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ANEEL REVISES ESCELSA'S 2004 TARIFF INCREASE AND APPROVES 2005 TARIFF ADJUSTMENT

ANEEL, the Brazilian Electricity Regulator, has approved Escelsa's final average 2004 tariff increase – previously defined, on a provisional basis, within the scope of the **triennial tariff revision** for that company on August 7, 2004 – amending the previous increase from 6.33% to 8.58%.

This final review results from the amendment of Escelsa's regulated asset base, depreciation rate and operating costs of the reference company, as shown in the table below:

Final Figures for the Tariff Revision of August 2004

R\$ million	Provisional	Final
Gross Regulated Asset Base	1,644	2,094
Net Regulated Asset Base	921	928
Depreciation Rate (%)	4.45%	4.25%
Costs of Reference Company	216	217
Tariff Repositioning (%)	6.33%	8.58%

This review impacts the tariff base defined in August 2004, which is the starting date of the regulatory period ending August 2007. The retroactive impact of this review on Escelsa's operating results, between August 2004 and August 2005, amounts to R\$17.2 million (€6 million), and will be recovered through the tariffs until August 7, 2006.

In addition, within the scope of the **annual tariff adjustment**, that reflects the pass-through of some costs components incurred by the



company for the twelve months ended August 7, 2005, namely (i) in non-controllable costs ("Parcela A") and (ii) the adjustment of controllable costs ("Parcela B") to inflation (IGPM adjusted by an X factor), ANEEL granted Escelsa a 6.93% average tariff increase, starting August 7, 2005. This increase already reflects the amendment to the 2004 tariff revision.

EDP – Energias de Portugal, S.A.