Q1 2010 Earnings Call

Company Participants

- Antonio Velez, IR Manager
- Fernando Schuffner, Director
- Luiz Fernando Rolla, CFO

Other Participants

- David Fajkarz, Analyst
- Felipe Leal, Analyst
- Gustavo Gattass, Analyst
- Marcos Severine, Analyst

Presentation

Antonio Velez {BIO 15968846 <GO>}

Good afternoon, everyone. We are now beginning the video webcast of the results of the First Quarter 2010 of CEMIG with the presence of our CFO -- Fernando Schuffner, Director of Distribution and Sales; and Luiz Fernando Rolla, our Chief Financial Officer and Investor Relations. The webcast can be followed over the phone, 5511-4688-6341 and also our website ri.CEMIG.com.br. We will now give the floor to our Director of Finance, Dr. Luiz Fernando Rolla.

Luiz Fernando Rolla {BIO 1852035 <GO>}

Good afternoon, everyone. It is with great pleasure that we begin this presentation about the results of the First Quarter 2010. First of all I'd like to apologize for the Chairman of the Board Dr. Sergio Alair Barroso and our CEO Dr. Djalma Bastos de Morais. Because of commitments elsewhere they could not remain here for -- also convey to you, ladies and gentlemen. His -- their impressions about the results of 2010.

However, they left me a message. And the message that they wanted me to convey to you all, ladies and gentlemen. Is one of extreme positivity, as you're going to see that the results that we have obtained in 2010. If you begin, page number 3, we can see there are some indicators that we had extremely positive gains in this First Quarter 2010.

It's never (inaudible) we have seasonality of the results and we are talking about a quarter in which we traditionally have the worst results and the result in the year is certainly going to increase, go up as our revenues grow even more until they reach the peak in the Third Quarter.

So remember -- I'm reminding you of this seasonality and also that we're going to have a light (inaudible) which (inaudible) remain where it was (inaudible) a reasonable reduction here in our figures. So in our revenues (inaudible) have to focus (inaudible) we're going to try (inaudible) the results.

The net seasonal revenues (inaudible) had a growth of 22%. So it is very strong as compared to the First Quarter of 2009. Our quarter was much stronger than the similar quarter last year where the net quarterly generation of cash was measured by the EBITDA as we reported (inaudible) 22% growth, our EBITDA. 25% of our net income. However, as we (inaudible) that is the (inaudible) 9% which is already a very significant growth in spite of the Light impact as you shall see (inaudible).

Our net income had a slight reduction if we (inaudible) adjustments. But it was very slight and it shows that if it were not for the Light effect (inaudible) we would have had a performance that would be much greater than the figures that were adjusted.

So let us concentrate on the highlights of this First Quarter. I'm going to show (inaudible) on page 5. You can understand really what's (inaudible) in terms of the Light effect as reduction in the EBITDA of 2010. You remember that there was (inaudible) the acquisition of shares of the control of (inaudible) light company which were for (inaudible) consolidation of EBITDA and revenues (inaudible) 25%, revenue adjustment 13% which is the real (inaudible) now in this First Quarter because we extinguished our (inaudible) of revenues and Light (inaudible).

However. And this (inaudible) because we have purchased the interests of (inaudible) up to 26% (inaudible) that already by the Second Quarter we will consolidate 25% not only on revenues but also a gain of income which is going to consolidate not only the 13% but the 25%.

So this is the impact that I (inaudible) effect upon the First Quarter results. This is a reduction of our consolidation of our revenues and it is the (inaudible) in the same proportion as the (inaudible) that we did already by the Second Quarter. We are going to have the return of the consolidation of the (inaudible) revenues at 25% and rising after the consolidation of net income also of 25% [ph] (inaudible) substantial improvement of the results of the consolidation (inaudible).

Moving on to (inaudible) we had (inaudible) the acquisition of (inaudible) of TAESA as provided for by the (inaudible) the acquisition of TAESA (inaudible) 86% of minority shareholders, therefore we should have a (inaudible) capital that is (inaudible) in the First Quarter (inaudible.) In the Second Quarter we're going to have a transition (inaudible) Third Quarter this year (inaudible) a participation of the (inaudible) 56.7% with 48% of ON shares and 86% of the PN shares.

And this is also going to substantially improve the consolidation of the (inaudible) of TAESA. This is going to raise not only our income but also (inaudible) we are reaching that percentage which (inaudible) have been able to do this (inaudible) of the shares that (inaudible) shareholders (inaudible) additional acquisition of this (inaudible) commitment that we made through the (inaudible). On the next page, we -- I'm going to ask (inaudible) Fernando Schuffner (inaudible) performance of this quarter, please.

Fernando Schuffner {BIO 17710254 <GO>}

To all. Good afternoon (inaudible) operational performance of the distributor along this First Quarter as compared to the First Quarter of 2009. We basically chose two indicators, the DEC indicator which is the equivalent duration per consumer. That is how long a consumer was without any power. And the Simple Frequency Accidental Sustained Interruptions that is a certain equipment (inaudible) this interruption was over three minutes.

So comparing this chart, the DEC from January to March 2009 reached a value of 4.23 hours. 2010 we have after the end of March, 3.55. Thus presenting a reduction of 16% in our DEC, that is the average duration of interruption per consumer unit, a significant reduction in the First Quarter.

And the simple frequency, the sustained simple frequency we had 104,210 simple frequencies. Those are switches that opened. And 104,000 interruptions. From January to March this year we had 97,902, a reduction of 6%. When we talk about a 6% reduction in frequency, it is 6% less serviced people who call less to our call center and this implies our less cost -- smaller cost of operation. So (inaudible) we have less -- you can see we have less service and less (inaudible) and more satisfaction, consumer satisfaction.

How have we been able to do this? By the end of last year, last quarter last year we had an increase of resources in preventive maintenance. We have been able to (inaudible) to preventive maintenance in 2009. We allocated in 2009 by the end of the year BRL50 million. Those monies were utilized especially to trim trees, (inaudible) and to change the lampposts. And so we had the level of interactions that was much less than what we had in 2009.

Also for 2010 we increased the budget of the maintenance to somewhere around BRL75 million. So by means of that we are on embarked on an intensive preventive maintenance program, reducing FSS. And the main reason are the trees. For you to have an idea, 85% of our power outages in the metropolitan region of Belo Horizonte have trees as the main reason. So we have to do strong actions trimming the -- trimming of trees and the recovery of our assets, replacing old networks, older networks by protected -- our protected networks, our isolated -- insulate the network so that the tree can touch the network without generating any interruption. So we have intensive investment program that is here towards improvement of our electric network.

Besides that, in order to reduce mean time of service which has an impact on DEC, we're going to set up in 2010 -- from 2010 to 2012 within a program that was established by ANEEL [ph] we are going to give great focus to automation. We're going to install reclosers in a number that is two times as big as what we have today. We want to reduce the mean interruption with the installation. We have a number of consumers that is less, thus giving better service.

And the other point as I said is this replacement of networks and overhead networks with basic cable or protected networks so that we can have less interruptions and many other actions. But these are points we would like to highlight to show that this performance is improving because of many actions that we need to -- that we like to say at this time.

Luiz Fernando Rolla {BIO 1852035 <GO>}

Well thank you very much, Dr. Fernando Schuffner. This work of the Division of Distribution has been very, very fruitful and this is going to have strong positive repercussions upon our results because naturally when you reduce interruptions you have an increase in revenues and you reduce cost and you increase revenues. This is (inaudible) positive factor on the results.

On the next page (inaudible) you can see the investments that are being made so (inaudible) concessions made. We have acquired that. And this we published (inaudible) and we have just finished (inaudible) the investments that you see in 2010 (inaudible) which is in effect BRL830 million. We have just realized that so that is (inaudible) investments that we still have to make.

We shall [ph] invest somewhere around BRL3,137 million. Beginning 2011 we have (inaudible) investments relative to maintenance of the existing system which adds up to BRL953 million in 2011 and BRL1 billion in 2012. This year we should include some other acquisitions which are being negotiated that we will in due time announce.

So let us move ahead in our presentation. Slide number 10 which shows the (inaudible) energy sales and revenues and EBIT. And this -- on page 10 you can see very clearly the growth of our volume (technical difficulty.)

We have a growth of 7% which was quite strong as compared to the year 2009 which you remember we came out of a very strong recession during that quarter and the 7% naturally show the recovery of these values.

On page 11 we have the electricity sold by CEMIG GT. CEMIG GT had a very positive performance in 2010 with a growth of 13% of energy sold. This represents a growth that is reflected upon the net income and naturally upon the results of GT because it represents an additional gain of margin, a gain of our generator. We had practically 50% -- or 60% of our total sold to free consumers and the regulated consumers we had around 35% with the sales on the stock market of approximately 10%.

So this was an extremely positive performance by our generator. And which naturally is in the sequence of very good results of our quarter.

On the next page, you are going to note the growth of CEMIG D and we do not have the Light [ph] effect. So the sales growth of our distributor company was very strong; 9% represents a growth or a recovery, a substantial recovery compared to 2009.

You'll remember the difficulty that the First Quarter of 2009 was. So if it were not for migration of one industrial customer to the free market, we would've had a result that would've been even better than 12%. If we abstract [ph] this fact, this growth would have been 12%, which goes to show that the sales volume in the First Quarter 2010 was not only superior. But it did recover the volume of 2008. But also we're even going beyond that mark -- that performance already by the Second Quarter. The trend is pointing towards a better performance.

Now, the participation of a huge consumer class remains within the normal levels. Of our distributor 36% residential, with the industrial classes and commercial classes around 20%, which represents almost 80% of the total sales of our distributor.

Now, moving ahead in our presentation to slide number 14, you can notice that -- in the slide the impact of the tariff revision of 2008 and the adjustment that was made in 2009 in our distributor. I remember that in April 2009 that we had the tariff revision of 2008 being definitely approved by ANEEL, which resulted in a negative impact to our distributor.

And this negative impact, which we now had reflected upon the First Quarter 2010, was a reduction of the net incomes of the B portion of almost 10%. So our distributor still remains -- undergoes suffering the negative results of the tariff revision of 2008, that is.

Now, on the next page you can see consolidated net revenue. Making an adjustment of the Light effect, we had a growth of 23% of our revenues. So there's very strong growth, because of the sales increase and especially because of the performance of our CEMIG GT. We have reached revenues in the First Quarter of BRL2.9 billion, which was a performance that was a function of the adjustments that we made that were quite strong. And 23% growth.

Now, looking on the next page at the operational expenses, we had an increase of 33% of expenses. And on principle this number may be a little startling. But if you look at the graph, at the chart on the side, you see that this increase was driven by the growth of our purchase -- sale of -- energy purchases for our distributor, which is totally passed [ph] through the tariff. So actually, it's not, as it may at first be seen, of a lack of control of expenses. But actually this is the result of our regulation, which directly affects our distributor.

Now, this increase of purchased electricity comes from contracts, which are imposed by means of auctions and biddings through our distributor, which means -- whose average sale price increased by an average 25%, which brought about very strong results and a very strong impact upon the operational expenses of the First Quarter 2010.

Now, the other items remained practically within the same levels. We have no significant situation in any of the items (inaudible) maybe the Outsourced Services, which were increased because of the need to perform maintenance in the networks.

Now, moving ahead we're going to analyze the cash generation as measured by the EBITDA on page 18. And you see also here a chart that shows the growth of EBITDA abstracted from the Light factor. You see that the growth has reached 22%. So it is quite strong growth with a substantial improvement of the result of CEMIG D, naturally, in spite of all of those negative impacts caused by the tariff revision.

The interests of the participation on each business and EBITDA follows that trend that we've seen last year, 52% of our CEMIG GT and CEMIG D reaching 28%, whereas the other interests of the holding on TBE and GASMIG are within the limit of the contribution of 2% to 5%.

Now, moving on, on page 19, you see the evolution of the EBITDA, the quarterly evolution of EBITDA, which shows naturally a growth beginning the First Quarter. As you can see the trend -- the positive trend, the improvement in gas generation you see, 2010 with the gas generation that is quite strong, much better as the -- as I showed the last slide on 2009.

But slightly lower than market expectations. I understand that probably the market still was not familiar with the Light impact or the Light effect. And if we make this adjustment to the market expectation, probably we would be reaching a value that would be quite close to that which would correspond to the First Quarter 2010 adjusted as I showed in the beginning of the presentation, that is -- that are going to be quite similar.

Now, we're going to see the net income or its behavior on page 21. As I explained it to you, the net income, we do not have the Light effect, because we already have the inclusion of only 13% of the net income from Light. So this 25% growth as you see on the chart is real as compared to 2009.

So the contribution of CEMIG GT and CEMIG D as well as the acquisition of TAESA, which we had not purchased, neither consolidated in the First Quarter 2009, already gave its -- and also gave its contribution for us to reach 25% growth in our income, which is an extremely -- is a major result, which goes to show the recovery of the company from the impacts caused by the economic recession in the First Quarter 2009.

The participation of each company and the net income is also shown in this pie chart; 61% comes from our CEMIG GT and CEMIG D gives a contribution of 20%. And then the other holdings in the level of 4% to 6%.

On the next slide, the quarterly analysis; it becomes even more evident, the seasonality of our results. You can notice that for the total year, the First Quarter of 2009 was the weakest with a crescendo of -- in the first -- to the first -- second semester with a small reduction in the Fourth Quarter showing the seasonality, which is going to probably happen again in 2010.

The result of 2010 is significantly better than the result of 2009, which also gives us certainty that we are on the right track especially because we have to include the gains from interests in TAESA or Light in the Second Quarter -- beginning that is in the Second Quarter, 2010.

Now, going to other -- this next slide you're going to look at the other aspects of our cash flow, which remains quite strong. This is a very nice slide to talk about, because it shows the final cash that goes -- that is above BRL4 billion. Any financial officer or director is very happy when you see a cash flow of this size.

We already have some commitments here. But with those commitments this cash is going to be slightly reduced. But still we're going to have a very strong performance, because the cash generated by operations has been extremely robust, reaching BRL1.3 billion. And this is in one quarter; the demonstration of the financial capacity of our company, which is -- which becomes a factor of sustainability and a guarantee of our expansion.

This cash generation makes us certain and it's extremely predictable, because of the business portfolio that we have with that distribution by business in our cash generation. Therefore, it is a positive factor that CEMIG boasts and it is a guarantee for its expansion.

On the next slide, you see our debt, the several aspects of the debt structure of our company. And you see right away, I celebrate that -- another slide which the financial director has great pleasure talking about, because of the average cost of our debt, which reaches 5.7%, which is the result of intensive work of seeking the best possible cost for our debt, which was done by our financial area with fantastic results.

We have just set BRL2.7 billion as costs which are going to give their contribution to reduce the average cost of our debt. The maturities timetable of our debt, as you can see of our -- after the execution of the ventures that we launched in the First Quarter has already become quite adequate. And it remains -- only the challenge remains in 2012 to refinance part of this debt.

But if we aim at the indicators, the financial indicators that are key in terms of the credit risk of CEMIG, you can see that in spite of having captured very significant amounts last year and this year, these indicators are still at levels which are quite comfortable and help us -- and they help us say that today CEMIG is positioned in order to follow -- to continue looking for growth opportunities.

The consolidated CEMIG, for example, the coverage, the interest coverage is about five times the net debt over EBITDA, which is a measurement of the ability to -- the company -- the company's ability to pay and payments capacity. In less than two years [ph], we will liquidate 100% of this debt reaching 1.7 times. This is an extremely positive index which shows that we have a leverage that is very low, 40% of total capital, which gives us conditions to finance even our growth as I said before.

So if we look at the companies per se CEMIG GT is still in a very comfortable situation, repositioned for more investments. And CEMIG D within its structure -- naturally it is a different business. It is a business that is already quite regulated. It is already in a position that is able to honor all of its commitments without any risk to our creditors.

Now, moving ahead on the next page, you can see proof of my previous words of -- about the company's capacity to continue financing its investments. We have a cash flow that is supported by a business portfolio that is quite stable and predictable. And this is demonstrated here in this little chart.

At this little table, where you see the growth of cash generation of our GT, which had a very positive growth. CEMIG distribution, in spite of all of the difficulties, had a very strong growth. We had an impact of the Light effect. But it was partially made up for by the entrance of the TAESA investments.

Therefore, we have reached our EBITDA of BRL950 million with 50% of this EBITDA coming from our CEMIG GT, our generation, that is; then 15% of transmission. We have not reached our -- the ideal point, which is that of having 40% coming from generation and 20% from transmission. And the remaining businesses reaching or remaining up to -- be under [ph] 40%. Every year we shall be closer to this level.

On the next page, we are reaching our position of a very clear presence in Brazil with operation in 20 states, Brazilian states, which is a very positive performance for us, showing that CEMIG has become a national company. Today we are the largest distribution company of electricity in this country with a market share that is over 12% and with a service to more than 10 million customers.

We are the third-largest transmission group with a market share around 10% and today the third-largest generation group with a market share of 7%, with all of the goals that we have in the long run to reach the market share of 20% in each segment. We -- this is going to happen or take place as we continue making our investments. And therefore, it is a very positive performance, which because of the long-term interests of our shareholders we believe that CEMIG is faithfully realizing whatever it has proposed to do.

So we have new challenges ahead of us not only 2010. But also in the future. These challenges continue -- is going to continue growing to reach this market share of 20% in the long term in each segment.

These were -- this was the information that I would like to impart to you, dear ladies and gentlemen. And now we can move on to the question-and-answer session when both myself and Dr. Fernando Schuffner will be at your service to answer any question that you might consider or deem necessary. Thank you.

Questions And Answers

Operator

We now begin the question-and-answer. (Operator Instructions) Yes, please. The first question comes from Marcos Severine from Itau Securities.

Q - Marcos Severine {BIO 3322666 <GO>}

Good afternoon, Luiz. I have a few questions here. First, you mentioned the possibility of acquisitions, that you are talking to some companies. I'd like to understand better what is the segments in which these acquisitions are being considered -- generation, distribution, something in transmission -- and to have an idea of the size of these acquisitions. They are small assets, or relatively of a size that will require or demand a slightly different financial engineering?

Now, about Light company, what are the plans that CEMIG has vis-a-vis Light company especially when it comes to the maintenance of the network? We saw the problems faced by the company during last January and February, which was many blackouts. Now, what can we expect in terms of paybacks [ph]. And is there room for any increase of outsourced services in Light?

And also the tag-along. What is your position vis-a-vis the tag-along? We would believe this exists -- is in -- shareholder has entered some -- the NAND [ph] for that -- what about the provisions? We have seen that there is a strong GDP growth in Brazil. So what are your estimates for the long-term process and whether this is affecting your price in generation? Basically that, thank you.

A - Luiz Fernando Rolla {BIO 1852035 <GO>}

Thank you for your questions. Really, they are far-reaching questions. And this is going to help clarify to our analysts and investors about some issues that are extremely important to CEMIG.

This growth of CEMIG, this vision of growth for CEMIG, I'd like to mention this to you, gentlemen. it is already a mature vision. It has been mature and in our company for over 10 years. We have discussed these opportunities to grow. Therefore for us in CEMIG, it's not any surprise.

And what happens is that the scenario has become favorable and we have been able to do exactly what we had proposed to do; that is, to grow and reach our market share of 20% for each one of our segments. Our focus really is the electricity and power and naturally we're going to make every effort so as to keep balance in our business portfolio exactly because we believe that this portfolio, business portfolio, gives us a less risk structure.

Therefore, it reaches the objective to have a cash generation that is extremely stable and foreseeable in the long run, which allows us to leverage our growth in a sustainable way and in a way that we can continue growing without debt and without risking our financial ability to honor the -- its commitments in the long run.

This is the basic principle of our management, a strategic long-term management, which is already in a consolidated way, already a part of our plans. And this is exactly what you were able to see in the figures that are presented here for the First Quarter.

So we made a large acquisition in 2009. We have captured significant resources in order to be able to make this move. And all of the indicators of the company have been preserved well within that level that our Board, which ultimately represent our shareholders, have pointed the way for us to follow.

Of course, the opportunities for growth in these three segments which by any chance may happen, we're going to seek those that first gives us an adequate return on the investment that we're going to make; and second that give us the synergies so that we can even increase those returns that we are looking for. So this is our vision and we would like to seek those opportunities in order to keep our cash generation within that 40% limit for generation, 20% transmission, 30% distribution and 10% of the other businesses. So this is a guideline that is quite clear to us.

As I said, it has as a result a business portfolio less risk and it makes every sense for CEMIG to continue along this track.

And now what has to do with Light. Light also is an investment that we made not only of a financial return. But it's extremely strong for CEMIG. It was one of the best investments we have ever made. But then also it presents a challenge. It's a challenge to transform Light into a dynamic, efficient company, a company that is able to give the adequate service to its consumers, to meet the challenges that are imposed by the concession. Everyone knows that in 2014 and 2016 we are going to have extremely important events in Light company. And we're going to try to find an adequacy of the operational performance of Light. So as -- so that these events may take place as peacefully as possible as it were.

The population of the state of -- the city of Rio de Janeiro may rest assured that we have the commitment and the (inaudible) to give every possible support to the management of Light so that we can reach those objectives of course.

At the first moment when we are now redirecting the company, Light Company, we want to make little more investments in the larger network, improving the performance of the operational indicators that are most relevant for that company so that already by next summer the population feels a significant radical difference, that is the improvement.

The operational improvement of Light is going to be very visible to the population. This is the commitment that our controller has made when we bought the additional portion of GE and this is the commitment that our executives at CEMIG have. And today the executives that today manage light company are today aligned with this commitment. And all of us together are going to provide performance that I believe in very short time we're going to change that concern around that that the population has about the performance of the last summer.

So we are already holding hands with our colleagues from Light in order to improve the company's performance. Of course at first that may be -- a growth of expenses which will be amply made up for by future performance and this -- you, our investors in Light may rest assured that the management of Light is extremely able and is focused on delivering results in the short term.

Now, as for the tag-along naturally we are also very sure that we -- to say that all the operations that are being made cannot trigger any tag=-along rights. For us this is not concern. But it's even positive because we would like for Light shareholders to remain as shareholders. So Light shareholders will have a bright future ahead of us. Not only are we going to improve the company operationally. But also we are going to give Light the conditions for the company to seek opportunities to grow. And this we already -- are already in the process of discussion with the management of Light in order to identify what the opportunities are that we would have in the upcoming months.

Now, Light is a centennial company. And of course this is a very relevant mark in our portfolio. And we are going to give Light every possible condition to take up its growth again and to recover the positive image that it has always had for the population.

As for the 2010 growth, the sales growth of 2010 has to be considered in two aspects. The first one is that a GDP growth that is quite strong for 2010 as you pointed out, it results in greater need for energy for the distributors and higher average price for generators. So we are -- we stand to benefit from both the choices because our business portfolio allows us to capture these benefits. So it is -- a growth of the magnitude mentioned is going to have a positive impact upon our results.

We cannot anticipate still pressure upon prices, especially because of the fact that the growth is still -- that is, consumption is still practically at 2008 levels. We still have no pressure because the generation capacity of our reserves that we have, the margin is still quite comfortable and therefore this does not exert any pressure upon the demand. And therefore prices should continue within the levels that we have seen today.

During -- throughout the year, very probably in the Third Quarter we shall have a better view of this trend in the long-term prices. I think I have answered it.

Q - Marcos Severine {BIO 3322666 <GO>}

Thank you, Fernando. It was very clear.

Operator

Our next question comes from Felipe Leal from Merrill Lynch.

Q - Felipe Leal {BIO 2015017 <GO>}

Good afternoon, everyone, I have two very quick questions. The first one I'd like to clarify, the purchase (inaudible) which has holding interest in Light was done 100% by CEMIG or is it being shared with a financial investor or this is the second stage of the process?

And the second question has to do with the GT, Cemig GT. I was looking here at the average sale tariff to the regulated market. I noticed that there was a fall already expected relative to the second, third and Fourth Quarters of last year because of the adjustment auction. But there was a small decline vis-Ã -vis the First Quarter 2009. Is there any factor that justifies the sudden change of contract mix or -- that will justify this decline?

A - Luiz Fernando Rolla {BIO 1852035 <GO>}

Thank you, Felipe. Beginning with the last question, remembering that in the First Quarter 2009 we had an increase of production of thermal generation, which induces an average price that is quite big for the First Quarter 2009 this was what has caused this decline in the year 2010. So it was an incidental issues relative 2009 -- to 2009. We remember that in the first -- January 2009 the rainfalls were late. They were delayed a little.

And now to CCEE. It has dispatched more thermals, at a higher cost and then the rains came. But the situation was normal again. But the generation, the thermal generation had already taken place which created higher expenses for our consumers. Now, in this First Quarter this did not happen. And we did not have the thermals.

So -- and what has to do with the purchase. By Andrade Gutierrez, this is a process -- as we announced the acquisition we showed what was -- what would be the steps that we would take. You probably remember that in fact we're going to acquire both the Andrade Gutierrez portion and the Equatorial portion too as specific purpose company in partnership with an investment fund. So this first portion was purchased with our own resources, our own capital which is going to be capitalized in this specific purpose company when we have the resources available by the pension fund [ph] that's being created and which is called (inaudible) and as long as soon as is able to capitalize and we complete the process of acquisition of the Equatorial portion holding, this Andrade Gutierrez holding is going to naturally be inserted into this context and therefore we will conclude the whole operation.

It's a very complex operation. It will take some time. But in the end we should have an interest that is quite similar to that -- what we have today, that is CEMIG and the Luce Group representing 50% of the controlled capital of Light and which is in (inaudible) hasn't changed, it's still the same investors. And the FIP [ph] made up of CEMIG, a portion of CEMIG and a portion from investment funds thus replacing the two previous partners which are Andrade and Equatorial. So we completed the structure of that and we understand that is going to be very attractive to our shareholder.

Q - Felipe Leal {BIO 2015017 <GO>}

Thank you.

Operator

Our next question comes from Mr. Gustavo Gattass from BTG Pactual.

Q - Gustavo Gattass {BIO 1702868 <GO>}

Good afternoon, Luiz. I had a few questions. First one just to -- there is a figure here, difference in figures. Can you explain to us what is going on in investments part, in the comparison between your slide eight indicating that 0.17 -- and what you're saying on slide 24 which is BRL1,329 million. This concept is different. What is the difference between one and the other and if we are considering Light and the acquisition as an investment of the concession therefore?

A - Luiz Fernando Rolla {BIO 1852035 <GO>}

Let me reach the table there. This investment outside of the concession, this is an increase, a capital increase that we had in the existing companies that are -- this -- some (inaudible) which is building the (inaudible) new plant, some transmission lines that are also being constructed in TBE. Also there was a construction in Terna. So we had smaller capital that is being sent to these areas.

Now, investments in the concession included their -- the investments not only from the acquisitions that we have been making. But also the investments that we made in the existing assets, that is the distributor and especially the Light for Everyone program.

Q - Gustavo Gattass {BIO 1702868 <GO>}

Well why is that point 0.17 to 1,300?

A - Luiz Fernando Rolla {BIO 1852035 <GO>}

I cannot tell exactly what the explanation is. But as -- I'm going to verify and naturally I'm going to explain this to you. There is -- there are some considerations to be made here when we compare the two tables. You're going to allow me to send to you and the other analysts over the e-mail an explanation about this issue that you raised, okay?

Q - Gustavo Gattass {BIO 1702868 <GO>}

Fine. Let me then ask you other questions I'd like to ask. I had one doubt here which was operational. I don't know if you have this in your -- now, if you could include this, just a better understanding of what is going on in distributor, what was the TUSD volume? And this was taken out of the press release this quarter. Do you have this figure at hand, the TUSD, the distributor? Megawatts hours, not volume.

A - Luiz Fernando Rolla {BIO 1852035 <GO>}

We don't have that available now in our slides. So I'm going to send this to you by e-mail, okay?

Q - Gustavo Gattass {BIO 1702868 <GO>}

So let us focus on the two more strategic questions. Two quick questions. The first one is, have you made any serious decision effectively? Have you moved along in the discussion of going into the Belo Monte consortium?

A - Luiz Fernando Rolla {BIO 1852035 <GO>}

This is a (inaudible) something else. Let us talk -- the weather conditions that were presented, therefore we didn't even make any -- didn't -- were not part of any of the groups participating in the bid. We don't have an interest.

Q - Gustavo Gattass {BIO 1702868 <GO>}

Okay. Thank you. And the second thing I like to understand, last year you made it very clear how the -- you had surplus energy being returned to industrial customers and we ended up having the strategy of the adjustment auction being very successful. Could you give us an idea of what the position that you foresee now for your GT power but is -- are you totally contracted or do you still have any power that you can put on the market?

A - Luiz Fernando Rolla {BIO 1852035 <GO>}

As for the GT we are already 100% contracted up until 2012. So we have no additional capacity available for sale. We are serving our customers through our selling company which is -- which does the trading and therefore we still can meet some additional customers through our trading company. But the generator capacity is already exhausted up until 2012. 2013 we have the -- some contracts that are due in the regulated market and then we're going to have some surplus capacity that has not been negotiated yet.

Q - Gustavo Gattass {BIO 1702868 <GO>}

Okay. Thank you very much.

Operator

Our next question comes from David Fajkarz from Raymond James.

Q - David Fajkarz {BIO 16675965 <GO>}

Good afternoon, Luiz, (inaudible). I would only like to know if you could speak a little more about the oil and gas business. What is the evolution since the acquisition of the six blocks in the ANP [ph] auction. Do you have -- is there any novelty? Thank you.

A - Luiz Fernando Rolla {BIO 1852035 <GO>}

Not for the time being. No. We have no information, or piece of information because we are still in the stage of preparing together with our partners to begin activities. Our strategy is very clear. We are in the search of an additional supplier of natural gas exactly because with the present supply we cannot meet the demand of our gas distributor gas mix. So it is very clear to us this need to get an additional supply of gas.

And the prospection together with partners which have the experience and the necessary technology to do this, this represents the reaching of this vision. And therefore what I can tell you is that we are still getting ready to begin drilling.

Q - David Fajkarz {BIO 16675965 <GO>}

Okay. Thank you very much.

Operator

We now close the question-and-answer session. I would like to give the floor to Dr. Luiz Fernando Rolla for his final remarks.

A - Luiz Fernando Rolla {BIO 1852035 <GO>}

Thank you very much. I would like to thank you, our ladies and gentlemen. For the time you have spent listening to CEMIG this afternoon. And I hope that we have met all your expectations of clarifications about our results but as usual I'll have to provide additional information by e-mail. And naturally this is going to be made available to everyone on the -- on our website.

I'd like to reiterate two main points this year. First, it is the improvement of the performance of our distributors, especially CEMIG, which Dr. Fernando Schuffner has demonstrated that we are already well advanced in terms of performance. On Tuesday in the live conference call we're going to have more information about what is being done at the light company.

The Board of Directors, Dr. (inaudible) are going to present the figures and the commitments that Light will be making to our consumers. This is a commitment of CEMIG and its shareholders so as to fulfill that basic principle that guides our decisions which is the sustainability of our investments.

Once again I thank you for your presence and I wish you all a good rest of this day. Thank you very much.