

Q2 2013 Earnings Call

Company Participants

- Luiz Eduardo da Veiga Sebastiani, Chief Financial, Investor Relations and Control of Holdings Officer
- Solange Elizabeth Maueler Gomide, Head of Capital Markets
- Vlademir Santo Daleffe, Chief Distribution Officer

Other Participants

- Antonio Junqueira, Analyst
- Carolina Carneiro, Analyst
- Felipe Leal, Analyst
- Lilyanna Yang, Analyst
- Sandra L. Boente, Analyst
- Unidentified Participant

Presentation

Operator

Good morning and thank you for waiting. Welcome to COPEL Paranaense Energy Company Conference Call to present the First-Half of 2013 Results. We inform you that all participants will be in a listen only mode, during the company's presentation. After, which we will have a questions-and-answer session, when further instructions will be provided. (Operator Instructions)

Before proceeding, let us clarify that forward-looking statements made during this conference call regarding COPEL business perspectives, forecasts, operating and financial targets are based on the beliefs and assumptions of the company's management, as well as on information currently available.

Forward-looking statements are not a guarantee of performance. They involve risks, uncertainties and assumptions as they refer to future events that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future performance of COPEL and lead to results to differ materially from those expressed in such forward-looking statements.

In this conference call, we have Mr. Luiz Eduardo Sebastiani, Finance and Investor Relations Officer. Presentation by the company management is available at COPEL website, www.copel.com.br/ri.

Now I'll give the floor to Mr. Luiz Eduardo Sebastiani.

Luiz Eduardo da Veiga Sebastiani {BIO 17969160 <GO>}

Good morning, everyone, and welcome to our first half of 2013 earnings conference call. First, let me thank you all for participating in this conference call and highlight that it is always a great pleasure and it is important for the company to talk to those of you who track our company.

Unfortunately, our President, Mr. Lindolfo Zimmer, will not be with us today because right now, as we speak, the official inauguration ceremony of Cavernoso II Small Hydropower Plant is taking place. Although the plant has already started commercial operations since, July. It is worth reminding you that Cavernoso Small Hydropower Plant has 19 megawatts of installed power.

Talking about the highlights in the first half, we reported 650 million net income, which is 29% higher than the first half last year. A large portion of this net income is the result of the energy allocation strategy that we adopted in our subsidiary, COPEL Generation and Transmission, in the first quarter, also our efforts to control costs, which has contributed for a better result for the company.

Let me also remind you that, today, we have with us our Distribution Director, Engineer Vlademir Daleffe; and also with us is superintendent of Investor Relations; and Felipe Pessuti, our Manager; also our Accounting Officer, Adriano Fedalto [ph], our controller in stakes and participation; our Finance Manager, Carlos Lucio. So we have our team of executives to answer your questions.

So I was talking about our net income. And also I want to speak about the transfer of funds from the CDE fund. As you all know, the last few months were marked by higher energy costs, which reflected in the costs of all distributors and led the authorities to adopt the Decree 7945, to use CDE economic development funds to offset through this transfer of energy of funds, the higher costs of energy and charges incurred by the power industry.

During the first half, approximately R\$ 570 million were approved for COPEL in order to offset these higher costs of energy and charges referring to monthly quota, and 221 million referring to the good results of Portion A variation compensation accounts, which were approved during the tariff review of June 24. So talking about CDE funds related to an advance of amounts approved by ANEEL to cover for discount to tariff from May to November, in compliance with resolution number 1719 of May 29, 2013. ANEEL authorized an average adjustment of 9.55 in COPEL Distribuicao rates and postponed 256 million, which will be adjusted and included in the next tariff review. Finally, we want to highlight the acquisition of seven wind farms and a stake of 30% in Baixo Iguacu Hydropower Plant, which will be built in Parana. So, we will give you further details further on.

Now fourth slide, we give you more details about the transfer of CDE funds. As we mentioned, the government issued Decree 7945, which calls for the transfer of CDE

funds to cover for costs that came from exposure to short-term market, limited to the amount not met by quota allocation.

The hydrological risk of quotas, also System Service Charges, ESS, specifically referring to thermal dispatch out of merit order or for energy safety. In addition to the positive results of CVA, or Portion A variation compensation account, during the tariff review processes in March 2013.

So the company received R\$ 593 million from CDE to cover for energy expenses and charges, including the 228 million approved in the tax review and received in the end of July, while we report 99 million to be received related to May and June.

However, Resolution number 2701 of July 29, 2013, ANEEL approved R\$ 76 million for this period. The difference of 23 million between the amounts reported and the amounts received will be adjusted in the next period.

So the amount effectively received in the first half was 570 million, 262 allocated to offset energy costs and 308 refer to other charges. Considering the second quarter, we received 365, a 167 refer to energy costs and 198 million refer to other charges.

Still about the CDE transfer of funds, according to Resolution 1711 of May 29, 2013, we received a 135 million related to in advance of amounts approved to cover for discounted rates, established by Decree 7891 of January 23, 2013, which regulates Brazilian Law Act Number 12,783 of 2013.

It's important to remember that in the end of May, the federal government authorized the early transfer of funds to power distributors. To ensure the discounts in energy rates, there was a risk because the Senate had not voted their regulation before the constitutional deadline.

Now the transfer of -- the CDE funds transfer to COPEL to cover for tariff discount, as determined and approved by Resolution, was 19 million, established by Resolution 1431 of January 23, 2013. Although they were received earlier, they are still being reported on an accrual basis that is 19.3 million per month up until November.

Now slide number five talks about our results. Our operating revenue in the first half increased 10.6% compared to the same period in the previous year, reaching R\$ 4.5 billion. Main reasons for revenue increase were, first, a 27.8% increase in energy sales. Basically, thanks to a 213% growth in energy sales to COPEL GeT free markets and an increase in the energy portion of revenue after the third cycle of tariff review.

Also a growth of 26% in sales to distributors, COPEL GeT short-term energy allocation and higher average price of sales through distributors because of a reallocation of a portion of COPEL GeT energy portfolio through bilateral contracts after the termination of CCEAR from 2005 to 2012, which happened in the end of 2012.

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In addition, the uses of power grid, which is a function of revenues that includes charges for the use of the distribution and transmission grids, had a 32% reduction, periodic tariff review, 189 million annual allowed revenue.

Now the other revenues, including construction, attained 878 million, this chiefly led by the growth in construction revenues, so the leasing of Araucaria Thermal Power Plant. As we analyzed the second quarter 2013 numbers on this slide, we can see that the operating revenue increased 3.7% compared to the same period in the previous year, reaching R\$ 2.1 billion. You can see that in the second quarter, the revenue from sales to distributors had a reduction of 20% compared to the previous year, which was already expected because we have less energy available for sale because of the strategy adopted by COPEL GeT in the first half of 2013.

Sixth slide. We see details of operating costs and expenses in the first half of 2013, which increased 10% compared to the same period in the previous year. Mostly because of 15% higher expenses to purchase electric power to resell, which totaled R\$ 1.5 billion in the first half of 2013, 842 million in the first quarter and 674 million in the second quarter.

Now we want to highlight that the energy cost reduction in the second quarter compared to the first quarter is explained by the transfer of CDE funds previously described. The costs were charges for the use of the grid had a reduction of 51% in the first half, influenced by the transfer of CDE funds and lower charges for use of the system after the publication of Law 12,738 of 2013, which extended the duration of concessions.

Now, we reported a 5.3% reduction in the personnel and managers cost. As we did not have indemnities with the redundancy program that was closed in December 2012, also lower expenses of compensation and charges already offset by the 5.6% wage increase of October 2012 and 1% of May 2013. Now the cost from third-party services had a reduction of 1.8% because we had lower expenses with services related to the maintenance of the power grid. But we continued to maintain high quality although we had this reduction.

On the seventh slide, the next, you have a breakdown of the expenses to purchase energy we resell, up 15% as compared to the same period last year. Now the purchase of energy from the regulated market grew for three reasons; number one, monetary adjustment of contracts by inflation; new thermal and hydropower contracts as planned in the planning of our distribution units and replacement of energy contracts that ended in December; third, higher cost of thermal energy contracts, considering the dispatch and a higher spot price in this period. In addition to higher cost of contracts in the regulated markets, the purchase of energy and the electric power trading in December, also went up, the higher spot price and appreciation of the U.S. dollar.

On the eighth slide, we have the evolution of costs for COPEL Distribuicao segmented in Portion A, PMSO and construction costs. Now to make a comparison between the first half of 2013 and the first half of 2012, the same period last year, our costs increased by 6.5%. This is explained by an increase of 90.6% in construction costs, which is not considered in

the regulatory balance sheet. So this is an accounting adjustment. We do not have these costs in the regulatory balance sheet.

Now positive highlights. The cost of PMSO, personnel, material services and other remained stable, or rather had a reduction of 0.3%, whereas the inflation index, IGP-M soared 6.3%. As we analyze PMSO individually, we can see the personnel line, which includes wages, labor charges and also expenses to pay for Social Security benefits, had a reduction of 4.6%. This is important and it was necessary under the current circumstances.

Now regarding the succession and redundancy program, or voluntary termination program, we wish to inform that of the 712 terminations planned for 2013, 245 already occurred in the first half. A large portion, 198, were employees of COPEL Distribuicao. Up until year-end, 467 people will leave COPEL voluntarily, which is very significant.

Now one more time, when we informed that our expectation is that this program will bring a 3% reduction in our payroll in 2013 and, in 2014, a 10% reduction with the redundancy program. This is also important for us to keep consistency with our plans.

Now again, talking about our results, consolidated EBITDA in the first half increased 10.4% vis-a-vis the same period in 2012, totaling 1.1 billion and 25% margin over operating revenue, in line with the numbers reported in the first half of 2012.

Now COPEL GeT generation and transmission accounted for 82% of the consolidated cash generation. COPEL Distribuicao had EBITDA very close to zero, which can be explained by a significant increase in energy costs, as we explained before, especially in the first quarter this year. Now if you look at EBITDA of COPEL Telecom reached 23 million, which corresponds to 44% growth, compared to the same period of the previous year.

On the next slide, we show you COPEL consolidated net income, 650 million in the first half of the year, 29% higher than the same period in 2012. Now looking at the results of our subsidiaries, we can observe that COPEL GeT closed the first half of 2013 with 556 million net income, 54% higher than in the first half of the previous year. Net margin, 39%. Now COPEL Telecom, we already said, reported a net income of 23%, 44% growth.

Now, the COPEL Distribuicao results in the first six months of the year was close to zero, again, explained by higher energy costs. However, we'd like to highlight that. COPEL Distribution result in the second quarter was 600 -- sorry, 68 million as a result of the transfer of CDE funds and our efforts to control costs at the company.

Slide 11, now talking about COPEL Distribuicao, we'll give you more details. As you all know, ANEEL authorized an adjustment that averages 14.61%. However, because of the timing of this authorization, we requested suspension of this adjustment and the postponement of ratios authorized.

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So ANEEL approved our request and the postponement, and we did not have any losses for the company. So they authorized an average increase of 9.55% and exceptionally approved the postponement of 256 million as a financial component, which will be adjusted by our GPM, and it will be considered in the next tariff review, so we had no loss. The amount postponed is equal to the difference between the applied and the authorized increase. As I said before, the impact of this adjustment will not affect the company's financial fine soundness.

On this slide, you can see the recent history of CVAs. We had a transfer of CDE funds equal to 228 million, approved during the tariff review to offset CVAs reported between June 2012 and June 2013. Finally, let me remind you that, as we've already announced, we acquired seven wind farms in the state of Rio Grande do Norte, with a total installed capacity of 184 megawatts. They belonged to Salus FIP, successor of Casa dos Ventos.

As we can see in the table on slide 12, the energy from these plants was sold in 20-year contracts in the second auction of alternative power held in 2010, and the fourth auction of reserve energy held in 2011. In addition to the wind farms, we signed an agreement with Neoenergia, and we now hold 30% of Baixo Iguacu Power Plant, which will have an installed power of 350 megawatts and it's going to be the last power plant to be built in new Iguacu, Parana. Our experience and technical capacity will contribute in the construction and operation of the plant and will certainly bring operating and financial synergies. This plant will be ready in the first half of 2016.

Now in general lines, these were the main highlights of COPEL. We will now begin the questions-and-answer session. Talking about all the topics that have already been presented, and we have our team of executives, whose names we've mentioned to answer your questions in this conference call. Thank you.

Questions And Answers

Operator

Thank you. We will now begin the questions-and-answer session. (Operator Instructions)
Carolina Carneiro from Santander has a question.

Q - Carolina Carneiro

Good morning, everyone. I have a question about growth strategy. Actually, two questions. First, about acquisitions. We read on the newspapers today that we will very soon have a final solution for Grupo Hedi. I know, COPEL did not participate in the bid for the full Group, but I'd like to know, if you would be interested in negotiating a stake in portions of Grupo Hedi or if you believe that the Group has assets that could make sense for you to acquire.

Second question about growth in new projects. We will have a few auctions very soon. I'd like to know if COPEL is interested in projects that will be auctioned or if you already have specific information about these auctions. Thank you.

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A - Luiz Eduardo da Veiga Sebastiani {BIO 17969160 <GO>}

Well, COPEL is paying very close attention to these new projects. Specifically, Carolina, about Grupo Hedi, we actually had some interest in participating together with another company in the bid of Grupo Hedi, but our focus were two companies. One in the south border with Parana, further south, and we believe it's a small company located in Guarapuava in Parana, in the interior of Parana. We identified that the time was very short to present a proposal, which would have to be presented actually in the judicial system, in court. We did not really not feel very comfortable to confirm a proposal at that time or to confirm a bid at that time.

Now, we have a more open scenario, our focus will again to BFO [ph] and we do have an interest not only in these assets, but all other assets. We are very disciplined financially, and we always analyze the cost of capital involved. Now we had recent acquisitions of wind farms and the participation in Baixo Iguacu Power Plant, because we identified the right level of profitability and the right synergies to invest our capital in several projects. We have a participation, one of them, in the case, which the company could offer something in addition to what had been offered, enlarge capacity to attract profitability. And in the future, the SINOP asset was identified as interesting for COPEL. So perhaps, this could only become effective with a bid, possibly with another company together with us, if we can identify the right level of profitability. So we not only analyze the level of profitability, but also the possibility of synergies with our company. But we will only present a bid, if we have the right level of profitability for the company.

We will have an auction in the next few months, and we will keep the same stance that is identify the assets, conduct our previous studies. And when we have the right level of profitability, then COPEL will present a bid, as we have always to consider these factors; profitability and synergies.

Yes, okay. So for this year, you may look into a few other assets in the next auctions. So we may have news in the second half, no doubt. In addition, COPEL has presented its interest in assets offered by the market, and we are currently analyzing these assets. But we're always keeping a very strict discipline and focus on profitability. But yes, we're paying very close attention, and we're working on possible acquisitions.

Q - Carolina Carneiro

Okay. Thank you.

A - Luiz Eduardo da Veiga Sebastiani {BIO 17969160 <GO>}

Thank you.

Operator

(Operator Instructions) Mr. Eduardo Veloz for Morgan Stanley has a question. Eduardo, you have the floor. Mr. Antonio Junqueira from BTG Pactual has a question.

Bloomberg Transcript

Q - Antonio Junqueira {BIO 15403195 <GO>}

Good morning. Good morning, everyone. I have two questions. First, about Anexo [ph], if you can. So if you can become controllers of this concession, the idea would be for you to have 100% or perhaps have a structure similar to what Seneg [ph] has perhaps a crisist partner? And a more philosophical question. Does it make sense to expanding distribution, if your distributor is not enough? I mean, what kind of competitive advantage do you have to transform an inefficient distributor into an efficient distributor or by Anexo, which already has efficiency to further increase perhaps this efficiency? Thank you.

A - Luiz Eduardo da Veiga Sebastiani {BIO 17969160 <GO>}

Thank you, Antonio Junqueira. Good morning. Yes, when we identified Anexo, as an interesting asset in Grupo Hedi, it means that we had conducted an analysis, not only us because we were already considering the possibility of a private partner that could help us where we could share the management.

So we do not have anything previously defined, as I said before, we will analyze, if we have an opportunity to present our bid for Anexo. So we will analyze very carefully and also identify the opportunity to work together with other companies. This is something we do consider. Our concern is COPEL Distribuicao, all our focus is directed to COPEL Distribuicao in 2013.

And we already have some very promising results, some results that keep us highly motivated in terms of maintaining the same pace in the cost-reduction process. What we are doing now is an important benchmark for what we can do in future acquisitions, that is if we take the control or if we present a proposal to acquire other assets, we are considering that.

We will only acquire other distribution companies or other companies if we can actually improve their results. But, because we are already harvesting good results in the cost-reduction program, we believe this is very promising for our future work. We will concentrate our efforts in COPEL Distribuicao, which is as I said, our number one focus. If we continue to have good results, as we have already identified -- and just an important detail, the results of COPEL Distribuicao will be much better. Now with this program of cost control and process reevaluation, but also the adjustment that will already show in our balance sheet in the next quarter. We will also continue to work in other areas of the distribution. As I said, our focus is the distribution unit. Thank you.

Operator

Mrs. Sandra Boente from HSBC has a question.

Q - Sandra L. Boente {BIO 1511861 <GO>}

Thank you. Good morning. I have two questions. First, about your distribution business. What are your expectations for the second half of the year? If you look at the second quarter, the expectations are not very great. So do you think that you will have a positive operating margin or you will still be facing operating issues?

And question also about 2014, what is your prospects in terms of margin and profitability in the distribution unit? And the other question is about dividends. What is your plan in dividends payout? In the past, you have paid dividends for profits in the first half of the year and this year, apparently, you're not doing the same. So what is your plan in terms of dividend payments this year?

A - Luiz Eduardo da Veiga Sebastiani {BIO 17969160 <GO>}

Okay. Thank you, Sandra. I will immediately give the floor to the President or Director of COPEL Distribuicao, Vlademir Daleffe, to answer your questions. Thank you.

A - Vlademir Santo Daleffe

Good morning, Sandra. Good morning, everyone. Now the first half of the year will be split into first quarter and second quarter. First quarter, we had a negative result, but we had a recovery or a rebound in the second quarter. The actions we took to reduce operating cost were more intense in the second quarter, and we could already see the results. But actually, we will see more results in the future. That is, we had a better result also because of the transfer of CDE funds, but we have restructured our company. We have fewer headcount and a very strong cost control, so that we will see stronger results in the second half of the year.

And even more, in 2014, because many people who agreed to participate in the voluntary termination program will leave the company next year only. So we are sure that we will have good results this year and this result will be even better next year, because the actions we have been taking will produce their effects.

Q - Sandra L. Boente {BIO 1511861 <GO>}

What is the operating margin that you pursue and that you believe you can attain next year, for example?

Operator

Ladies and gentlemen, please remain connected. The conference call will continue in a few minutes. Now you may continue.

A - Vlademir Santo Daleffe

Sandra, so back to your question about the margins we expect. Now, we expect to have EBITDA approximately 500 million in 2015. So it's up the second half, we will begin to have a ramp of growth towards that. So this is going to be 2015, that's the normalized year that we're looking at.

Q - Sandra L. Boente {BIO 1511861 <GO>}

Yes, exactly. And I'm sorry, what is the amount, debt-to-EBITDA?

A - Vlademir Santo Daleffe

400 and 5,500.

Q - Sandra L. Boente {BIO 1511861 <GO>}

Okay. Thank you. The other question. It's about dividend, the dividend payout.

A - Luiz Eduardo da Veiga Sebastiani {BIO 17969160 <GO>}

Yes. Sebastiani now. Now COPEL bylaws calls for the payout of dividends, and we have been doing this because it's been our policy. And this year, we will be doing the same thing. So with the results that we have disclosed today to you, we will have an internal discussion now. And soon, we will have a definition of the percentage that will be paid out in dividends. And we will communicate the market as soon as we have a definition. That is -- what I can tell you is that we will continue to have dividends payout as we've had in the last few years.

Q - Sandra L. Boente {BIO 1511861 <GO>}

Okay. Thank you.

A - Luiz Eduardo da Veiga Sebastiani {BIO 17969160 <GO>}

Thank you.

Operator

(Operator Instructions) Lilyanna Yang from UBS has a question.

Q - Lilyanna Yang {BIO 14003234 <GO>}

Hello, thank you for the opportunity. I have two questions. First, how do you view generation prices? A large portion of your capacity has not been contracted in the short-term. So are you waiting, or do you want to be exposed to the (inaudible) price? And what can we expect in terms of energy price, 110, 150, 200 megawatt-hour?

Second question, your distribution contracts or your distribution concession, which will be terminated in 2015. So is this going to be renewed or extended or is there going to be a change in this renewal, if you're going to have different quality targets, audits or different kinds of regulations in the extension of the concession?

A - Luiz Eduardo da Veiga Sebastiani {BIO 17969160 <GO>}

Thank you, Lilyanna. Thank you for your question. Let me give the floor to Solange, she will answer your first question.

A - Solange Elizabeth Maueler Gomide {BIO 16088234 <GO>}

Good morning, Lilyanna, good morning, everyone listening to us. Actually, today, in the morning, I spoke with our Superintendent and he told me that recently, we participated in an auction in July 12. So from 2014 to 2017, a price of both a 120 megawatt-hour. So this is

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the idea of price. And we would like to have long-term contracts because only one year, then it's not really what COPEL generation wants. So the idea would be first to participate in auctions. COPEL is a state-owned company; we must have a transparent process to sell energy. So we are participating in energy auctions, but the idea is for us to always have a margin to be allocated to the free market, as we did in the first half.

I'm not sure whether I answered your question, but the idea is to seek for higher prices, which obviously depends on how much energy you sell, I mean, the number of megawatts. But the idea would be to be around 130, 135 megawatt-hour. This would be our projection for the near future now for COPEL. About your second question, let me give the floor to Vlademir Daleffe. He will answer your second question.

A - Vlademir Santo Daleffe

Now, Lilyanna, about the concession renewal for COPEL Distribuicao, as you know, the date is June 24. And so the expectation, and according to the regulations, the government, the Ministry of Energy would have to manifest its position about the renewal. But actually, there are two issues that have to be analyzed by the government; quality and financial capacity. We have no doubt about quality. COPEL has become a reference in the industry for quite some time, and there are no signs that the government could request changes regarding quality.

Now in terms of the financial capacity, this has been discussed here. We have a very strong recovery plan. We firmly believe this is going to lead us to results that will give no margin for the governments to question the possibility of renewing the concession. Although, the criteria will be disclosed by the Minister possibly in August, and certainly, up until year end. This is something we heard from a Secretary in the -- from a Secretary to the Minister. And so as soon as we have this information, we will take action to ensure the concession renewal. But we have the best possible expectations. We do not believe that it could not be renewed. That is, we believe it will be renewed.

Q - Lilyanna Yang {BIO 14003234 <GO>}

Okay. Thank you.

Operator

Mr. Felipe Leal from Bank of America Merrill Lynch has a question.

Q - Felipe Leal {BIO 2015017 <GO>}

Well, good morning. It's just a brief question. If you have news about the negotiation of prepayment of CRC? The Board has already approved a 10% deduction in the amount, but I'd like to know if this negotiation has progressed?

A - Luiz Eduardo da Veiga Sebastiani {BIO 17969160 <GO>}

Good morning, Felipe. While we have concluded what has been presented to us, I think you'll remember we only established the maximum deduction. Actually, it's a maximum

limit; it's not a maximum amount. And now, we will have a definition. We already have a process at the national level, and so the government would provide this loan. So to pay for the CRC. We are waiting for this definition, the state government and the national government. We will communicate to the market when this is consolidated, when this is concluded, even before we can pay for CRC. So currently, we are waiting for the state government.

Q - Felipe Leal {BIO 2015017 <GO>}

Thank you.

Operator

Mr. Daniel Campino [ph] from Itau has a question.

Q - Unidentified Participant

Hello, good morning, everyone. This is Fabiano Custodio. My question is about the rates or tariffs. COPEL has implemented two-third of the adjustment and postponed one-third of the adjustment, approximately 5%. When we look at the variables for tax -- for tariff review next year, the increase will also be high if the foreign exchange rate is 2.36, and if we have thermal dispatch and other factors.

Now my question is the following. Do you agree with this scenario, and what do you expect that may happen next year? Do you think the company will be able to implement the full adjustment next year, added to the 5%, so that we would go back to normal levels?

Now if you don't have the opportunity to increase this additional 5% next year, I know that you are building up regulatory assets, would ANEEL need another authorization? Would -- or, so this is my question. Thank you.

A - Luiz Eduardo da Veiga Sebastiani {BIO 17969160 <GO>}

Mr. Fabiano, let me give the floor to Daleffe, our Distribution Director.

A - Vlademir Santo Daleffe

Fabiano, this amount postponed, 4.6% for next year, will have a real effect on June 24 next year of 2.9, because there is a financial compensation or offset that would be removed next year. So, if we apply it fully, it's going to be less than 4.6%. But of course, we have different cost variables, thermal dispatch, the foreign exchange rate, which can be significant to determine this indicator.

So if we identify that the cost would not possibly be tacked on to the tariffs, then we can discuss -- again, we can re-discuss and even another postponement could be considered. But it's still too early to think about that. But every year, when we have tariff review, COPEL declares to ANEEL the index that must be applied, and ANEEL will approve or not. That is an issue, an approval of resolution or not.

So your question, if again, we will ask for postponement. We still don't know because next year, what kind of values will be included in the calculation? And of course, everything depends on this formalization or approval by the government.

Q - Unidentified Participant

Yes, but the authorization that you already have for the current tariff review, will it last for 12 months?

A - Vlademir Santo Daleffe

Well, ANEEL allowed 256 million to be a financial contribution for the next tariff review, unless we ask for a new postponement.

Q - Unidentified Participant

Okay. Thank you.

Operator

(Operator Instructions) (inaudible) has a question.

Q - Unidentified Participant

Hello, good morning. The construction of Colider plant will have a delay in the beginning of its generation. Now do you know the impact, the financial impact of this delay? Have you reported that?

A - Luiz Eduardo da Veiga Sebastiani {BIO 17969160 <GO>}

Natalia, good morning. In fact, yes, there is an expectation of more intense operations. So no, there will not be a delay. It is just that we expected to have earlier start, but because of environmental licenses, this problem has already been solved.

Q - Unidentified Participant

All right. But the first one was programmed for early 2014, and now, you are talking about the first half of 2015 and you don't have a specific date. Is this correct?

A - Luiz Eduardo da Veiga Sebastiani {BIO 17969160 <GO>}

Well, in fact, yes. In the beginning of the construction work, we spoke about 2014. But then officially, we learned about the environmental licenses, the state-level licenses. But this issue has been solved, it has been overcome. So this date, which is the first half of 2015, this is our plan and this has been our plan from the beginning of this year. So we made this definition quite some time ago.

Q - Unidentified Participant

Okay. Thank you.

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Bloomberg Transcript

A - Luiz Eduardo da Veiga Sebastiani {BIO 17969160 <GO>}

I mean, this is just to say that there are -- that we are not considering a possibility of delay. That is, we keep our plan of starting from 2015, the first half of 2015.

Q - Unidentified Participant

Okay.

Operator

(Operator Instructions) Now, since there are no more questions from participants, we'll give the floor to Mr. Sebastiani for his final considerations.

A - Luiz Eduardo da Veiga Sebastiani {BIO 17969160 <GO>}

Okay. Thank you. Now I want to thank you all for participating and I confirm our commitment with efficiency and cost reductions. This is a commitment we've had with the mobilization of the whole company, the whole COPEL, focusing more on COPEL Distribuicao. With that, we've been able to observe progress and we expect the changes in internal processes will help us further reduce cost and improve quality and results, as we've had.

Now again, I thank you all very much for participating and we, our Investor Relations team and Solange Gomide and Bruno Desogen [ph], the Investor Relations team are at your service. Also, Finance Director and Distribution Director, we are all at your service. Good morning, everyone. Thank you for participating.

Operator

Ladies and gentlemen, COPEL conference call about the results of the first half of 2013 is now concluded. Thank you all very much, and have a good day.

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