

**ANEEL APPROVES THE 2017 ANNUAL TARIFF READJUSTMENT FOR EDP SÃO PAULO**

São Paulo, October 17th, 2017 - EDP - Energias do Brasil S.A. (“EDP” or “Company”) (“BM&FBOVESPA: ENBR3”) announces to the market that the National Electricity Agency (“ANEEL”), in public meeting held on this date, approved the 2017 Annual Tariff Readjustment for EDP São Paulo (“EDP SP” or “Distributor”), to be applied as of October 23rd, 2017.

In the Tariff Readjustment process, ANEEL updates the distributor's regulatory manageable costs (Component B), while the non-manageable costs (Component A) and the financial items are updated based on the price variation verified in the previous twelve months and the projection for the next twelve months.

When compared to the current tariff, the average effect to be notice by consumers will be +24.37%, being +27.31% to high and medium voltage consumers and +22.67% to low voltage consumers.

The Component B resulted in R\$ 806,602,890.33 (a reduction of 2.68% when compared to the previous tariff). The IGP-M (inflation index) calculated for the tariff period was -1.45% and the X-Factor was 1.23%. The X-Factor consists of portions of “Pd” (gains of productivity) of 1.14%, “T” (trajectory to adequacy of operational costs) of -0.24% and “Q” (incentives to quality) of 0.33%. The financial items adjustments recognized by ANEEL in this process were +R\$ 159 Million, referring to the difference between the non-manageable costs (energy, transport and charges) homologated and the costs effectively incurred by EDP SP in the tariff period from 2016 to 2017.

In 2016, through the Ordinance No. 120, the MME reviewed the asset base of energy transmitters. This review resulted in R\$ 397.4 million increase in this readjustment (representing 10.7 p.p. of the 24.37%). The values were approved through the ANEEL homologation Resolution No. 2259/2017.

With the unfavorable hydrology, the hydroelectric plants had extra costs for not being able to produce energy, so that the energy purchased from Itaipu, the plants contracted in quota modality and the others hydroelectric plants had cost increase that together represent about 14 p.p. of the readjustment.

EDP São Paulo: Composition of 2017 Tariff Repositioning

Description	Result
Sector Charges	R\$ 969,689,278.59
Transport	R\$ 611,416,496.71
Electricity Purchase	R\$ 1,652,795,694.89
Total of Component A	R\$ 3,233,901,470.19
Pd X-Factor (Productivity index of Component B)	1.14%
Q X-Factor (Incentives to quality)	0.33%
T X-Factor (Trajectory to adequation of operational costs)	-0.24%
IGP-M (12 months accumulated)	-1.45%
Total of Component B	R\$ 806,602,890.33
Required Revenue (Component A + Component B)	R\$ 4,040,504,360.52
Financial Components	R\$ 158,945,035.27
Average Effect to be Noticed by Consumers	24.37%

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