



**ANEEL APPROVES THE ANNUAL TARIFF READJUSTMENT FOR EDP ESPÍRITO SANTO**

São Paulo, August 07<sup>th</sup>, 2018 - EDP - Energias do Brasil S.A. (“EDP” or “Company”) (“B3: ENBR3”) announces to the market that National Electricity Agency (“ANEEL”), in public meeting held on this date, approved the 2018 Annual Tariff Readjustment for EDP Espírito Santo (“EDP ES” or “Distributor”), to be applied as of August 07<sup>th</sup>, 2018.

When compared to the current tariff, the average effect to be notice by consumers will be +15.87%, being +14.99% to high and medium voltage consumers and +16.30% to low voltage consumers.

The component B was adjusted by 7.19%, reaching the total amount of R\$ 861,849,436.69<sup>1</sup>. The IGP-M (inflation index) calculated for the tariff period was +8.24% and the X-Factor was 1.05%. The X-Factor consists of portions “Pd” (gains of productivity) of 1.15%, “T” (trajectory for operational costs adequacy) of 0.00% and “Q” (incentive to quality) of -0.10%.

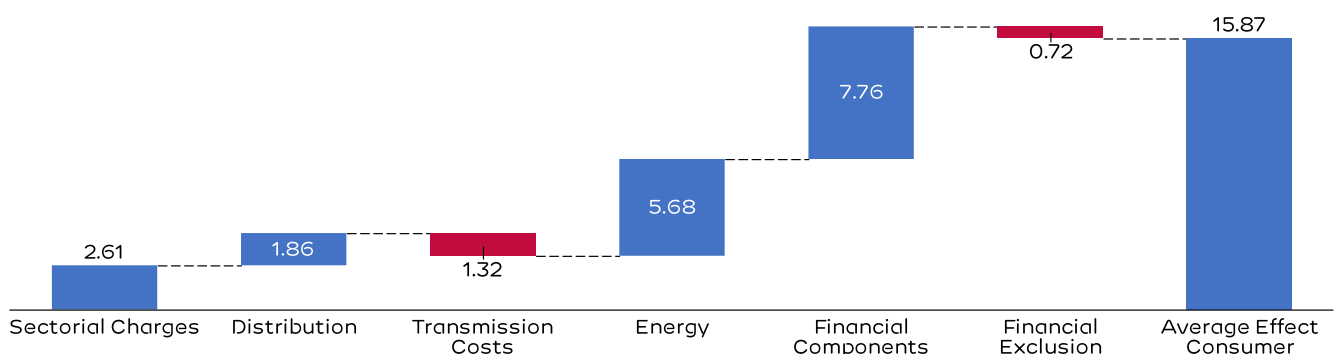
During the tariff adjustment process, ANEEL updates the regulatory costs that can be managed by the Distributor (Component B), the non-manageable costs (Component A: energy, transportation and charges) and defines the financial items.

Energy costs are mainly influenced by the hydrological scenario, updated based on the last 12 months’ price and the forecast for the next 12 months. In addition, it is important to highlight the strong influence of the dollar variation as a result of the energy purchased from Itaipu (1.80 p.p.), as well as from the energy sourced from plants operating on a quota system base (2.74 p.p.).

The financial items adjustments recognized by ANEEL in this process amounted +R\$ 242.29 million referring to the difference between the non-manageable costs approved (energy, transport and charges) and the costs incurred by EDP ES in the tariff period from 2017 to 2018, in addition to the advance of future costs, mainly related to the hydrological risk (R\$ 107.6 million).

For the sectorial charges, there was a revision from CDE<sup>2</sup> quotas from September to December 2018 (ANEEL Process 48500.004583/2017-90), which resulted in a tariff coverage increase of R\$ 30.0 million.

Figure 01: Average Effect Noticed by Consumers – Composition (%)



1 The readjustment of 7.19% considers Component B approved in 2017 plus market growth, energy transportation and losses.

2 Quotas regarding the Energetic Development Account



Figure 02: EDP Espírito Santo - Composition of 2018 Tariff Repositioning

Description	Result
Sectorial Charges	R\$ 703,344,083.34
Transportation	R\$ 301,115,232.16
Electricity Purchase	R\$ 1,513,454,355.72
<b>Total Component A</b>	<b>R\$ 2,517,913,671.21</b>
Pd X-Factor (Productivity Index of Component B)	1.15%
Q X-Factor (Mechanisms of Quality Incentive)	-0.10%
T X-Factor (Operational Costs Adequacy Index)	0.00%
IGP-M (Last 12 Months)	8.24%
<b>Total Component B</b>	<b>R\$ 861,849,436.69</b>
<b>Required Revenue (Component A + Component B)</b>	<b>R\$ 3,379,763,107.90</b>
Financial Components	R\$ 242,299,306.57
<b>Average Effect to be Notice by Consumers</b>	<b>15.87%</b>

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