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Investors & Analysts' Briefing

INVESTOR RELATIONS DEPARTMENT

Miguel Viana, Head of IR
Sónia Pimpão
Elisabete Ferreira
Ricardo Farinha
Noélia Rocha

Phone +351 210012834
Fax: +351 210012899

Email: ir@edp.pt
Website: www.edp.pt

ERSE ANNOUNCES ITS PROPOSAL FOR TARIFFS IN 2009 AND PARAMETERS IN 2009-11

The Portuguese Electricity Regulator ("ERSE") announced its proposal for electricity tariffs in 2009 and the parameters for the regulatory period 2009-11.

For 2009, ERSE proposed a 4.9% increase in average electricity tariffs to final clients in the mainland. This increase reflects the implementation of the Decree Law 165/2008, from August 21, which introduced several changes to the rules applied to the recovery and transmissibility of tariff adjustments from previous years, in a way to reduce the economic impact on consumers and, simultaneously, recognizes the entitlement of regulated companies to recover these amounts.

As part of ERSE's proposal, it will be created a tariff deficit to EDP Serviço Universal – the last resource supplier in mainland, 100% owned by EDP group – of an estimated amount of €1,717 million, with the following breakdown: (i) €1,270 million relative to deviations between the real electricity procurement prices and volumes for regulated consumers vs. the initial estimates made by ERSE for 2007 and 2008; and (ii) €447 million following the support by EDP Group in 2009 of the difference between tariffs paid to special regime generation and the expected electricity market price. These amounts will be transitory supported by EDP group and will be recovered, with interest, through the tariffs applicable to all consumers in the electricity system, as from January 1, 2010 and for a period of 15 years.

The decree law 165/2008 defines that the regulated companies may transfer without recourse the global amount resulting from the adjustments calculated for each entity, according to the rules defined by the decree law 237-B/2006, from December 18.



Accordingly, EDP is seeking to transfer without recourse the abovementioned amount of accumulated tariff deficit.

As to the cost of capital defined for the activities of distribution and supply, ERSE proposed a rate of 8.55% for 2009, comparing to 8% defined in the previous regulatory period.

Additionally, the document released by ERSE mentions the introduction of efficiency targets for the regulated activities. For the electricity distribution activities, ERSE targets an annual 3.5% reduction in operational unitary costs in the period 2009-11.

According to electricity regulation rules in Portugal, the Tariffs Advisory Board, which includes representatives from regulated companies and consumers, shall issue its non-binding opinion until November 15. Following that, ERSE will approve the final tariffs and parameters until December 15, 2008.

EDP – Energias de Portugal, S.A.