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CONTRACT FOR CONCESSION OF PUBLIC DISTRIBUTION SERVICES OF
ELECTRIC POWER No **XXXX/XXXX-ANEEL**
XXXXXXXXXXXX

04/30/2018

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The UNION, hereafter referred to as Concession Grantor, using the powers granted to it by art. 21, item XII, paragraph“b”, of the Federal Constitution, through the

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NATIONAL ELECTRIC ENERGY AGENCY, hereafter referred to as ANEEL, in accordance with the provisions of item IV, art. 3, of Law No. 9,427 of December 26 1996, an autarchy under special regime, headquartered at SGAN quadra 603, Módulo “I”, Brasília, Distrito Federal, registered in CNPJ/MF under No. 02.270.669/0001-29, represented by its General Director, ROMEU DON IZETE RUFINO, named by the Presidential Decree of 12 August 2014, published in the Official Gazette on 13 August 2014, bearer of identity No. 003551 SSP/DF and CPF No. 143.921.601-06, based on the powers granted to it by Decree No. 4,932, of 23 December 2003, amended by Decree No. 4,970, of January 30 2004, and XXXXXXXXXXXX., headquartered in the municipality of XXXXXXXXXXXXXXXX, hereafter referred to as CONTROLLING SHAREHOLDER, by this instrument and pursuant to the law, sign this Contract for Concession of Electric Power Distribution No. xxx/xxxx-ANEEL, on xx xxxx xxxx, in accordance with the following conditions and clauses:

CLAUSE ONE – OBJECT

The goal of this agreement is to formalize and update the model of CONTRACT FOR CONCESSION OF PUBLIC DISTRIBUTION SERVICES OF ELECTRIC POWER No. xxx/xxxx (ANEEL), valid until xx xxxx xxxx, based on Law No. 12,783, of 11 January 2013.

Sole Paragraph – Contract No. xxxx/xxxx regulates the exploitation of the public distribution service of electric power under the framework of the powers granted to the DISTRIBUTOR, in the areas of the Municipalities that were reassembled and differentiated in Attachment I of this Contract.

First Subclause – The exploitation of the public distribution service of electric power constitutes an individualized concession for the area delineated in Attachment I of this Contract, for all contractual and regulatory effects, in particular for purposes of possible interventions, declaration of expiry, expropriation or other forms of extinction.

Second Subclause – The transmission facilities used for distribution may be considered part of the distribution concession according to ANEEL’s regulations.

Third Subclause – In accordance with the contracts in force, the concession of the public distribution service of electric power regulated in this Contract does not confer the right of exclusiveness to the DISTRIBUTOR in relation to electric power consumers who, by law, can purchase electricity from another supplier.

Fourth Subclause – The concession of the public distribution service of electric power regulated in this Contract does not confer exclusiveness of service in areas where ANEEL confirms the actual operation of rural electrification cooperatives.

Fifth Subclause – The DISTRIBUTOR agrees to carry out the exploitation of the public distribution service of electric power, to which it has been assigned, as a priority public utility function, committing itself to only engage in other business activities, which must favor the sliding scale fees, in accordance with the terms and conditions set out in the law and in ANEEL’s regulations.

Sixth Subclause – Any standards, instructions, regulations or general determinations that are applicable to the providers of the public distribution service of electric power, when issued by the CONCESSION GRANTOR or by ANEEL, will

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apply automatically to the object of the concession contracted hereby, the DISTRIBUTOR's submission to them being an implied condition of this Contract, in accordance with the provisions of the **Seventeenth Subclause** of Clause Six.

Seventh Subclause – The DISTRIBUTOR, according to the determination of the CONCESSION GRANTOR or of ANEEL, must assign or incorporate assets derived from other concessions or agents of the electric sector.

CLAUSE TWO – PUBLIC SERVICE PROVISION CONDITIONS

In the provision of public distribution of electricity referred to herein, the DISTRIBUTOR commits itself to the proper provision of the service, having wide freedom in the management of its business, investment, personnel, material and technology, in compliance with the provisions of this Contract and with the legal and regulatory rules, as well as with the instructions and regulations of the CONCESSION GRANTOR and of ANEEL.

First Subclause – The DISTRIBUTOR commits itself to adopt appropriate technology and employ operating methods, materials, equipment and facilities that, in accordance with the Brazilian technical standards, ensure the proper provision of the service of electric power distribution, including the security of personnel and facilities, as laid down in the industry standards.

Second Subclause – The proper provision of the service presupposes the adoption of the best practices and applicable standards in the industry, notably regarding the operation, maintenance and planning of the electrical system and the modernization of the facilities.

Third Subclause – The DISTRIBUTOR will answer to the requests of the concerned parties in relation to the use of the service provided, in accordance with the conditions established in the contracts and in ANEEL's regulations, ensuring the non-discriminatory treatment to all users.

Fourth Subclause – The suspension of the electricity distribution service will happen due to technical or security reasons and in case of default by the user, considering the collective interest, in accordance with ANEEL's regulations.

Fifth Subclause – In the exploitation of the public distribution service of electric power that is object of this Contract, the DISTRIBUTOR shall observe the isonomic treatment, including tariffs, of its users, according to ANEEL's regulations.

Sixth Subclause – The DISTRIBUTOR commits itself to comply with the quality standards established by ANEEL.

Seventh Subclause – The non-compliance with the quality standards established by ANEEL may force the DISTRIBUTOR to compensate the users for the poor quality of the provision of the distribution service, according to ANEEL's regulations, without damage to the application of penalties foreseen.

Eighth Subclause – From 2020, the violation of the overall annual limits of collective continuity indicators for two consecutive years or three times in five years may, according to ANEEL's regulations, implies the limitation of the distribution of

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dividends or payment of equity interests, until the regulatory parameters are restored, according to Item I of the First Subclause of Clause Seven.

Sole paragraph – In the last 5 years of the contract, to ensure the proper provision of the service by the DISTRIBUTOR, the provisions of this Subclause will apply in the case of any violation of the overall annual limits of collective continuity indicators.

Ninth Subclause – The DISTRIBUTOR commits itself to establish and keep the maintenance plan of the distribution facilities updated, establishing the periodicities and maintenance activities that meet the technical specifications of the equipment and the proper provision of the service, to present it to ANEEL when prompted.

Tenth Subclause – The DISTRIBUTOR commits itself to fulfill the goals of universalization of the electricity distribution service, according to ANEEL's regulations.

Eleventh Subclause – The DISTRIBUTOR should comply with the consumer legislation in relation to the provision of the public electric power distribution service.

CLAUSE THREE – DUTIES AND OBLIGATIONS OF THE DISTRIBUTOR

In addition to other obligations derived from the legal and regulatory standards in force and other provisions of this Contract, the DISTRIBUTOR commits itself to:

- I. operate and maintain the facilities to ensure the continuity and efficiency of the regulated service, the safety of people and the conservation of goods and facilities;
- II. organize and keep track of goods and facilities associated with the concession, ensuring their integrity and certifying that those who, for technical reasons, are essential to the security and reliability of the electric system, are always properly secured by insurance;
- III. be accountable to ANEEL in relation to the management of the public distribution service of electric power, in the periodicity and manner laid down in the industry standards;
- IV. comply with the environmental legislation, accounting for the consequences of its possible non-compliance;
- V. in conformity with the law and applicable regulations, ensure the parties free access to its networks, according to the general conditions of access and tariffs established by ANEEL;
- VI, when appropriate, participate in the Electric Energy Commercialization Committee – CCEE and in the National Electrical System Operator – ONS, under the conditions laid down by the Statute of ONS and by the Electric Energy Commercialization Conventions, submitting to the rules and procedures established by these agencies;
- VII. keep its archives auditable, in accordance with the regulations in force;
- VIII. install the necessary monitoring and voltage control equipment to ensure the quality of the service, including that required by the National Electric System Operator;
- IX. adopt the solutions derived from the planning of the operation of the National Interconnected System – SIN, especially those related to Special Protection Systems – SEP;

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X. in conjunction with the transmitter, conduct the necessary studies and adjustments for the proper functioning of the protection systems on the borders with SIN's Basic Network;

XI. share infrastructure with other providers of public services, complying with the security conditions, ensuring isonomic treatment and seeking cost reduction;

XII. be accountable to users, periodically, in relation to the management of the public electric power distribution service provided, under the terms established by ANEEL's regulations;

XIII. subject to ANEEL's prior concurrence, in the cases and under the conditions laid down in the industry standards; and

XIV. commit itself to the reduction of electrical losses, in accordance with ANEEL's regulations, subjecting itself to the penalties foreseen in case of non-compliance;

First Subclause – The DISTRIBUTOR commits itself to collect, apply and manage the financial resources necessary for the adequate provision of the public electric power distribution service regulated herein.

Second Subclause – The DISTRIBUTOR commits itself to apply, as established by law, part of its net operating revenue in researches and in the development of the electricity sector, as well as in energy efficiency programs in the final use.

Third Subclause – In the contraction of services and purchase of materials and equipment associated with the service regulated herein, the DISTRIBUTOR should consider offers from domestic suppliers operating in this segment and, in cases where there is equivalence between offers, in terms of price, delivery time and meeting of technical specifications, it commits itself to ensure priority to enterprises established under Brazilian law and with headquarters and administration in the Country.

Fourth Subclause – In the execution of the service provided, the DISTRIBUTOR will answer for all the damages caused to the CONCESSION GRANTOR, to users of its services or any third party, without exclusion or mitigation of this liability by the competent agency.

CLAUSE FOUR – PREROGATIVES OF THE DISTRIBUTOR

In addition to other rights derived from the legal and regulatory standards in force and other provisions of this Contract, the prerogatives of the DISTRIBUTOR that are inherent to the concession include:

I. for an indeterminate period, using the public domain lands, establishing access ways, roads or paths on them, as well as easements that become necessary for the operation of the service, with subjection to the industry standards;

II. promoting expropriation and establishing administrative easements over public utility goods that are necessary for the execution of works or services related to the service, covering the costs of the corresponding compensations, when applicable, as well of the burden associated with their proper maintenance;

III. building roads and deploying telecommunication systems, without damage to third parties, for exclusive use in the operation of the service, in compliance with the industry standards; and

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IV. establishing electric power lines and networks, as well as other equipment and facilities related to the public electric energy distribution service, provided to users in its concession area.

First Subclause – The prerogatives derived from the provision of the service regulated herein do not confer tax immunity or exemption to the DISTRIBUTOR, except for the situations expressly stated by law.

Second Subclause – The prerogatives conferred to the DISTRIBUTOR hereby will not affect the rights of third parties and of users of the public electric energy distribution service, which shall remain expressly ensured.

Third Subclause – The DISTRIBUTOR may contract the development of activities inherent or ancillary to the service provided with third parties, as well as the implementation of associated projects, considering that:

- I. such contracts shall be governed by private law, in conformity, when relevant, with the legal provisions relating to contraction by Public Administration;
- II. such contracts shall not establish any legal relationship between third parties contracted by the DISTRIBUTOR and the CONCESSION GRANTOR or ANEEL; and
- III. the implementation of the activities contracted with third parties does not exclude and therefore assumes compliance with the rules governing the provision of the service.

Fourth Subclause – In accordance with the provisions of art. 1, of Decree No. 4,932, of 23 December 2003, based on paragraph (a) “e” of art. 151, of Decree No. 24,643, of 10 July 1934, in art. 28 of Law No. 9,427 of 26 December 1996, in item XXXIV, art. 40, Attachment I of Decree No. 2,335, of 6 October 1997, the DISTRIBUTOR is authorized to perform geological and topographical studies, necessary for the projects of implementation of the distribution facilities.

Fifth Subclause – The authorization referred to in the previous Subclause based on Law No. 6,712, of 5 November 1979, gives the DISTRIBUTOR, the power and right to carry out field surveys along the private properties located in the area covered by the distribution lines.

Sixth Subclause – The authorization referred to in the two previous Subclauses does not exempt the DISTRIBUTOR from immediately repairing the damage caused to properties located in the area covered by the distribution lines resulting from the authorized studies.

CLAUSE FIVE – EXPANSION AND EXTENSION OF ELECTRICAL SYSTEMS

The DISTRIBUTOR commits itself to meet the demands of the service provided, including the installation of new facilities and the expansion and modification of the existing ones, as well as to serve its present and future energy market.

First Subclause – The new facilities, as well as the expansions and modifications of the existing facilities, including transmission facilities associated with distribution, shall comply with the specific legal procedures and the standards of the CONCESSION GRANTOR and ANEEL, and will be incorporated into the concession, being adjusted according to the provisions herein and the legal and regulatory standards of the public electric energy distribution service.

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Second Subclause – The DISTRIBUTOR commits itself to plan the expansion and extension of the distribution system, in accordance with the least cost criterion for the electrical system and considering the possibilities for integration with other distribution and transmission systems.

Third Subclause – In accordance with the electric sector's planning, the DISTRIBUTOR commits itself to perform the supply of electrical energy to other distributors and the necessary interconnections.

Fourth Subclause – The DISTRIBUTOR commits itself to subsidize and participate in the electric sector's planning and in the preparation of plans and studies for the expansion of the National Electrical System, implementing the works for which it is responsible and ensuring compliance, in its area of concession, with the technical and administrative determinations arising therefrom.

CLAUSE SIX – APPLICABLE TARIFFS IN THE PROVISION OF THE SERVICE

The DISTRIBUTOR shall charge the rates approved by ANEEL for the provision of the public electric power distribution service assigned to it hereby.

First Subclause – The DISTRIBUTOR acknowledges that the rates in force on the date of signature of this Contract, together with the rules of Rate Repositioning, are sufficient for the proper provision of the service and the maintenance of this Contract's financial-economic balance.

Second Subclause – Rate Repositioning consists of the decomposition of the "Required Revenue" in rates to be charged from users, and includes the following mechanisms foreseen in this clause: rate readjustment, annual rate review and extraordinary rate review.

Third Subclause – For Rate Repositioning purposes, the Required Revenue will not include taxes on the following rates: PIS/PASEP (Social Integration Program – Program for Formation of Public Server Equities), COFINS (Contribution for Social Security Financing) and ICMS (Tax on Operations of Transactions of Goods), and will be composed of two installments:

Installment A: the revenue's installment corresponding to the following items: **i.** Industry Charges; **ii.** Electrical Energy Purchased; **iii.** Connection and Usage costs of Facilities of Transmission and/or Distribution of Electrical Energy; and **iv.** Unrecoverable Revenue.

Installment B: the revenue's installment associated with efficient capital and operational costs, including depreciation costs, from the segment of electrical energy distribution.

Where:

Installment A – Industry Charges: installment of the DISTRIBUTOR's revenue for the fulfilment of obligations associated with the Rate of Inspection of Electrical Energy Services – TFSEE; with the Financial Compensation for Use of Water Resources – CFURH for electrical energy generation purposes, where applicable; with the System's Service Charges – ESS; with the Energy Development Account – CDE; with Research and Development – R&D; with the Energy Efficiency Program

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– PEE; with the Reserve Energy Charges – EER; with the loan payments of the Global Reversion Reserve – RGR, carried out in accordance with art. 4, paragraph 4, item VI, of Law No. 5,655, of 20 May 1971, and other public policies defined in the legislation in force for the electrical energy sector;

Installment A – Electrical Energy Purchased: installment of the DISTRIBUTOR's revenue associated with the purchase of electrical energy, including from enterprises specialized in generation, to serve its customers and other distribution dealers and licensees, considering the regulatory level of electrical energy losses of the distribution and transmission system, in accordance with the provisions of the Seventh Subclause of this Clause;

Installment A – Cost of Connection and Use of Facilities for Transmission and/or Distribution of Electrical Energy: installment of the DISTRIBUTOR's revenue associated with the efficient contracting of transmission and distribution systems and of connection points or contracting of third parties whose payment will be the DISTRIBUTOR's responsibility; and

Installment A – Unrecoverable Revenue – installment of the DISTRIBUTOR's revenue associated with the residual, likely unrecoverable part of the default of its network's users, calculated by the product between the gross revenue and the regulatory percentage of unrecoverable revenue, in accordance with the provisions of the Eighth Subclause of this Clause.

Fourth Subclause – Rate adjustment will occur ordinarily with annual periodicity, from XX/XX/20XX, except in years where ordinary rate review occurs, in accordance with the calendar defined in the Thirteenth Subclause of this Clause.

Fifth Subclause – In the first repositioning of rates after the signing of the contract, the standards for rate review and adjustment foreseen in the previous Concession Contract of the DISTRIBUTOR will be applied.

Sixth Subclause – In the annual rate adjustments, the Required Revenue will be calculated by the following equation:

$VIB \text{ VIA } RR \square \square$

Where:

RR: Required Revenue;

VIA: Value of Installment A, considering the conditions in force on the date of the adjustment under processing and the Reference Market, possibly contemplating adjustments and predictions, according to the legislation and ANEEL's regulations;

VIB: Value resulting from the application of the rate corresponding to the items that make up installment B, in force on the Previous Reference Date, in the Reference Market, updated by the difference between the Inflation Variance Index (IVI) and the X Factor;

IVI: index number obtained by dividing the indexes of IPCA, from IBGE, or the index that succeeds it, from the month preceding the date of the adjustment under processing and the index considered in the last rate repositioning;

X Factor: value set by ANEEL, in accordance with the Fifteenth Subclause of this Clause;

Previous Reference Date: Date of the last rate repositioning;

Reference Market: composed of the electrical energy and power demand amounts acquired during the Reference Period; and

Reference Period: 12 (twelve) months preceding the month of the annual or periodic rate review under processing, when appropriate.

Seventh Subclause – The way of calculating the regulatory levels or the regulatory levels of the distribution system's electrical energy losses will be established in the ordinary rate reviews based on an efficiency analysis, which should take into consideration, when applicable, the performance of comparable electric power

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distribution concessionaries and the characteristics of the DISTRIBUTOR's concession area. The regulatory levels of electrical energy losses in the Basic Network will be defined at every rate repositioning based on the levels observed in the last 12 months with available information.

Sole Paragraph – ANEEL's regulations will define the regulatory treatment of electrical energy losses of Other Transmission Facilities (DIT).

Eighth Subclause – The regulatory levels of irrecoverable revenues shall be defined in the ordinary rate reviews based on an efficiency analysis, which will take into account the performance of the comparable electrical power distribution concessionaires and the characteristics of the DISTRIBUTOR's concession area.

Ninth Subclause – The Required Revenue mentioned in the Sixth Subclause of this Clause and in the Eleventh Subclause of this Clause shall not consider any rate discounts and other revenue sources, such as resources from the Economic Development Account (CDE), Other Revenues and revenues with Exceeding Demand and Reactive Surplus, considering that:

I – Exceeding Demand: amounts of active power demand or demand for use of the distribution system that exceed the contracted values, according to ANEEL's regulations;

II – Reactive Surplus: amounts of reactive electrical energy and reactive power demand that exceed the allowed limit, according to ANEEL's regulations; and

III – Other Revenues: installments of the revenues received by the DISTRIBUTOR in other business activities referred to in the Fifth Subclause of Clause One, in accordance with the provisions of the Eighteenth Subclause of this Clause.

Tenth Subclause – In the process of calculating the rates mentioned in the Twenty-First Subclause of this Clause, ANEEL must subtract Installment B and the total revenue acquired during the Reference Period with Exceeding Demand and Reactive Surplus, in addition to the values of Other Revenues acquired during the reference period, in accordance with the Eighteenth Subclause of this Clause.

Eleventh Subclause – In the procedures of ordinary rate reviews, the Required Revenue shall be calculated by the sum of the Values of Installment A and Installment B.

Twelfth Subclause – In the procedures of ordinary rate reviews, Installment B will be calculated considering stimulus to efficiency, improvements in quality, low rates and predictability of the standards, according to ANEEL's regulations, considering the following provisions:

I – The Operational Costs will be calculated based on performance analyses, which will take into account the performance of the comparable electrical power distribution concessionaires and the characteristics of the DISTRIBUTOR's concession area.

II – The Capital Costs will be calculated by the sum of two installments, Return on Capital and Regulatory Reintegration Quota;

III – Return on Capital will be calculated from the Regulatory Return Rate, still not depreciated/amortized, and the adequate return rate;

IV – The Regulatory Reintegration Quota shall be calculated from the Regulatory Return Rate and the regulatory depreciation rate;

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V – The adequate return rate shall be calculated based on the methodology that considers the risks of electrical energy distribution, weighing the costs of equity and capital from third parties, in accordance with the regulatory capital structure;

Vi – The Regulatory Return Rate corresponds to efficient investments made by the DISTRIBUTOR to provide the service of electrical energy distribution;

VII – The valuation methodology of the Regulatory Return Rate should, when appropriate, contain efficient mechanisms of encouragement to investments, such as performance analysis, which will take into account the performance of the comparable electrical power distribution concessionaries and the characteristics of the DISTRIBUTOR's concession area; and

VIII – The installments of Return on Capital, Regulatory Reintegration Quota and Operating Costs can be calculated in the form of Annuity, called Regulatory Annuity, in accordance with the provisions of items I and VII of this Subclause.

Thirteenth Subclause – Ordinary rate revisions will obey the following schedule: the first review shall be carried out on XX/XX/20XX and the subsequent reviews will be performed every 5 (five) years from that date.

Fourteenth Subclause – The ordinary rate review follows the provisions of the Sixth Subclause of this Clause for the definition of the Value of Installment A.

Fifteenth Subclause – In the ordinary rate review processes, the values or the manner of calculating the X Factor will be established, with the aim of passing on to users the productivity gains observed in the field of electrical energy distribution and the results arising from incentive mechanisms, which may contemplate stimuli to the improvement of service quality and energy efficiency, according to ANEEL's regulations.

Sixteenth Subclause – At the request of the DISTRIBUTOR, ANEEL considering the cost efficiency level, can carry out an extraordinary rate review, aimed at restoring the economic-financial balance of the Contract, without damages to the ordinary rate repositioning, in case significant changes in the DISTRIBUTOR's costs are proved, which do not derive from its actions or omission,.

Seventeenth Subclause – In case of unilateral changes to the Concession Contract that affect its economic and financial balance, duly proven by the DISTRIBUTOR, ANEEL must adopt the necessary measures for its restoration, which shall be valid from the date of the change.

Eighteenth Subclause – The revenues earned by the DISTRIBUTOR in other business activities referred to in the Fifth Subclause of Clause One, called Other Revenues, will be partially used to generate low rates in rate repositioning, according to ANEEL's regulations.

Attachment 12 – part 2

Subclause Nineteen – In the tariff adjustments and ordinary reviews, ANEEL will ensure neutrality of items of Portion A, to be considered in the adjustments of the DISTRIBUTOR's revenue referred to in Sub-clause Six of this Clause, considering the monthly differences found among the values invoiced for each item in the Reference Period and the respective values included in the previous tariff repositioning, duly remunerated on the basis of the same index used in the

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calculation of the Account for Compensation for Variation of Values of Parcel A Items – CVA, noting:

I – in the calculation of neutrality Cost of Connection and Use of Facilities for Transmission and/or Distribution of Electrical Energy: the efficient contracting of transmission and distribution systems and of connection points or contracting of third parties whose payment will be the DISTRIBUTOR's responsibility;

II – in the calculation of neutrality of the Purchased Electrical Energy costs: the efficient levels of losses, following the provisions of Sub-clause Seven and Sub-clause Twenty of this Clause; and

III – in the calculation of neutrality of Unrecoverable Revenue: the regulatory percentages of unrecoverable revenue, such as Sub-clause Eight of this Clause.

Sub-clause Twenty – The DISTRIBUTOR is obliged to obtain the electric energy required by its consumers at the lowest cost among the possible alternatives, being subjected to cost transfer limits of the Electricity Purchased in tariff repositioning, according to ANEEL regulations and sectoral legislation.

Sub-clause Twenty-One – The Required Revenue will be decomposed into tariffs to be collected from users through a tariff structures methodology defined by ANEEL, which will consider any tariff discounts defined in the sectoral legislation.

Sub-clause Twenty-Two – The DISTRIBUTOR is forbidden under any pretext to charge users , tariff values above those ratified by ANEEL.

Sub-clause Twenty-Three – The DISTRIBUTOR is authorized to grant discounts on a tariff homologated by ANEEL, as long as the revenue reduction does not imply later compensatory petitions regarding the recovery of economic-financial balance and the conditions set out in Sub-clause Five of Clause Two are met.

Sub-clause Twenty-Four – Concessionaires whose markets are inferior to 500 GWh/year should consider the technical, economic, and operational parameters and the structure of markets attended by concessionaires of the same size and condition, as well as the other provisions of the legislation and regulations in force, to meet the criterion of operational and economic rationality, noting:

I – the discount on the Tariff of the Distribution System Use existing on the date of the concession extension, granted by the suppliers to their supplied parties, will be reduced at a rate of twenty percent per year from the first annual tariff adjustment of the ordinary tariff revision after concession extension, and will be null from the fifth tariff repositioning process; and

II – after five years from the date of signature of this contract, any changes in tariffs arising from the application of the aforementioned technical, economic, and operational parameters will be progressively enforced in the processes of ordinary tariff revision.

Sub-clause Twenty-Five – The creation, alteration, or extinction of any taxes or legal charges, except for income taxes, when proven their impact, will imply in tariff review for more or less, as the case may be.

CLAUSE SEVEN – ECONOMIC AND FINANCIAL SUSTAINABILITY

The DISTRIBUTOR agrees to preserve, throughout the concession, the condition of economic and financial sustainability in managing costs and expenses, debt

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solvency, investments replacement, improvement, and expansion, in addition to the responsibility of paying taxes and distributing earnings.

Sub-clause One – The noncompliance of the DISTRIBUTOR regarding Efficiency Criteria related to the Economic-Financial Management set out in Attachment II shall entail, without prejudice to any other audit action:

I – the limitation of earnings distribution or payment of interest on own capital whose value, singly or combined, exceeds 25% of the net income decreased or increased by amounts allocated to the legal reserve (art. 193 of Law No. 6,404 of 1976) and the reserve for contingencies (art. 195 of Law No. 6,404 of 1976), and reversal of this reserve formed in the previous years, until the regulatory parameters are restored and observed from the financial statements of the subsequent calendar year delivered to ANEEL; and

II – acceptance of a restrictive regime of contracts with related parties;

Paragraph One – The ceiling of 25% referred to in item I of this Sub-clause shall be modified if the supervening legislation changes the percentage of mandatory dividend established in Paragraph Two of art. 202 of Law No. 6,404 of 1976, with wording by Law No. 10,303 of 2001.

Paragraph Two – For compliance with clauses related to earnings restriction, the verification of dividend distribution and payments of interest on own capital will be held from the Cash Flow Statement or other means regarded as more suitable.

Sub-clause Two – Throughout the concession, the DISTRIBUTOR in its constituent acts shall maintain, the device provided by item I of Sub-clause One and by Sub-clause Eight of Clause Two.

Sole Paragraph – The changed constituent act shall be sent to ANEEL in up to 180 days from the date of signature of this Agreement.

Sub-clause Three – The DISTRIBUTOR agrees to meet all fiscal, labor, and social security obligations, costs from regulatory standards established by the GOVERNMENT and by ANEEL, as well as any other obligations related to or arising from the exploration of the public service of electricity distribution, especially regarding the payment of values concerning the supervision of the public distribution service, according to sectoral regulations.

CLAUSE EIGHT – CORPORATE GOVERNANCE AND TRANSPARENCY

The DISTRIBUTOR agrees to employ its best efforts to maintain its levels of governance and transparency, aligned to best and harmonic practices with its condition of essential public service provider.

Sub-clause One – The DISTRIBUTOR agrees to follow ANEEL regulations on governance and transparency, which may comprise, among other things, minimum parameters and regulatory duties related to the Board of Directors, the Managing Board, the Audit Committee, the Auditing, and the Conformity,

Sub-clause Two –, Since the CONTRACT signing, the DISTRIBUTOR must keep a declaration from all its Managers and Auditors in ANEEL stating that they understand their role and the responsibilities arising from the management of an essential public service, accepting the responsibility for the quality and timeliness of

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information provided in the context of their competence and for the accountability to the Government, updating such declaration within 30 (thirty) days from the signing of the Term of Possession.

Sub-clause Three – The DISTRIBUTOR agrees to:

I – publish its Financial Statements within the time limits and under the terms of the legislation in force;

II – keep separate accounting records of the revenue earned with business activities in Sub-clause Five of Clause One; and

III – follow the rules governing the regulatory accounting.

Sole Paragraph – If necessary the DISTRIBUTOR must change and maintain in its constituent acts the obligations laid down in Clause Eight throughout the concession.

CLAUSE NINE – SERVICE SUPERVISION

The exploration of the public service of electrical energy distribution, object of this Agreement, will be followed, inspected, and regulated by the Brazilian Electricity Regulatory Agency – ANEEL.

Sub-clause One – Supervision will cover the monitoring and control of actions of the DISTRIBUTOR in administrative, technical, operational, commercial, economic, financial, and accounting areas.

Sub-clause Two – ANEEL servants or representatives, specifically designated, will have free and unrestricted access, at any time, to any and all documentation, computational system, work, installation, and equipment linked to the public service of electrical energy distribution, including its accounting records, and should receive, from any sector or person of the DISTRIBUTOR, data and information allowing it to verify the compliance with clauses and sub-clauses hereby, as well as the current legislation, and the DISTRIBUTOR is forbidden, under any circumstances, to restrict the provisions of this Sub-clause.

Subclause Three – Whenever requested the DISTRIBUTOR shall provide ANEEL, with remote access to all systems used for the service provision, for the period necessary, and within the time limits required.

Sub-clause Four – Economic-financial supervision shall include the analysis and monitoring of financial operations, accounting records of the DISTRIBUTOR, balance sheets, financial statements and reports, annual accounting, and any other documents deemed necessary for an assessment of the concession management.

Sub-clause Five – ANEEL supervision does not exempt the DISTRIBUTOR from its responsibilities regarding the adequacy of its works and installations, the compliance with service standards established by the current legislation, the correctness and legality of its accounting records, financial, technical, commercial, and corporate obligations, and the quality of the services provided.

Sub-clause Six – The noncompliance of supervision requests and determinations by the DISTRIBUTOR will entail the application of penalties provided for in the rules or provisions of this contract.

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CLAUSE TEN – PENALTIES

The DISTRIBUTOR will be subjected to penalties, according to laws and regulations in force, for noncompliance with legal, statutory, and contractual provisions of electrical energy service and installations, without prejudice to Clauses Eleven and Twelve of this Contract.

Sub-clause One – Penalties will be enforced through administrative process, being secured to the DISTRIBUTOR its rights to fair hearing and adversary proceeding.

Sub-clause Two – ANEEL will promote a debt collection suit, through execution, in accordance with the current legislation, of any fine penalty imposed for noncompliance of contractual, statutory, or legal precept whose value has not been collected by the DISTRIBUTOR within the period determined by the inspectorate.

CLAUSE ELEVEN – INTERVENTION IN THE CONCESSION

With no prejudice to the appropriate penalties and incident responsibilities, ANEEL can intervene in the concession, in accordance with Law No. 8,987/1995 and Law No. 12,767/2012, at any time, to ensure the proper provision of the service or the compliance by the DISTRIBUTOR with legal, statutory, and contractual standards.

Sole Sub-clause – The intervention will be determined by an ANEEL act, which will designate the intervenor, the deadline, the objects, and the limits of such intervention, and an administrative process should be established within 30 (thirty) days after the publication of the act, to investigate the determinants of the measure and the incident responsibilities, assuring the DISTRIBUTOR the right to fair hearing and adversary proceeding.

CLAUSE TWELVE – EXTINCTION OF THE CONCESSION AND REVERSION OF ASSOCIATED GOODS AND FACILITIES

The concession for exploring the public service of electrical energy distribution, regulated by this Contract, will be considered extinct, in compliance with sectoral rules, in the following cases:

- I. advent of contractual term;
- II. service nationalization;
- III. caducity;
- IV. rescission;
- V. annulment due to defect or irregularity noted in the procedure or in the act of its grant; and
- VI. bankruptcy or dissolution of the DISTRIBUTOR.

Sub-clause One – The advent of contractual term implies automatic concession termination, and the GOVERNMENT may, when essential to the preservation of continuity in the provision of public service, precariously extend this Contract until the assumption of a new grant.

Sub-clause Two – When the concession is terminated, the reversion of assets and facilities linked to the service for the GOVERNMENT will be operated automatically, followed by surveys and assessments, as well as the determination of the amount of compensation due to the DISTRIBUTOR, considering the following:

- a) Conducting of inventory of reversible assets;

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- b) Valuation of these assets by the New Replacement Value – VNR;
- c) Account of the accumulated depreciation, considering the dates of incorporation of the asset to the electrical system, attaining the net value; and
- d) Abatement of Special Obligations – OE from the calculation of the value to be indemnified.

Sub-clause Three – In addition to the indemnified amounts referring to assets not yet amortized of reversible assets, the remaining balances (assets or liabilities) of any insufficient collection or reimbursement for the tariff due to the extinction, for any reason, of the financial amounts to be calculated based on the regulations established by the Regulator, including those constituted after the last tariff revision.

Sub-clause Four – Assets considered reversible are those linked to the service granted, indispensable for the provision of continuity of public service of electrical energy distribution.

Sub-clause Five – To serve the public interest, by specific authorization law, the GOVERNMENT may resume the service after prior indemnity payment of parcels of investments linked to reversible assets, not yet amortized or depreciated, that have been carried out by the DISTRIBUTOR to ensure the provision of a proper public service.

Sub-clause Six – If there is a reversal of the assets linked to the service due to the termination of the concession, these must be in adequate conditions of operation, with the basic technical characteristics and requirements maintained in accordance with ANEEL regulations, ensuring the continuity of the PUBLIC DISTRIBUTION SERVICE .

Sub-clause Seven – In the case of verification of any of the default hypothesis set out in the current legislation and in this Contract, ANEEL shall initiate an administrative procedure to verify violations and failures, assuring the right to fair hearing and adversary proceeding to the DISTRIBUTOR, and may recommend the declaration of concession revocation to the Government , which may adopt the following measures, in addition to those provided for in Law No. 8,987 of 1995 and 12,783, of 2013:

- I – Start the bidding process of the concession;
- II – Celebrate the Concession Contract with the new concessionaire concurrently with the declaration of concession caducity; and
- III – Discipline a transition phase for service assumption by the new concessionaire.

Paragraph One – For the purpose of preserving the continuity of public service provision, ANEEL will be able to intervene in the DISTRIBUTOR until the bidding process is completed.

Paragraph Two – For the purposes of preserving the continuity of public service provision, , within 36 months before the term of this Contract, the Government will establish the standards for the bidding of this public service, and the DISTRIBUTOR agrees to maintain the proper service provision during the transition phase, particularly:

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- a) maintain the quality of the service provision and the condition of economic-financial sustainability;
- b) provide wide access to administrative, commercial, and operational information; and
- c) submit itself to the specific ANEEL regulation for the period of contractual termination.

Sub-clause Eight – The concessionaire may display a plan of corporate control transfer before the institution of administrative proceedings by ANEEL due to the noncompliance of extension conditions referred to in Clause Eighteen, noting that:

I – The plan of corporate control transfer should demonstrate the viability of the control exchange and the benefit of this measure for the adequacy of the service provided;

II – The transfer of corporate control should be completed before the commencement of the process of concession extinction; and

III – If the noncompliance with the plan of corporate control transfer by the Concessionaire is verified, or it is not approved by ANEEL, a concession termination procedure shall be established, instructed by ANEEL, and forwarded to the Ministry of Mining and Energy, with its statement.

Sub-clause Nine – For the purposes of the indemnities dealt with in Sub-clause Two, Three, Four, and Six of this Clause, the indemnity value of the reversible assets will be that resulting from an inventory carried out by ANEEL or specially designated agent, and their payment shall be made in accordance with the provisions of the sectoral rules, after the administrative procedure has been completed and all deadlines and appeal procedures have been exhausted.

Sub-clause Ten – The caducity declaration will not entail, for the GOVERNMENT, any liability regarding charges, costs, or commitments to third parties that have been contracted by the DISTRIBUTOR, or regarding its employees.

Sub-clause Eleven – Alternatively to a caducity declaration, the GOVERNMENT may restrict the area of concession, promote sub-concessions, or evict shares that make up the corporate control of the DISTRIBUTOR, through compensation. In the case of expropriation, the compensation, in accordance with the law, will come from resources from the alienation, at public auction, of the repossessed shares.

Sub-clause Twelve – Through lawsuit especially filed for this purpose, the DISTRIBUTOR may promote the termination of this Contract in the case of noncompliance of the rules herein established by the GOVERNMENT. In this hypothesis, the DISTRIBUTOR cannot interrupt the service provision until after the court decision to extinguish this Contract becomes final and unappealable.

Sub-clause Thirteen – For the period from the sixth year following the contract execution, the Concessionaire's default from the noncompliance with efficiency criteria related to continuity of provision will entail the initiation of a caducity procedure, in accordance with the provisions of this Contract, particularly the right to fair hearing and adversary proceeding, noting;

Paragraph One – The noncompliance with overall annual limits of collective continuity indicators for three consecutive years will characterize, according to the ANEEL regulation, nonperformance regarding supply continuity.

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Paragraph Two – ANEEL will set the limits referred to in Paragraph One of this Sub-clause preferably prior to the start of five-year periods,.

Sub-clause Thirteen – For the period from the seventh year following the contract execution, the Concessionaire's default resulting from the noncompliance with Efficiency Criteria related to the Economic-Financial Management will entail the initiation of a caducity procedure, in accordance with the provisions of this Contract, particularly the right to fair hearing and adversary proceeding, noting;

Paragraph One – The noncompliance of the parameters for two consecutive years, according to ANEEL regulation, will characterize nonperformance regarding the economic-financial management.

Paragraph Two – ANEEL will establish the Efficiency Criteria related to the Economic-Financial Management referred to in Paragraph One of this Sub-clause, prior to the five-year periods, preferably, and among other things the establishment of new standards will follow the need for positive LAJIDA and ability to perform minimum investments and debt management.

CLAUSE THIRTEEN – COMMITMENTS OF THE CORPORATE CRONTROLLER PARTNER(S)

The MANAGING-MEMBER(S) agree not to transfer, assign, or otherwise dispose of, directly or indirectly, with charges or not, shares that are part of the controlling group without the prior agreement of ANEEL.

Sub-clause One – The MANAGING-MEMBERS declare, without any exception, they accept and submit themselves, to this CONTRACT conditions, and agree to maintain, in the constituent acts of the DISTRIBUTOR, a disposition to not transfer, assign, or alienate, directly or indirectly, with or without charges, actions that are part of the block of share control without the prior consent of ANEEL.

Sub-clause Two – The transfer, in full or in part, of shares or quotas that result in a new controller, will only be recognized by ANEEL when new MANAGING-MEMBER(S) sign an instrument of consent and submission to the conditions of this CONTRACT and the legal and statutory rules of concession.

Sub-clause Three – The MANAGING-MEMBER(S) sign this Contract as intervener(s) and guarantor(s) of the obligations and charges herein laid down.

Sub-clause Four – The MANAGING-MEMBER(S) agree to follow the ANEEL regulation for public service concessionaire controllers, including but not limited to standards on information disclosure, risk management, and support to long-term decisions, and, regarding disclosure of information, the regulations and norms of disclosure of the capital markets applicable to DISTRIBUTOR or to its MANAGING-MEMBER(S) as the case may be, in Brazil and abroad, in the cases of companies with securities traded on capital markets outside Brazil.

CLAUSE FOURTEEN – FRIENDLY SOLUTION OF DIFFERENCES AND CONTRACT FORUM

Covering the public interest, in the event of divergence in the interpretation or execution of provisions of this Contract, the DISTRIBUTOR may request, the organizational areas of ANEEL that are related to the subject, the performance of

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hearings with the purpose of harmonizing understandings, according to applicable procedure.

Sole Sub-clause – To settle doubts or disputes that were not resolved in a friendly way, as indicated in the heading of this Clause, the Federal Justice Court of the Judicial Section of the Federal District is elected, with expressed waiver of parties to others, as privileged as they may be.

CLAUSE FIFTEEN – DELEGATION OF COMPETENCE

Whereas the provisions of art. 36 of the Law No. 9,074/95, and of art. 20 of Law No. 9,427/96, ANEEL may delegate for the xxxxxxxxxx competence to perform the complementary activities of supervision and mediation of public services of electrical energy provided by the DISTRIBUTOR.

Sole Sub-clause – The delegation of competence provided by this Clause shall be granted in the terms and conditions that will be defined in the Cooperation Agreement.

CLAUSE SIXTEEN – OTHER PROVISIONS

The execution of the xxxxx CONTRACT for all intents and purposes terminates the clauses and subclauses of the Concession Contract No. xxx/xxxx-ANEEL, of xx xxxxx of xxxx, except those that conflict with Law No. 12,783/2013 and Decree No. 7,805/2012.

Sole Sub-clause –, On signing this xxxxxx CONTRACT, the DISTRIBUTOR accepts the conditions set out in Law No. 12,783/2013 and in Decree No. 7,805/2012.

CLAUSE SEVENTEEN – PUBLICATION AND REGISTRATION OF THE CONTRACT

This CONTRACT will be recorded and filed at ANEEL, which, within 20 (twenty) days of its signing, will provide the publication of its excerpt in the Federal Register. Thus, the parties have issued this instrument in 4 (four) copies of the same content, which are signed by the representatives of the Ministry of Mining and Energy, the DISTRIBUITOR and the MANAGING-MEMBERS (or STOCKHOLDERS), along with the witnesses below, for proper legal purposes.

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CLAUSE EIGHTEEN – CONTRACTUAL MAINTENANCE CONDITIONS

In addition to the foregoing provisions of this Contract, the Concessionaire shall observe the conditions laid down in Attachment II.

Sub-clause One – The noncompliance of one of the conditions provided for in Attachment II for two consecutive years will cause the concession extinction, in compliance with the provisions of this contract, especially regarding the right to fair hearing and adversary proceeding.

Sub-clause Two – Other economic-financial regulations remain valid and apply to the CONCESSIONAIRE concurrently to the provisions of Attachment II.

CLAUSE NINETEEN – RGR LOANS

Sub-clause One – The DISTRIBUTOR must pay off the loans from the RGR Fund, laid down by the MME Ordinance No. 388, of 26 July 2016, No. 442, of 23 August 2016, and No. 122, of 4 April 2018, corrected according to art. 4, § 5, of Law No. 5,655 of 20 May 1971.

Paragraph One – Payments must be made monthly, between the month following the first ordinary tariff revision and the deadline of this contract, in equal portions.

Paragraph Two – The distributor will be entitled to the tariff recognition of 10% of the debt balance of loans payable, raised up to the base date set out in the Bid Notice, as defined in the bidding process of electrical energy distribution associated with the transfer of control of the service provider, pursuant to art. 8 of Law No. 12,783/2013 and its regulations.

Paragraph Three – The DISTRIBUTOR be entitled to the full tariff recognition of loan payable, captured after the base date set out in the Bid Notice.

Paragraph Four – In the event of termination of concession before the advent of contractual term, the percentage of the unpaid balance of the contracted loans that have assured tariff recognition by Paragraphs Two and Three will be transferred to the future concessionaire and, therefore, will not be subject to indemnification for the DISTRIBUTOR.

Paragraph Five – In the event of concession termination before the advent of contractual terms, the percentage of unpaid balance of contracted loans that does not have assured tariff recognition by Paragraphs Two and Three shall be paid early by the DISTRIBUTOR, including through deduction of the right to indemnification referred to in Sub-clause Three of Clause Twelve.

CLAUSE TWENTY – TRANSITIONAL PROVISIONS

Sub-clause One – The DISTRIBUTOR may allocate the resources of indemnifications due to violation of limits of quality, concerning the service continuity and the sample measurements of voltage level in permanent regime, for investments in the concession area, up to the end of the fifth calendar year following the date of signature of the concession contract.

Paragraph One – From the date of signature of the contract, compensation values should continue to be calculated by the DISTRIBUTOR, according to the regulation, for the purpose of monitoring and supervision by ANEEL.

Paragraph Two – From the second calendar year following the signature of the contract, if the calculated values of indemnification are lower than the compensation amounts calculated for the previous calendar year, that difference shall be considered as a remunerative investment by the DISTRIBUTOR at the time of its tariff revision, being the accounted value considered in the account Obligations Linked to the Public Service of Electric Energy (Special Obligations).

Paragraph Three – From the second calendar year following the signature of the contract, if the calculated values of indemnification are higher than the compensation amounts calculated for the previous calendar year, that difference shall be invested twice in the concession and considered in the account Obligations Linked to the Public Service of Electric Energy (Special Obligations).

Sub-clause Two – In the period between the date of signing of the contract and the first subsequent ordinary tariff revision, an extraordinary tariff revision may occur at the request of the Concessionaire, noting the following criteria:

I – Tariff revision will occur to replace an annual tariff review, which will be held in the same date of processing.

II – The revision request should be formally submitted to ANEEL at least 1 (one) years in advance of its realization.

III – Tariff revision will be based on rules laid down in this contract and in the regulations in force, except for the items referred to in Sub-clause Three.

IV – In the revision request, the Concessionaire may request the complete assessment of the Basis of Regulatory Remuneration.

V – The revision shall occur until the third tariff process after the signing of the contract.

Sub-clause Three – In the period between the date of signing the contract and the first subsequent ordinary tariff revision, the values and calculation formula for X Factor, Operational Costs, and Regulatory Losses other than those referred to in Clause Six will be used, noting the following criteria:

I – The value of the Pd component of the X Factor will be set to 0 (zero).

II – The regulatory Operating Costs in the first tariff process after signing the concession contract will be set as a % percentage of the prior tariff procedure, updated as of the regulation of adjustment of Portion B. Between the second tariff process and the one immediately prior to the first ordinary tariff revision, the operating costs will be defined following the adjustment regulation of Portion B.

III – Regulatory non-technical Losses will be defined in the percentage of % of the low-voltage billed market.

Paragraph One – Tariff effects arising from the treatment described in this Sub-clause will be perceived from the first tariff calculation after the signing of the contract, always with prospective effects.

Paragraph Two – Transient percentages of items II and III are those resulting from the bidding process of the concession of electrical energy distribution associated with the transfer of control of the corporation providing the service, carried out under the terms of art. 8 of Law No. 12,783/2013 and its regulations.

Paragraph Three – In the first ordinary tariff review, the rules laid down in Clause Six should be applied, disregarding any effects from the transient percentages of items II and III.

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Sub-clause Four – Up to the twenty-fourth month following the month of the concession contract signature, the supervision by ANEEL will have an orientation and/or determination character, with no penalties being applied, except in case of noncompliance with determinations made by the Board of Directors of ANEEL

Brasília, of xxxxx.

BY THE GOVERNMENT:

ROMEU DONIZETE RUFINO
Management Director