing debt obligations, interest, and dividends in 2022. Net cash outflow from financing activities in 2022 amounted to ₱2.5 billion, slightly lower compared to the previous year's ₱2.6 billion.

The Company's cash and cash equivalents were relatively flat at ₱2.8 billion, from ₱2.9 billion as of end-2021.

Current assets remained stable at ₱11.3 billion as of end-2022. The decrease in inventories and prepaid expenses was offset by higher trade and other receivables. Current liabilities, on the other hand, grew marginally by 2.7% from ₱9.5 billion to ₱9.8 billion, largely on account of the Parent Company's loan availment for the construction of Siguil Power Plant. Nonetheless, current ratio was unchanged and considered satisfactory at 1.2x as of end-2022.

9M2023 vs 9M2022

In 9M2023, cash generated from operations and proceeds from loan availments remained as the Company's primary source of cash flow. Cash was used to partially fund capital expenditures and settle maturing obligations. The Company's cash flows from operations in 9M2023 amounted to ₱4.9 billion, a 38.3% growth from the ₱3.513 billion recorded in the same period of 2022. The increase was driven by the improved collection for the period and the increase in accounts payable due to the Company's outstanding unpaid dividends. Cash flows used in investing activities recorded a slight decline from ₱1.3 billion to ₱1.1 billion in 9M2023, driven by lower PPE investment. Cash used for financing activities, on the other hand, marginally increased to ₱2.3 billion from ₱2.1 billion in 9M2022 due to the higher loan repayment for the period.

Due to the Company's strong cash generated from operating activities, the cash balance as of end-September 2023 was significantly higher at ₱4.3 billion, a 53.4% increase from the cash balance as of end-2022.

Such increase in cash and cash equivalents coupled with the higher prepaid expenses brought by the renewal of ACR's power plants' insurance, resulted in a 10.9% increase in current assets. Current assets grew from ₱11.3 billion as of end-2022 to ₱12.5 billion in 9M2023. Similarly, ACR's current liabilities increased to ₱10.6 billion, from ₱9.8 billion in 2022. Current ratio was unchanged at 1.2x as of end-September 2023.

Projected Period (2023-2025)

Over the projected period, ACR will continue to generate positive net cash flow from operations. Investing requirements and payment for maturing obligations will be largely supported by internally generated cash and loan proceeds.

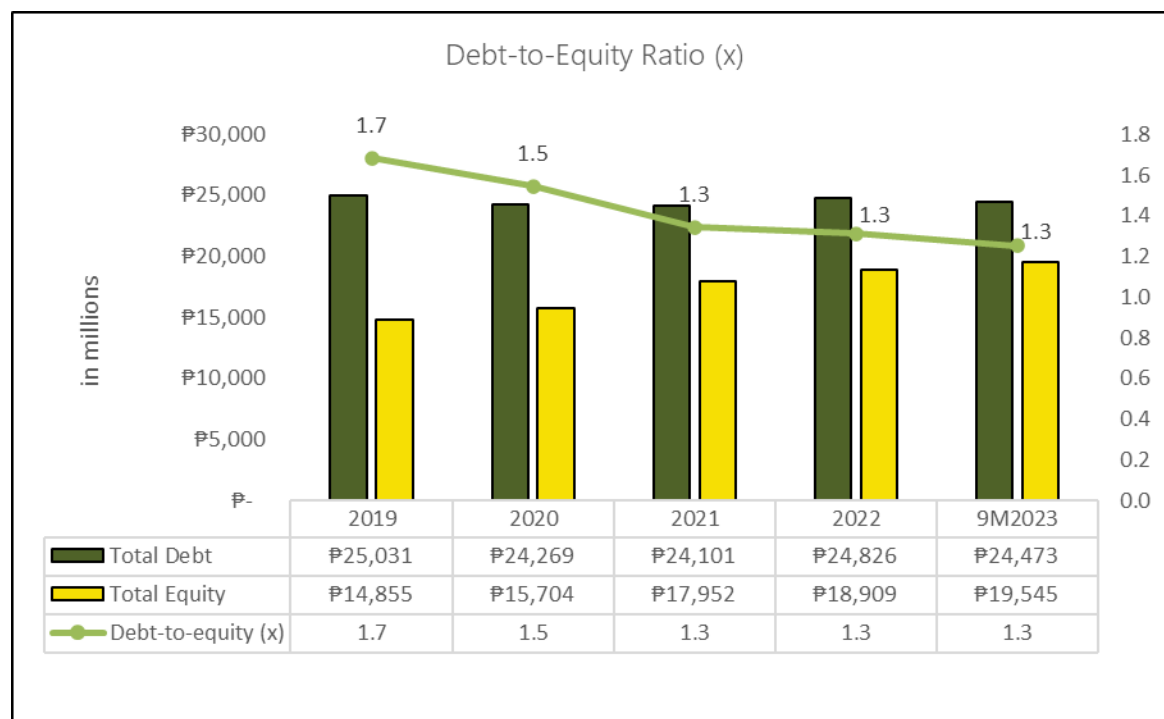
Capex for the projected period will be for on-going and planned projects, including projects in RE. Operating cash flows and debt refinancing will cover debt obligations moving forward.

Ending cash balance is expected to slightly decline in 2023 and 2024, before rebounding in 2025. Notwithstanding this, the Company's cash and cash equivalents will remain sufficient to cover the Company's interest expense over the projected period.

Current ratio is seen to decline in 2023 but will consequently improve in the succeeding years.

Capital Structure

Figure 5. Historical Debt-to-Equity



2022

ACR's total consolidated assets as of end-2022 amounted to ₱47.8 billion, representing a relatively flat growth compared to end-2021.

The Company's total debt, on the other hand, grew to ₱24.8 billion from ₱24.1 billion as of end-2021.

In 2022, the Company availed of short-term loans from local banks for its working capital. Moreover, the Company also issued ₱1.9 billion worth of commercial papers in 2022. As of end-2022, the outstanding balance from commercial papers (CP) amounted to ₱1.6 billion. The total short-term debts as of end-2022 jumped to ₱7.1 billion, from ₱5.2 billion as of end-2021. Short-term debts accounted for 28.8% of the Company's total debt.

In June 2022, Siguil entered into an Omnibus Loan and Security Agreement (OLSA) with a local bank for an aggregate principal amount of ₱3.3 billion. In the same year, Siguil made its initial drawdown of ₱1.2 billion from the OLSA, to be used for the construction of the Siguil Power Plant.

As of end-2022, outstanding loans payable and long-term debt of the Company were all peso-denominated, with a combination of fixed and floating interest rates. With its loans entirely peso-denominated, ACR's exposure to foreign currency risk was only limited to cash and cash equivalents, trade and other receivables, and trade payables. The Company closely monitors fluctuations in the exchange rate, to anticipate and manage the impact of such on ACR's financial position and performance.

The Company and its subsidiaries are in compliance with their loan covenants as of end-2022.

Equity increased by 5.3% from ₱18.0 billion to ₱18.9 billion, due to the additional earnings during the year. The Company's debt-to-equity (DE) ratio was unchanged at 1.3x.

9M2023 vs 2022

DE ratio remained unchanged at 1.3x as of end-September 2023 while total debt-to-capitalization improved to 55.6% (from 56.8% as of end-2022).

Total debt stood at ₱24.5 billion, lower by ₱353 million from end-2022. The slight decrease could be attributed to the recognition and settlement of maturing principal/CPs during the year, offset by the new issuance of CPs. In June 2023, the Company issued ₱1.4 billion worth of CPs, representing the second and last tranche of its ₱3.0 billion CP program.

Total equity grew to ₱19.5 billion as of end-September 2023, slightly increasing by 3.4% on account of earnings retention.

Projected Period (2023-2025)

Going forward, the Company's capital structure is expected to improve.

ACR's total debt is projected to decline by end-2025. In contrast, total equity will post an upward trend over the projected period on account of continued earnings retention and higher contribution from noncontrolling interest.

Financial Flexibility

The Company is listed in the Philippine Stock Exchange (PSE) and had a market capitalization of ₱3.2 billion as of April 4, 2024. As of report-writing date, ACR has access to credit facilities amounting to ₱6.5 billion with various local banks. Of the total credit facilities, only ₱350 million remain unused.

Financial Profile Updates (Based on the Company's 2023 Annual Report)

For full-year 2023, ACR recorded a modest revenue growth of 3.6%, increasing from ₱12.0 billion to ₱12.4 billion. The growth was on account of increased power demand in Mindanao and the Company's participation in the WESM. Compared to previous years, the cost of services grew at a slower rate of 2.6%, reaching ₱8.0 billion, while G&A expenses recorded a decline to ₱708 million. The decrease in G&A expenses was attributed to the recognition of a ₱165 million impairment loss in 2022 and the reversal of the provision for expected credit losses brought about by the full collection of SPPC's receivables from NPC in November 2023. The reduction in cost and expenses resulted in an improved operating margin, from 28.1% in 2022 to 30.1% in 2023. Moreover, the Company recognized a ₱277.9 million income from SPPC's collection from NPC. Such partially offset the lower income from leases due to the lot sale by KAIEDC to Panhua in 2022. Despite the modest topline growth, ACR posted a 21.9% increase in net income to ₱2.3 billion. Net profit margin also improved to 18.4% in 2023, from 15.6% in 2022. EBIT interest coverage remained more than adequate at 2.6x as of end-2023. Excluding the one-time collection of the claim from NPC, net income would have increased by 7.1%, reaching ₱2.0 billion.

In 2023, net cash inflow from operating activities accelerated to ₱6.4 billion, up by 43.8% from ₱4.4 billion in 2022. Such was on account of the timing of the collection of trade receivables and the increased balances of trade payable and accrued expenses. Internally generated cash was used to partially fund the additional project costs related to the construction of Siguil Hydro and to cover the Company's maturing

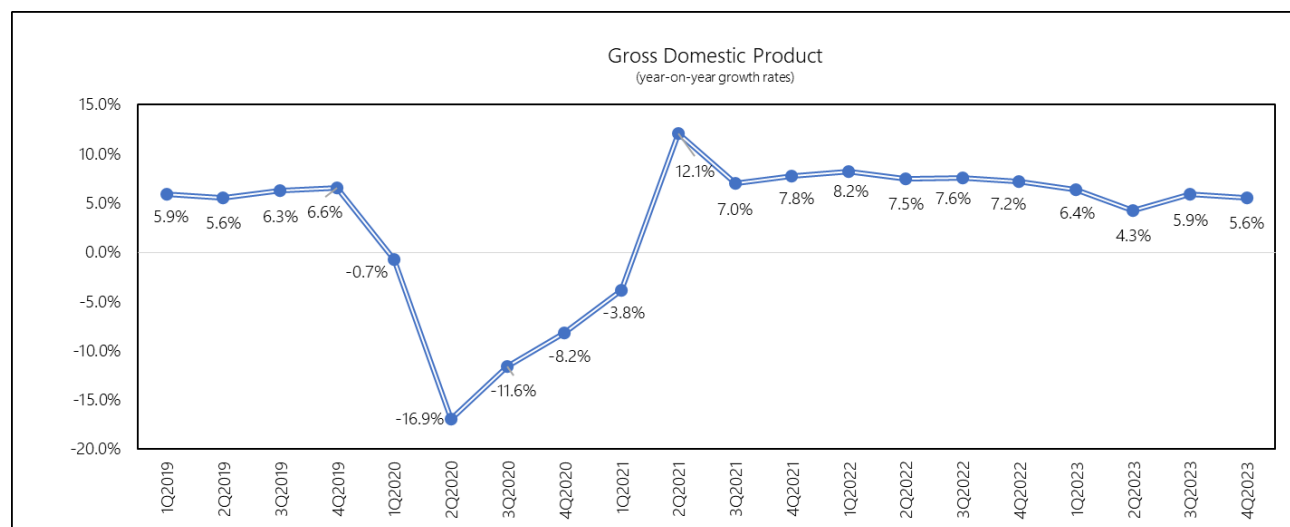
obligations. Moreover, cash flow used in investing and financing activities grew to ₱2.3 billion and ₱4.4 billion, respectively, in 2023.

Due to the higher investing and financing activities, cash and cash equivalents declined by 13.1%, from ₱2.8 billion as of end-2022 to ₱2.4 billion as of end-2023. Consequently, current assets declined to ₱10.6 billion. On the other hand, current liabilities posted a 16.6% increase brought about by the additional loans obtained to finance the Siguil Hydro project. Current ratio, therefore, dropped to 0.9x as of end-2023.

Total debt as of end-2023 amounted to ₱23.9 billion, a marginal decline from the ₱24.8 billion recorded in 2022. Total equity posted a 3.8% increase to ₱19.6 billion in 2023 on account of the income earned for the year. Such resulted in a slightly improved DE ratio of 1.2x as of end-2023. Such is in line with the target DE ratio for the year.

Economy

Figure 6. Historical GDP



2023

In 2023, the Philippine economy grew by 5.6%. This is slower compared with the 7.6% growth in 2022, and short of the government’s growth target of 6.0% to 7.0%.

Agriculture, Forestry, and Fishing grew by 1.5%, a significant improvement from the minimal growth of 0.5% in 2022. The Industry and Services sectors, on the other hand, recorded slower growths compared to 2022, expanding in 2023 by 7.2% and 3.6%, respectively.

The top contributors to the 2023 growth were wholesale and retail trade, repair of motor vehicles and motorcycles (+5.5%), financial and insurance activities (+8.9%), and construction (+8.8%).

Household Final Consumption Expenditure (HFCE) expanded by 5.6% in 2023, slower compared with 8.3% in 2022. HFCE growth slowed down for seven consecutive quarters, from a growth rate of 10.0% in 1Q2022

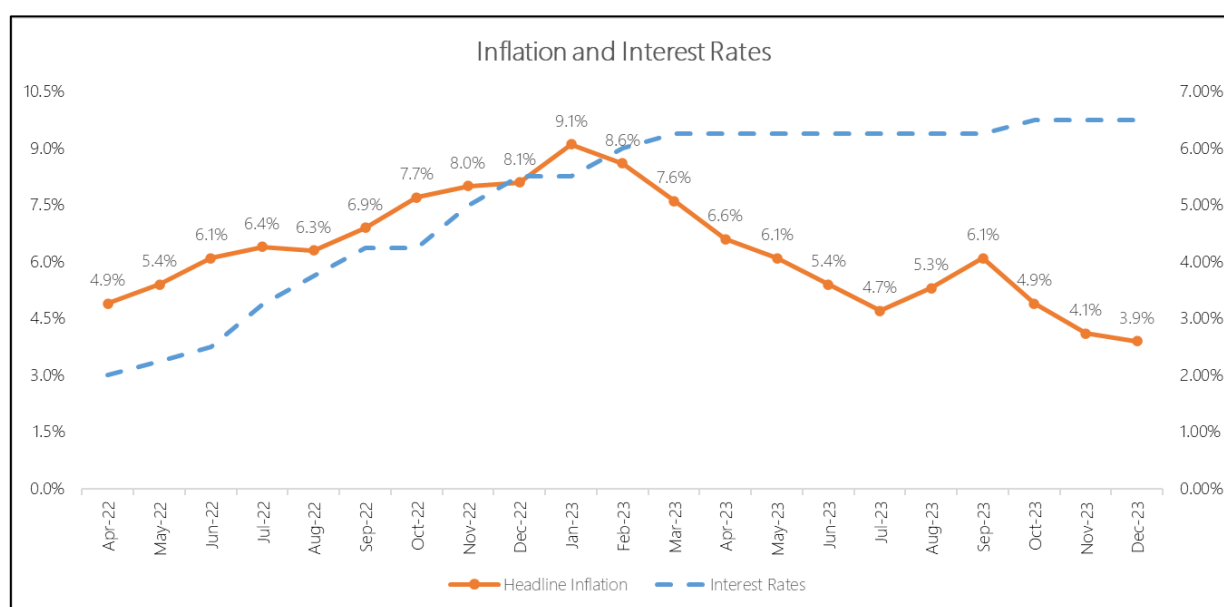
to 5.1% in 3Q2023. Household consumption, however, recorded a slight uptick to 5.3% in 4Q2023 backed by robust growth in spending for restaurants and hotels, transport, and recreation. In contrast, there has been slow growth in food spending, despite recent moderation in inflation, due to elevated food prices.

Government Final Consumption Expenditure (GFCE) was relatively flat, recording a 0.4% growth in 2023. This was much lower than the growth recorded in 2022 and the preceding quarter which were at 4.9% and 6.7%, respectively. Such was attributed to the fiscal consolidation program as well as the absence of election-related spending in 2023.

Nonetheless, the country was Southeast Asia's fastest-growing economy in 2023, surpassing Vietnam and Malaysia which held the top spots in 2021.¹⁵

Inflation and Interest Rates¹⁶

Figure 7. Historical Headline Inflation and Interest Rates



After reaching 9.1% in January 2023 (a new all-time high), headline inflation settled at 3.9% in December 2023. This was the slowest since February 2022. This brought the year-to-date average inflation to 6.0%, slightly higher compared to the 5.8% average inflation in 2022. The 2023 average inflation, likewise, remained beyond the government's 2% to 4% full-year target.

According to National Statistician Dennis S. Mapa, the December inflation was primarily on account of a 1.5% increase in prices for housing, water, electricity, gas, and other fuels, which showed a slower pace compared to the 2.5% recorded in November. The rate of increase in prices of food and non-alcoholic beverages also eased from 5.7% in November to 5.4% in December. Food inflation went down to 5.5% from 5.8%. However, rice inflation accelerated to 19.6% from 15.8% in November.

¹⁵ <https://www.bloomberg.com/news/articles/2024-01-31/philippine-economy-grows-faster-than-expected-5-6-last-quarter>

¹⁶ <https://www.dof.gov.ph/ph-inflation-further-declines-to-4-1-in-november-2023/>

The government expects average inflation to settle at 3.7% and 3.2% in 2024 and 2025, respectively, and which is within its 2.0%-4.0% target range. The private sector also sees inflation settling within the target, albeit forecasts are slightly higher at 4.0% in 2024 and 3.5% in 2025.¹⁷

To mitigate the threats brought about by rising prices, the Bangko Sentral ng Pilipinas (BSP) had aggressively increased the policy rate from 2.25% in May 2022 to 6.25% in March 2023. The BSP maintained the benchmark rate at 6.25%, as inflation continued to decelerate in the first half of 2023. Due to the inflation uptick in August and September, however, the Monetary Board decided to take an off-cycle decision to raise the interest by 25 basis points to 6.5% in October 2023. This rate was retained until the end of 2023.

Outlook

GDP growth target for 2024 was set at 6.5% to 7.5%, nominally down from the previous goal of 6.5% to 8% growth for this year. Fitch Solutions unit BMI has maintained its economic growth outlook for the Philippines at 6.2% for 2024, banking on the rebound of investments that is expected to continue in 2024. BMI noted that the investment growth in the 4Q 2023 was 11.2%, bouncing back from a contraction of 1.4 % in the previous period. BMI added that household spending will continue to fuel the economy as it boosts domestic consumption, particularly as the unemployment rate dropped to its decade-low of 3.6% in November 2023. The high inflationary environment, however, is seen by BMI as a risk to consumption for the year.

The International Monetary Fund (IMF), likewise, saw a positive outlook for the Philippines. IMF's forecast GDP growth for the country was revised to 6% in 2024, up slightly from its October 2023 forecast of 5.9%, amid the stronger rebound in investments and exports. The IMF similarly noted the Philippines' economic growth to be the fastest in the Association of Southeast Asian Nations (ASEAN) region. IMF estimates a growth of 6.1% for the Philippines in 2025, still the fastest in the region.

Mindanao Economy¹⁸

In 2022, Mindanao's economy posted a 7.2% growth, surpassing the 6.1% growth recorded in 2021 and the 5.6% growth pre-pandemic (2019). Over the past three years, Mindanao consistently contributed 17.2% to the country's total GDP, making it the second-largest economy in the country after Luzon.

Household consumption continued to dominate Mindanao's growth, accounting for 71% of the region's total GDP. HFCE grew by 7.7%, higher than the previous year, while gross capital formation which accounted for 24% of Mindanao's GDP, recorded slower growth at 11.7%, from 15.7% in 2021.

In July 2023, President Ferdinand Marcos Jr. lifted the Proclamation No. 55, which declared a state of national emergency in 2016 due to lawlessness and violence in Mindanao. The decision was made in light of significant improvements in the peace and order situation of the region. The government also stated that lifting the proclamation would boost economic activity and aid in the recovery of the local economy.

¹⁷ https://www.bsp.gov.ph/SitePages/PriceStability/VisualMPR/MonetaryPolicyReport_November2023.aspx

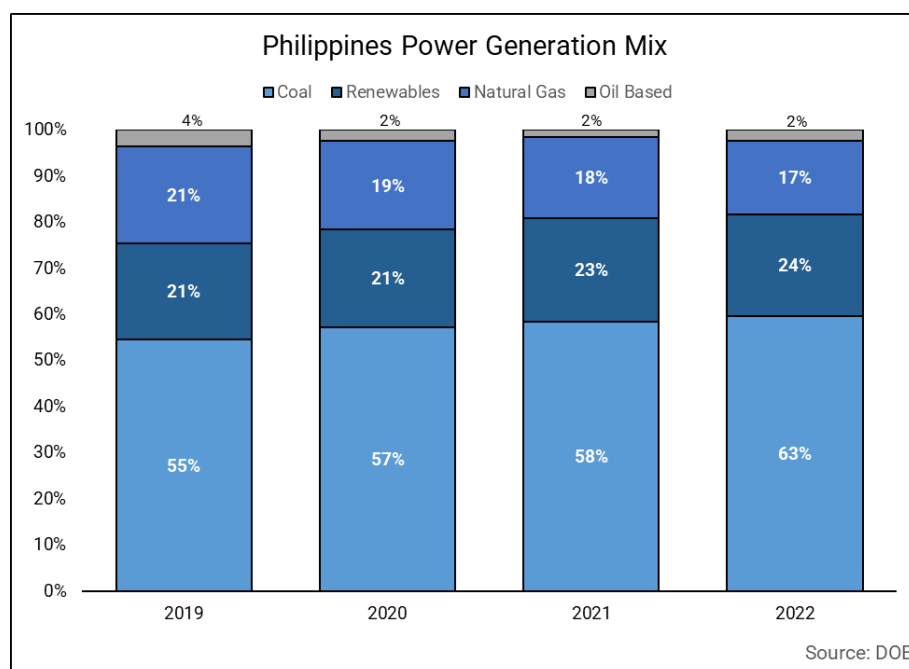
¹⁸ <https://www.rappler.com/nation/mindanao-no-longer-under-state-national-emergency-july-27-2023/>

Industry¹⁹²⁰

Based on the National Renewable Energy Program (NREP) 2020-2040, the Philippine government aims to increase the share of RE in power generation to 35% in 2030 and 50% in 2040. To achieve this goal, the country will need to install another 102 gigawatts (GW) of electricity capacity by 2040 including 27 GW solar, 17 GW wind, 6 GW hydro, 2.5 GW geothermal, and 364 MW biomass.

To further meet this goal, the government also banned the construction of coal-fired power generation facility projects in 2020. Existing coal-fired power plants, committed power projects, and indicative power projects with substantial permitting accomplishments, however, are still allowed to expand their facilities. The progression of these projects is expected to contribute to the continued expansion of coal generation in the years ahead, with coal projected to keep its position as the country's primary power source until 2031.²¹

Figure 8. Philippine's Power Generation Mix



As of end-2022, coal remained the dominant power source in the country, accounting for 63% of the total generation mix. Such was an increase from its 57% and 58% share in 2020 and 2021, respectively. Similarly, renewable energy's total contribution also recorded a slight uptick, reaching 24% in 2022 compared to 21% in 2020 and 23% in 2021.

Peak Demand

Total peak demand grew by 3.5% year-on-year (YoY) to 16,596 MW in 2022, higher than the peak demand of 16,039 MW in 2021. In 2022, the Luzon grid accounted for 79.3% of the total demand, while Visayas and Mindanao had shares of 15.2% and 14.2%, respectively. Compared with 2021, the peak demand of Luzon increased by 4.1%, while Visayas and Mindanao recorded increases of 2.8% and 1.1%, respectively.

Generation and Consumption

Total electricity generation and consumption reached 111,516 GWh in-2022, a 5.1% increase compared to 106,114 GWh in 2021. The residential segment continued to be the main driver of electricity

¹⁹ https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/2021_power_statistics_01_summary.pdf

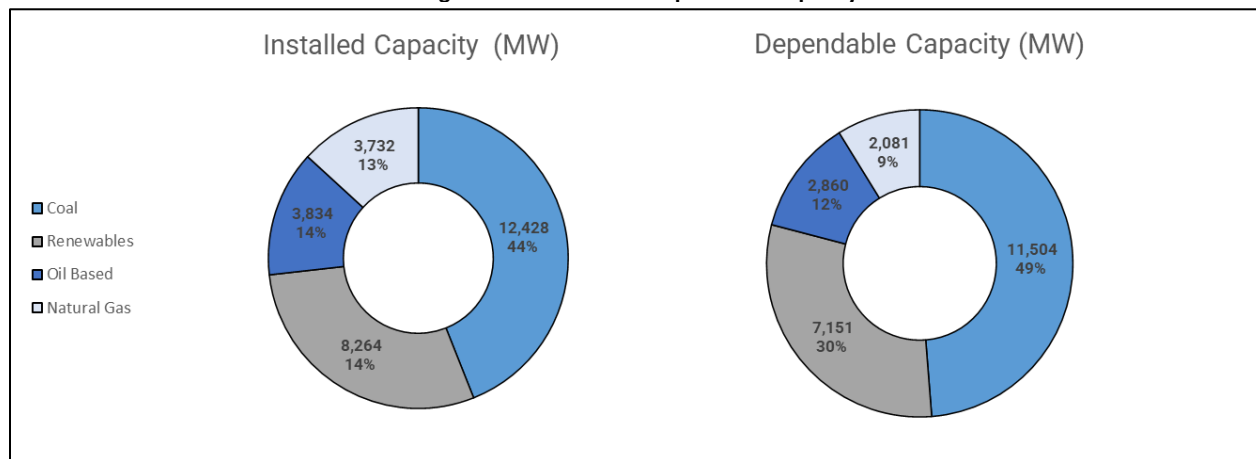
²⁰ <https://www.philstar.com/business/2022/10/21/2218102/philippines-poised-next-success-story-renewable-energy>

²¹ <https://www.philstar.com/business/2022/04/07/2172922/philippines-ramp-clean-power-coal-remain-king-fitch-unit>

consumption, accounting for 33.3% of total consumption. It was followed by the industrial and commercial segments, with 27.2% and 22.9% shares, respectively.

Installed and Dependable Capacity

Figure 9. Installed and Dependable Capacity



The increase in power demand was accompanied by growth in the country’s supply base. The country’s power supply, in terms of total installed capacity, increased by 5.1% from 26,882 MW in 2021 to 28,258 MW in 2022. A total of 1,375 MW was added to the country’s supply base in 2022. Of the total additions, 759 MW was coal-fired, 279 MW was natural gas, 213 MW was solar, and 122 MW was biomass. In terms of dependable capacity, the Philippines had 23,598 MW in 2022, down by 1.1% from 23,855 MW in 2021. Coal-fired power plants still accounted for the bulk of total installed capacity with a share of 50.6%, followed by RE sources which contributed 31.5%. Power supply from RE sources predominantly came from hydropower plants, as it accounted for half of the installed capacity from RE technologies. Geothermal came in second, making up a quarter of the total installed capacity from RE sources.

Private Sector Initiated Power Projects

As of end-2022, capacities from committed power projects amounted to 10,210 MW. The percentage share of committed capacity from coal has notably decreased in the past years, from 72.5% in 2019 to 36.1% in 2022. On the other hand, the share of committed capacities from RE increased, from 8.8% in 2019 to 29.2% in 2022. This was primarily due to the increase in committed capacities from solar, which grew from 240 MW to 2,317 MW in 2022. Committed capacities from natural gas jumped from 11.4% in 2019 to 39.0% in 2020, then decreased to 34.3% as of end-2022.

Committed capacities from Energy Storage System (ESS) also noticeably increased since the framework for ESS integration in the electricity supply chain was implemented in 2019. The total committed capacities for such as of end-2022 was 2,080 MW, substantially higher than the 49 MW in 2019.

As of end-July 2023, total committed projects amounted to 9,985 MW. The share of coal further dropped to 23.1%, natural gas was relatively flat at 35.2%, while RE further grew to 40.9%. RE now takes up the highest share of the total committed capacities.

Capacities from indicative power projects, which pertain to those in the process of securing regulatory permits or closing a financing contract, stood at 54,856 MW as of the end of 2022. This was 57.1% higher than the indicative power in 2021. Around 80.0% of indicative capacities are expected to come from RE sources, an increase from the 62% share in 2020 and 50% in 2019.

As of end-July 2023, indicative power projects amounted to 62,776 MW. Majority or 80.0% of the indicative capacities are still expected to come from RE sources.

RE Policies and Programs

Retail Competition and Open Access (RCOA)

Through The Electric Power Industry Reform Act (EPIRA) of 2001, the government seeks to reform the power industry by providing a level playing field for all power industry participants and achieving a reliable and competitive electricity market. RCOA is a mandate of EPIRA which opens retail competition in the power industry. Through RCOA, contestable customers²² will have the option to choose and directly negotiate from their preferred retail electricity supplier (RES), on a voluntary basis, as opposed to captive markets wherein contestable customers must stay with their respective distribution utilities (Dus) for their electricity requirements. Power retailing started in 2013 with a threshold level of 1 MW and up. This was subsequently brought down to 750kW to 999 kW (Phase II) in 2016 and to 500kW to 749kW (Phase III) in February 2021. The succeeding phases which were expected to reduce the threshold to 100kW in 2022 and 10kw in 2023, however, were not implemented. According to ERC Chairperson Agnes T. Devanadera, the availments were low and the patronage was not very bullish in the 500 kW threshold; thus, the ERC was not inclined to further reduce the threshold in 2022. In October 2023, ERC Chairperson Monalisa C. Dimalanta stated that ERC will do a comprehensive study to assess the impact if the threshold for retail competition will be brought down to 100 kW.

Table 11 RCOA Threshold Implementation

	Threshold Level	Effectivity
Phase I	1mw & up	June 2013
Phase II	749 kW to 999kW	June 2016
Phase III	500 kW to 749 kW	February 2021
Phase IV	100 kW to 499 kW	January 2022*
Phase V	10 kW to 99 kW	January 2023*

*not implemented

The Renewable Energy Act of 2008 is an act promoting to accelerate the utilization and development of renewable energy resources in the country. The two key policies in the RE sector, Renewable Portfolio Standards (RPS) and Green Energy Option Program (GEOP), are discussed below.

Renewable Portfolio Standards

RPS is a market-based policy that requires participants to source an agreed portion of their energy requirements from renewable sources. Starting 2023, grid power suppliers must expand the renewable energy share in their output from 1% to 2.52% to be compliant with the RPS.²³ Such an increase could encourage more investors and end-users to develop and utilize domestic energy sources.

Green Energy Option Program

²² Contestable Customers are large electricity end-users who was determined by ERC through their level of consumption and has given a certificate of contestability.

²³ <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-09-0030.pdf>

GEOP will allow electricity end-users with an average peak demand of at least 100kW to choose RE suppliers as their source of energy. End-users therefore are no longer constrained to source their electricity supply only from the distribution utility of their location. The program gives RE generators an opportunity for retail contracting. As of end-2022, 199 customers had switched to GEOP.

EDC's subsidiary, Bac-Man Geothermal, Inc. (BGI), and its affiliate, First Gen Energy Solutions (FGES), were the first two entities granted with a GEOP permit in 2020. In May 2021, the DOE also authorized Green Core Geothermal, Inc. (GCGI), wholly owned by EDC, to join the program and was awarded GEOP operating permits. GCGI will be allocating 200 MW to the program. As of February 2023, there were 19 RE suppliers under the GEOP.

Green Energy Auction Program (GEAP)

A renewable energy auction is where energy companies bid against each other for contracts to generate energy. The DOE issued a circular on the guidelines governing the GEAP to facilitate the selection of eligible renewable energy plants through a competitive process. Under the GEAP guidelines, the ERC will set a Green Energy Auction Reserve Price or "GEAR Price", which will be the maximum price offer in PHP/kWh.²⁴ In June 2022, the DOE, through the Green Energy Auction Committee, conducted the first GEA. A total of 19 contracts, which generated 1,966 MW of RE capacities committed from 2023-2025 at a price equal or lower than the prices set by the ERC, were awarded to various RE developers.²⁵ The said auction recorded a 98.35% success rate given the 2,000 MW capacity requirement set for the auction round. In July 2023, the DOE conducted the second GEA (GEA-2) which generated 3,581 MW of RE capacities committed from 2024-2026. This was roughly 31% of the 11,600 MW that the DOE auctioned off in the program. Industry players and RE executives pointed out that the low price cap set by the DOE as the reason behind the poor turnout. RE developers had previously expressed concerns over ERC's low GEAR prices and requested an increase in price caps due to high development costs. According to Sun Asia Energy CEO Ms. Tetchi-Cruz Capellan, the prices set by the ERC do not reflect the current demand and supply of electricity in the country. She also added that such prices do not encourage developers to build up their capacities. Mr. Jose Layug Jr., co-chairman of the European Chamber of Commerce's renewable energy and energy efficiency committee, also pointed out that RE developers should also be given a practical timeframe to prepare for the bids.

²⁴ https://www.doe.gov.ph/sites/default/files/pdf/renewable_energy/geap2-approved-tor_annex-a17-04-2023-183940.pdf

²⁵ <https://www.philstar.com/business/2022/11/02/2220821/doe-prepares-2nd-green-energy-auction>

Table 12 GEA-2 GEAR Prices and Committed Capacities

Energy Source	Preliminary price/kWh	Final price/kWh	Committed (mW)
Ground-mounted solar	4.240	4.404	1,969
Rooftop solar	4.716	4.874	9
Floating solar	4.757	5.395	90
Onshore Wind	5.982	5.848	1,512
Biomass	5.148	5.402	0
Biomass waste-to-energy	6.470	6.268	0
Total Committed Capacities			3,581

In order to ensure a more realistic timeframe and competitive power pricing, Energy Secretary Raphael P.M. Lotilla announced that the Department of Energy (DOE) would initiate discussions with the industry stakeholders to address concerns on permit processing and transmission connection. Additionally, the DOE will also create clear-cut auction policies for GEA-4.

The third round of the GEAP, which will bid out geothermal and pumped-storage hydro capacities, was initially set in November 2023. It was rescheduled to 1Q2024, however, to allow the ERC to rework its pricing mechanism. ERC Chief Monalisa C. Dimalanta also mentioned that ERC is considering to allow developers to offer their own bid prices with no set GEAR price. Removing the GEAR price means ERC will have to review the proposed prices after the bidding is conducted. Such process will allow RE generators to bid at higher prices.

Preferential Dispatch

In October 2022²⁶, DOE Secretary Raphael P.M. Lotilla signed Circular 2022-10-0031 granting “priority dispatch” to all generating units utilizing RE sources in the WESM. Registered generating units utilizing RE sources may now enjoy the option of preferential dispatch in the WESM. Prior to the Circular, only intermittent RE sources such as wind, solar, run-of-river hydro or ocean energy were classified as “must dispatch” generating units. Energy Secretary Petilla believes that this will help reduce the country’s exposure to price fluctuations in the global market. Preferential dispatch will also encourage additional investments as guaranteed dispatch which will allow recovery of investments.

Full Foreign Ownership of RE projects

In November 2022²⁷, DOE Secretary Raphael P.M. Lotilla also signed Circular 2022-11-0034, amending the Section 19 of the Renewable Energy Act of 2008. The amendment allows full foreign ownership for the exploration, development and utilization of solar, wind, hydro and ocean or tidal energy resources. Under the 1987 Constitution, full foreign ownership of large-scale geothermal projects is allowed through the technical or financial assistance regime. The Energy Secretary assured the public that the circular is focused only on ownership, and other processes will continue as they are.

²⁶ <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-10-0031.pdf>

²⁷ <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-11-0034.pdf>

Retail Aggregation Program

In June 2022, the ERC welcomed the pilot implementation of the Retail Aggregation Program through the Memorandum of Agreement (MOA) between the University of the Philippines and MERALCO. This program will allow several consumers in a contiguous area to be treated as a single contestable customer that could transact with electricity service providers, enabling these consumers to participate and reap the same benefit enjoyed through the RCOA. In addition, aggregation of the electricity requirements of end-users with a total average peak demand of at least 500 kW within contiguous area was implemented in December 26, 2022 in areas where the RCOA scheme is also operational and effective.

Mindanao Power Situation²⁸²⁹

In January 2023, the WESM in Mindanao officially started commercial operations. Initially, only the Luzon and Visayas Grids were integrated into WESM. With the establishment of WESM in Mindanao, approximately 2,000 MW of uncontracted capacities can be sold to the WESM and be dispatched at any given time. As such, electric cooperatives (ECs) and distribution utilities (DUs) could prevent outages by tapping the spot market to fill their power supply deficiencies. The said mechanism is also expected to encourage generators to compete and sell their electricity at a lower price and subsequently boost investments and economic activity in the region.

The inauguration of the MVIP took place in January 2024. MVIP, a project initiated by the National Grid Corporation of the Philippines (NGCP), is a P51.3 billion project that allows the transmission of electricity generated from power plants located in Mindanao to power grids in Visayas and Luzon and vice versa. This development is seen to unlock socio-economic benefits between Visayas and Mindanao.

MVIP has a transfer capacity of 450 MW and features 184 circuit-kilometer (ckm) High-Voltage Direct Current (HVDC) submarine transmission lines linking the power grids of Mindanao and Visayas via the Santander-Dapitan Transmission Line. It has the potential to be expanded, accommodating up to 900MW.

Other developments in the region include the implementation of the RCOA and GEOP in March 2024.

On another note, Mindanao targets to achieve a 50% RE share in its energy mix by 2030. According to ERC Chairperson Monalisa C. Dimalanta, Mindanao had already surpassed the national target of 35%, with RE capacity at 37%. Such was a notable improvement from the 28% RE share in 2019. Mr. Jose Raul Saniel, President of the Association of Mindanao Rural Electric Cooperatives, is optimistic that a 50% RE share can be achieved by 2030. Such, however, will still depend on economic growth and investments in the region.

Resumption of Feed-In-Tariff (FIT) All collection³⁰³¹

FIT-All refers to the ₱0.0364/kWh charge included in the electricity bills of consumers. FIT-ALL is a financial incentive provided by the Renewable Energy Act of 2008 to promote the use of RE. This encourages the

²⁸ <https://www.sunstar.com.ph/cebu/mindanao-visayas-interconnection-project-inaugurated>

²⁹ <https://solarquarter.com/2023/11/24/philippines-mindanao-targets-50-renewable-energy-mix-by-2030-to-address-energy-challenges/>

³⁰ <https://business.inquirer.net/427136/feed-in-tariff-allowance-for-re-tech-developers-sufficient-until-year-end>

³¹ <https://mb.com.ph/2024/1/18/fit-all-fund-for-re-in-deficit-by-february>

private sector to increase renewable share in their portfolio, which in turn would contribute to the country's goal of achieving the target RE share of 35% by 2030 and 50% by 2040.

To provide relief to consumers, the FIT-All collection from consumers was suspended by the ERC in December 2022. Despite the suspension, RE companies still receive compensation from the existing FIT-All Fund. The Fund, however, could run out if WESM prices are low.

In January 2024, the ERC reevaluated the balance of the FIT fund and found that the projected FIT-All fund in February 2024 will be in a deficit. As such, the regulatory body lifted the suspension and re-imposed the collection of the FIT-All tariff starting the billing month of February 2024.

Moving forward, in addition to the payments to RE developers, the FIT-All fund will also cover the capacities awarded under the GEAP.