

PUBLIC NOTICE FOR BID NO 2/2018-PPI/PND/[Distributor]
ANNEX 13
APPLICATION OF THE COMBINED DISCOUNT INDEX IN THE TARIFF
FLEXIBILIZATION AND GRANT

1. The application of the Combined Discount Index in the Tariff Flexibilization and Grant (“Index”) as offered by the Winner Bidder, for the purpose of calculating the flexibilization of regulatory parameters and the tariff recognition associated with the Global Reversal Reserve (“RGR”) loans, as well as for the purposes of calculating the amount offered as payment of Bonus for the concession Grant, shall be regulated by means of this Annex.

2. For the purpose of construing this Annex, in addition to the terms and expressions as defined in item 1.1 of the Public Notice for Bid, the following terms and expressions shall be taken into consideration, which are hereby defined as follows:

2.1. Grant Baseline: The baseline amounts of the Bonus for the Distributors’ Grant, such as defined in the table contained in item 4.1 hereof, which shall be used for the purpose of calculating the Bonus for Grant.

2.2. Initial Bid Discount: Adjustment to the flexibilization of the regulatory PMSO and PNT parameters in order to meet the threshold as provided for in art. 4, §4 of Decree no. 9.192/2017

2.3. Discount Index (“ID”): Index Share, corresponding to the Bidder’s offered share, comprised within the 0.00 (zero) to 100.00 (one hundred) range, with two decimal places, and representing the amount to which the tariff flexibilization authorized by ANEEL and the tariff recognition associated with the Global Reversal Reserve (“RGR”) loans shall be reduced upon signing of the new Concession Agreement, as described below:

ID = Lowest amount between 100.00 and the Index

2.4. Grant Index (“IO”): Index Share, corresponding to the Bidders’ offered shares in excess to one hundred (100.00), with two decimal places, and representing the amount the Bidders are willing to pay for the Bonus for Grant, as described below:

IO = Highest amount between 0.00 and (Index– 100)

2.5. PMSO: Regulatory Levels of operating costs of Distributors, as regulated by the National Electric Power Agency (Agência Nacional de Energia

Elétrica – ANEEL).

2.6. PNT: Regulatory Levels of non-technical electricity losses of Distributors, as regulated by the National Electric Power Agency (Agência Nacional de Energia Elétrica – ANEEL).

3. The Index shall accrue over: (i) the tariff recognition of the debt balance of the payable RGR loans, as raised prior to the date of the Public Notice for Bid publication; (ii) the tariff recognition related to PMSO; and (iii) the tariff recognition related to the PNT, in accordance with the following provisions:

Tariff recognition of the debt balance of the RGR loans

3.1 Under the terms of Clause Nineteen, Subclause One, Paragraph Two of the Concession Agreement, Distributors shall be entitled to collect an additional tariff corresponding to certain percentage of the debt balance of the RGR loans payable, collected until the last day of the month prior to the publication of the Bid Notice, as per the following values:

| Distributor | Balance |
|--------------------|----------------------|
| CEAL | R\$ 598,959,509.42 |
| CEPISA | R\$ 844,291,897.49 |
| ELETROACRE | R\$ 169,205,193.57 |
| CERON | R\$ 525,315,796.20 |
| AMAZONAS ENERGIA | R\$ 1,639,008,120.97 |
| BOA VISTA | R\$ 303,424,827.22 |

3.2 For the purpose of determining the percentage dealt with in item 3.1 hereof, the Index share corresponding to the Discount Index offered by the Winner Bidder shall be taken into consideration.

3.3 The percentage dealt with in item 3.1 hereof shall correspond to the amount resulting from the subtraction of one hundred (100) by the Discount Index offered by the Winner Bidder, as described below:

$$(100.00 - ID)$$

3.4 The product of subtraction as mentioned in item 3.3 above shall be included into clause Nineteen, Subclause One, Paragraph Two of the Concession Agreement, so that the definite version of the instrument to be entered into between the Federal Government and the Winner Bidder shall comprise such amount.

PMSO Tariff Recognition

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3.5 Under the Homologation Resolution no. 2.349/2017 as issued by ANEEL and art. 4, §4 of Decree no. 9.192/2017, Distributors were entitled to the following PMSO flexibilization levels related to the regulatory year of 2017, added to Installment B in their tariff processes. The amounts of such flexibilization and PMSO considered in Installment B in Distributors in the tariff process of 2017 are as follows:

| DISTRIBUTOR | PMSO FLEXIBILIZATION AMOUNTS (authorized by the ANEEL Homologation Resolution no. 2.349/2017) | DISTRIBUTORS' PMSO IN THE TARIFF PROCESS OF 2017 | INITIAL BID DISCOUNT (as determined by art. 4, §4 of Decree no. 9.192/2017*) |
|-------------------------|---|---|---|
| CEAL | BRL 66,559,476.89 | BRL 352,317,106.43 | 45,47% |
| CEPISA | BRL 60,809,001.73 | BRL 452,816,070.21 | 61.31% |
| ELETROACRE | BRL 36,095,994.62 | BRL 138,911,693.26 | 0.00% |
| CERON | BRL 47,078,584.36 | BRL 292,585,780.17 | 0.00% |
| AMAZONAS ENERGIA | BRL 285,761,768.57 | BRL 624,044,965.67 | 0.00% |
| BOA VISTA | BRL 32,356,694.17 | BRL 86,924,462.21 | 0.00% |

* As determined by § 4 of art. 4, Decree no. 9.192/2017, flexibilization of the regulatory parameters authorized by ANEEL Homologation Resolution no. 2.349/2017 shall only be used in the threshold so that the assessment amount of Distributors, considering the Concession Agreement, shall be zero. In the privatization concerned, solely for CEAL and CEPISA Distributors using the maximum flexibilization amounts authorized by ANEEL was not required for the equity amounts of each of them to be zero;

3.6 Under clause Twenty, Subclause Three, item II of the Concession Agreement, the PMSO in the first tariff process after signing of the Concession Agreement shall correspond to the percentage over the PMSO amount of the prior tariff process, as mentioned in the column "**DISTRIBUTORS' PMSO IN THE TARIFF PROCESS OF 2017**" of the Table in item 3.5.

3.7 For the purpose of determining the percentage referred to in item 3.6 hereof, the Index share corresponding to the Discount Index offered by the Winner Bidder shall be taken into account.

3.8 The percentage dealt with in item 3.6 shall be calculated based on the

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following formula:

$$\left\{ \frac{(R - F) + \left[\left(1 - \frac{ID}{100} \right) \times F \times (1 - D) \right]}{R} \right\} \times 100$$

Where:

R: the respective amount as contained in column “**DISTRIBUTORS’ PMSO IN THE TARIFF PROCESS OF 2017**” of Table in item 3.5 hereof;

F: the respective amount as contained in column “**PMSO FLEXIBILIZATION AMOUNTS**” of Table in item 3.5 hereof;

ID: calculated as provided for in item 2.3 hereof; and

D: the respective amount contained in column “**INITIAL BID DISCOUNT**” of table in item 3.5 hereof.

3.9 The product of the calculation mentioned in item 3.8 above shall be added to clause Twenty, sub clause Three, item II of the Concession Agreement, so that the definite version of the instrument to be entered into between the Federal Government and the Winner Bidder shall comprise such amount.

PNT Tariff Recognition

3.10 Under the Homologation Resolution no. 2.349/2017 issued by ANEEL, and art. 4, §4 of Decree no. 9.192/2017, CEAL, CEPISA, ELETROACRE and CERON Distributors are entitled to the following PNT flexibilization levels associated with the regulatory year of 2017, considered in Installment A in their tariff processes:

| DISTRIBUTOR | PNT FLEXIBILIZATION (% of invoiced BT market, under Resolution no. 2.349/2017 - ANEEL) | FLEXIBILIZED PNT (%of invoiced BT market, under Resolution no. 2.349/2017 - ANEEL) | INITIAL BID DISCOUNT (as determined by art. 4, §4 of Decree no. 9.192/2017*) |
|--------------------|---|---|---|
| CEAL | 11.51% | 27.18% | 45.47% |
| CEPISA | 11.48% | 25.41% | 61.31% |
| ELETROACRE | 7.51% | 18.79% | 0.00% |
| CERON | 14.76% | 23.09% | 0.00% |

* *As determined by § 4 of art. 4, Decree no. 9.192/2017, flexibilization of the regulatory parameters authorized by ANEEL Homologation Resolution no. 2.349/2017 shall only be used in the threshold so that the assessment amount of Distributors, considering the Concession Agreement, shall be zero. In the privatization concerned, solely for CEAL and CEPISA Distributors using the maximum flexibilization amounts authorized by ANEEL was not required for the equity amounts of each of them to be zero;*

3.11. PNTs of AMAZONAS ENERGIA and BOA VISTA are regulated by means of the HOMOLOGATION RESOLUTION No. 2.184/2016, as per article 4 of Law n. 13.299/2016, which justifies that this item shall not be applied in their respective agreements.

3.12. Under clause Twenty, Subclause Three, item III of the Concession Agreement, Distributors shall be entitled to PNT levels corresponding to certain percentage applied over the low-voltage invoiced market.

3.13 For the purpose of determining the percentage referred to in item 3.12 hereof, the Index share corresponding to the Discount Index offered by the Winner Bidder shall be taken into consideration.

3.14 The percentage referred to in item 3.12 hereof shall be calculated based on the following formula:

$$\left\{ (P - Q) + \left[\left(1 - \frac{ID}{100} \right) \times (1 - D) \times Q \right] \right\} \times 100$$

Where:

P: the respective amount as mentioned in column “**FLEXIBILIZED PNT**” of the Table in item 3.10 hereof;

Q: the respective amount as mentioned in column “**PNT FLEXIBILIZATION**” of the Table in item 3.10 hereof;

ID: calculated as outlined in item 2.3 hereof; and

D: the respective amount as mentioned in column “**INITIAL BID DISCOUNT**” of the table in item 3.10 hereof.

3.15 The product of the calculation mentioned in item 3.14. above shall be added to clause Twenty, sub clause Three, item III of the Concession Agreement, so that the definite version of the instrument to be entered into

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between the Federal Government and the Winner Bidder shall comprise such amount.

4. The Index shall equally accrue over the Bonus for Grant, in accordance with the following provisions:

4.1 For the purpose of calculating the Bonus for Grant, the following amounts of the Grant Baseline shall be taken into consideration (“V”):

| Distributor | Grant Baseline (“V”) |
|--------------------|-----------------------------|
| CEAL | BRL 1,500,000.00 |
| CEPISA | BRL 5,000,000.00 |
| ELETROACRE | BRL 1,500,000.00 |
| CERON | BRL 5,000,000.00 |
| AMAZONAS ENERGIA | BRL 15,000,000.00 |
| BOA VISTA | BRL 1,500,000.00 |

4.2 For the purpose of determining the Bonus for Grant, the Index share corresponding to the Grant Index offered by the Winner Bidder shall be taken into consideration.

4.3 The Bonus for Grant shall correspond to multiplication of the Grant Index offered by the Winner Bidder, by the amounts of Grant Baseline listed in the table contained in item 4.1 above, according to the formula below:

$$IO \times V$$