

Y 2019 Earnings Call

Company Participants

- Augusto Miranda da Paz, Chief Executive Officer
- Leonardo da Silva Lucas Tavares de Lima, Executive Officer

Other Participants

- Andre Sampaio
- Gabriel Fonseca Francisco
- Lilyanna Yang
- Marcelo Sa
- Maria Carolina Carneiro

Presentation

Operator

Good morning and thank you for holding. Welcome to Equatorial Energia S.A.'s conference call for the results of Q4 2019. Today with us, we've Mr. Augusto Miranda, CEO; and Mr. Leonardo Lucas, CIO, and CFO of the company. This event is being recorded, and all participants will be in listen-only mode during the presentation of Equatorial Energia S.A. Later on, we'll have the Q&A session, when further instructions will be provided.
(Operator Instructions)

This event is also being transmitted on the internet via webcast and will be accessed at www.equatorialenergia.com.br, where the respective presentation will also be made available. Slides will be available at your discretion. The recording will be available right afterwards. Participants in the webcast will be able to register via website their questions to Equatorial Energia S.A., and they will be answered after the conference by the IR department.

Before moving forward, we would like to make sure that any statements that may be made during the conference with regard to prospects by Equatorial S.A., forecasts and operational targets are beliefs and assumptions of the company's administration as well as information currently available to Equatorial Energia S.A. Future considerations are not assurances of performance and involve risks, uncertainty and assumptions as they refer to future events and therefore, depend on the circumstances that may or may not occur. Investors and analysts should be aware that general conditions may affect the results of Equatorial Energia and may lead to results that substantially differ from those expressed in those future conditions.

I'd now like to turn over the conference to Mr. Augusto Miranda, who will begin the presentation. Mr. Miranda, please, you may proceed.

Augusto Miranda da Paz {BIO 15350182 <GO>}

Well, good morning, everyone. First of all, I'd like to thank you for staying with us at the teleconference for the results of Q4 2019. I will start by describing the highlights of our quarter, and then we will comment about recent events, our operational and financial results, and lastly, we will open our Q&A session.

So, moving over to slide number 3. In Q4 2019, Equatorial's consolidated EBITDA came to BRL1.2 billion and totaled BRL4 billion in the year of 2019, a very significant figure. This figure was impacted by distributors Equatorial Piaui and Alagoas, and both of them contributed with positive results and also the adoption of IFRS 15 for transmission assets. We will discuss these impacts in further detail later. We'll also hear about some of the work we've been doing in the Alagoas company.

I would also like to point out the excellent second place of Equatorial Para in ANEEL's 2019 continuity ranking, and this affects the X factor and also the decline in energy losses in three of four of our concessionaires. The exception is Maranhao, we have 70% in this -- and we have about a 5% loss, which is -- these are very low results, and this could be considered very low commercial losses during -- given the complexion of this concession.

The consolidated volume in Q4 2019 went up 8.2%. The result was especially influenced by the lower rainfall and the economic recovery in all of our concession areas. In addition to that --

(Technical Difficulty)

Operator

Mr. Miranda, you may proceed.

Augusto Miranda da Paz {BIO 15350182 <GO>}

Okay. Thank you. First of all, I'm sorry for having lost connection, I will resume my presentation now.

So, we're turning to Slide 3. In Q4, Equatorial's consolidated EBITDA came to BRL1.2 billion and in 2019, as a whole came to BRL4 billion. This figure was impacted by the consolidation of our DisCos Equatorial Piaui and Equatorial Alagoas, both with positive results, and also the adoption of IFRS 15 for our transmission assets. I'll discuss this in further detail along the presentation.

I'd also like to point out the excellent second place of Equatorial Para in ANEEL's continuity ranking in 2019, and this obviously impacts the X factor. Another highlight is the loss of

energy losses in three of our four concessionaires. Maranhao was the exception, where we have significantly low losses considering that our technical loss is about 12%. So, I'm talking about non-technical losses, and considering the complexity of that concession, these are very low figures.

Our consolidated volume in Q4 grew 8.2%, which was affected by the reduced rainfall and the economic and industrial recovery in our concession areas. Specifically, in the state of Piaui, it was also due to the earnings adjustment that we made in Q4 2018. If we disregard that adjustment, even then, Piaui's consolidated growth would have been 9.5%, and our overall consolidated, 6%.

In the Transmission segment, we recently announced the SPVs 1 and 2 have gone into operation with combined annual revenues of about BRL164 million. Our EBITDA -- we would like to point out the more and more emblematic results of our two distributors, which attests to the quality with which we have been conducting our work in these two concessions. The event has been very significant and very clear. And lastly, I would like to point out that we want to share the dividend of BRL0.2 million, which comes to BRL33 million.

Now moving over to Slide 5. In light of the current scenario of the COVID-19 pandemic, I would like to show you the main steps the Group has taken to protect the lives of our collaborators and clients. And at the same time, we have to maintain the quality of our services, which are essential for keeping so many other essential services functioning.

Our in-office collaborators are now all working from home. Our field workers, which could be in standby, are either on paid leave or working shorter hours. In terms of social action, we have supported field hospitals and donated medical equipment, food and hygiene supplies considering that the areas in which we operate are significantly underprivileged. We have done everything that we can to support those communities.

From a liquidity standpoint, the Group ended the year with BRL6 billion -- with a BRL6 billion consolidated cash balance, so we ended the year with this very significant cash balance. We've allocated all of our assets to bonds and significantly reduced the risk profile, also adhering to BNDES' standstill for Piaui, Alagoas and Maranhao. And we also have the CapEx funding already approved also by the BNDES.

Now I would like to thank everyone once again for participating. And I'd like to turn the floor over to Leonardo Lucas. Leonardo, you have the floor.

Leonardo da Silva Lucas Tavares de Lima {BIO 17560076 <GO>}

Thank you, Mr. Miranda. Good morning, everyone. We hope everyone is well and staying safe during this dramatic scenario that we are living.

Now in Slide 6, we will show you the main figures regarding the unscheduled rate adjustment in Alagoas. At the end of April, ANEEL approved the final figures in this process, where -- during which our assets were fully revalued, coming to BRL1.35 billion, a

substantial -- a very substantial growth from the BRL443 million that have been approved in the company's rate revision in 2013.

As a result, the company's regulatory EBITDA grew substantially, totaling BRL298 million, which is practically three times the figure that we had incorporated to our previous rate. This is important, and it will allow us to initiate our second stage of turnaround at that part of the company.

Now moving over to Slide 7, we show you the lines that are already operative. As we stated in the beginning, we have recently started operations at our SPVs 1 and 2, which means that the Group now has an overall operating allowance revenue, including Intesa's revenue of BRL450 million per year. Even with the pandemic-related restrictions, we're being able to move along with our construction schedule without much impact. Therefore, we are still positive that we will be able to end 2020 with all our SPVs operating fully.

Now over to Slide 9. The volume of energy billed by all our groups distributed in consolidated terms increased 8.2% during the quarter. The 6.7% growth shown in Maranhao is a consequence of the economic upturn in the state, combined with an especially drier December compared to the previous year.

Para increased 3.4%, driven by a rise in residential consumption and in retail sales in the region. Piaui showed growth by 24.7% during the quarter, particularly affected by the 120-gigawatt adjustment earnings in Q4 2018. But even adjusting for that, growth during the quarter would have been 9.5%, also affected by the reduced rainfall over one year earlier. Alagoas grew 6.9% in the quarter, mirroring the reduced power losses and better weather conditions.

In Slide 10, we show you the increase in injected energy across our concessions during this quarter. In consolidated terms, our injected energy grew by 4.3% in Q4. Maranhao and Piaui reported the highest growth rates among our concessions with 7.5% and 5.6%, respectively. Both of them have been positively affected by the better weather conditions during that quarter. In the case of Maranhao, there were also increments in industrial activity during that period.

Lastly, we'd like to point out in that quarter that all our DisCos showed an increase in low-income claims by consumers, which was a result of the campaigns the Group has conducted so that eligible consumers will have access to that tariff discounts. Overall, we've added 356,000 new consumers registered as low-income clients over the amount our distributors had in late 2018.

Now over to Slide 11. We show you the evolution in the number of consumers classified as low-income clients by our distributors in 2020. Between January and April, another 84,000 consumers were classified as low-income clients by our concessions, which allowed nearly 2 million families to enjoy the benefit for which they qualify.

Operator

Mr. Lucas, you may proceed.

Leonardo da Silva Lucas Tavares de Lima {BIO 17560076 <GO>}

So, moving on. In Slide 11, here, we show how the number of consumers classified as low-income clients are distributed -- are classified as such in our distributors throughout 2020, between January and April.

As I said earlier, another 84,000 low-income consumers were classified as such by our concessions, which allowed for nearly 2 million families to enjoy the benefit for which they classify. And I think it's important to point out, and as you may already know, early in April, the government issued Provisional Decree 950, which already increases the discount for these consumers to 100% during the month of April, May and June of this year, which reduces to zero the delinquency rate from this class of consumers during these three months.

In Slide 12, we included information about how our injected energy has trended over the course of 2020. By the end of the first quarter, as we had already reported to the market, our concessions grew 3.6%, driven largely by the states of Maranhao and Alagoas.

After the more restrictive measures to contain the pandemic, in the month of April, the trend already began to shift, decreasing in consolidated terms by 3.1%. Among our concessions, we believe the share of residential consumers, which exceeds the national leverage, helps to explain the relatively smaller decrease.

In Para and Maranhao, which have our largest loads, we have seen decreases between zero and 2%. Piaui and Alagoas, especially, on the other hand, have seen slightly larger decreases. In the case of Alagoas, we believe the explanation is that the state's business activity relies a lot more heavily on tourism, an industry that's certainly hurting and seeing a sharp drop during the pandemic.

In Slide 13, we see how our billed energy has progressed, considering both the captive and free markets of our concessions. Here, we note that between April 2020 and April 2019, the curve trends higher than that of injected energy that we saw in previous slide. In consolidated terms, our concessions have seen 0.2% growth in billed energy in the month of April.

In Slide 14, we see the overall losses recorded by our distributors. In Para, we saw another decline by 0.2 percentage points in overall losses, a result of a more integrated anti-loss plan. In Piaui, the percentage of losses over the past 12 months show the most substantial decrease seeing as the adjustment in earnings that we had made in Q4 '18 is no longer part of the calculation. But even if that adjustment had not been made, we would still have presented a substantial decrease in that percentage over the quarter. In Alagoas in term, we have seen positive results after the new anti-loss teams began to act, having been trained and structured a more consistent plan.

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In Slides 15 and 16, we see that quality indicators for Para and Maranhao are still very much below the regulatory target, so much so that in ANEEL's continuity ranking in 2019, Para placed second and Maranhao eighth among all great DisCos. In Piaui, the rise seen over the past few quarters is a consequence of the adjustment in a calculation for quality indicators that was done after we arrived. This is probably the last quarter that was impacted by that change.

In Alagoas, a similar adjustment to the calculation was made even retroactively, leading to changes in indicators that had already been released in previous quarters. This impact was a lot more representative in the company's DEC.

Now moving over to Slide 18, we see how manageable expenses in our distributors have performed. In Piaui, we can already see that our FEC is also below the regulatory target. Just as the DEC, the FEC of Alagoas is already being affected, however, we can already see substantial increase in the indicator over the quarter.

Now here in Slide 18, we show you, as I said, our manageable expenses and how they have trended in our distributors. Our operating expenses or PMSO came to a BRL123 million. This standard may occasionally be restructured, the most emblematic, our Piaui and Alagoas, and again, we've seen substantial decreases in OpEx between 44% and 50%. It's always important to underscore that during the beginning of a turnaround process, it's normal to see such changes, and it may take some time for these measures being implemented to show the expected results.

In Para, we may see a decrease by 2%, given the organizational redesign, and in Maranhao, where growth came to 5%, that was especially due to the restructuring. In closing, all four distributors are operating below the regulatory target.

Now over to Slide 19. Maranhao showed a 1% decrease in the quarterly EBITDA. This was because of the larger PMSO, as I mentioned before, and also due to the higher PDA for the quarter. This was also because of the adjustment in 2019, and the effect was only fully perceived in Q4 2019.

Now Piaui and Alagoas were positively affected during the quarter by the dramatic decline in manageable expenses, the larger volume, and improved provisions for doubtful accounts and also in contingencies deemed recurrent.

Now over to Slide 20, we show you the Equatorial's consolidated EBITDA. In Q4 2019, our adjusted EBITDA came to BRL1.2 billion, virtually twice as that seen one year earlier. This result was largely because of distribution and especially due to the positive EBITDAs from our two new DisCos as well as Para's distributor.

However, the Transmission segment also contributed very positively, which, by IFRS standards, already accounts for revenue even before going live. Now we would also like to point out the Group's annual consolidated EBITDA in 2019, we came to BRL4 billion of EBITDA adjusted for nonrecurring effects, which is virtually twice as that of 2018.

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Now over to Slide 21. We have the company's amortization and leveraging schedule. Equatorial's leverage, considering assets that are 100% consolidated, is 2.8 times this quarter after having consolidated the figures for Piaui and Alagoas and the overall investment that has already been made to build its transmission assets. This is the third quarter in a row, where leveraging has decreased.

And it's important to point out that the calculation for leveraging is different from that for the company's covenants, which consider the IFRS EBITDA reported over the past 12 months and leads to the Group's leveraging being even lower in the index that's shown in the chart. The Group ended the quarter with BRL6 billion in cash balance, which is enough to pay virtually the three first years of debt maturities.

We believe that our capital structure and liquidity structure is comfortable to accommodate Piaui and Alagoas' cash requirements as well as the structure for CapEx investments in our transmission projects, considering the debt profile, the long-term debt profile we have built.

Now in Slide 22. As you may observe, investments in the transmission segment have intensified in 2019, reaching BRL2.9 billion in the year as a whole, given that all eight lots were still in greenfield stage. Note that a 100% of the investment that we had projected for our transmission lots are already secured with government run banks such as the BNDES, BASA and Banco do Nordeste. Of the BRL4.1 billion funding that we have secured, 79% has already been cashed.

Now before moving onto our Q&A session, I'd like to turn the conference over to Mr.Miranda.

Augusto Miranda da Paz {BIO 15350182 <GO>}

Well, as you have seen, this was a significant and robust result. I believe this was a very positive year in organizational terms and also in terms of Equatorial's consolidations. We see that results for Maranhao and Para are very, very substantial, and we should also point out the less rate adjustment in Para. It confirmed the great potential that, that concession has and all results point in that direction. And when we mentioned the two DisCos that we controlled, they're working -- the projects are very -- going at a very fast pace, and when before it had negative results, we're now seeing positive and very positive results, and transmission -- our transmission assets, as we said, are coming in as early as we had expected, so we're very pleased with that.

So, now let's move on to our Q&A session, to answer whatever questions you may have.

Questions And Answers

Operator

(Question And Answer)

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Thank you. We will now begin our Q&A session. (Operator Instructions) Our first question is from Andre Sampaio from Santander. Mr.Sampaio, you may proceed.

Q - Andre Sampaio {BIO 19422379 <GO>}

Good morning, everyone. I actually like to ask two questions. The first one is about your expectations over ANEEL's reaction to the decree that was recently issued. And the second question is about sanitation. You recently commented about that and we'd like to know whether you are still looking into that market as a possibility, even considering that later this year we're likely to see a process in Alagoas that could mean some synergy with what you guys work on?

A - Augusto Miranda da Paz {BIO 15350182 <GO>}

Thank you, Mr.Sampaio. Thank you for participating. And now with ANEEL's decree, we have been discussing with other companies in our group, and you see that, so far, they have highlighted some aspects and we're still discussing whether that investment was enough. And we are also discussing the economic situation, and what's positive about that is that we still have a reported -- we know that Luiza is the reporter in that case and last week, she has already held two meetings. Now at 10:30, another meeting is going on and we have some people from our team representing us, and we expect to have maturity. We are a very important link in that chain.

We are meeting with the Energy Ministry. We will now meet with the Minister of the Economy himself. So, you should know that we are making our moves and we are doing what we can. I think this is a very important case for Brazil, and I think ANEEL will be very sensitive in considering all of those aspects. So, I have very positive prospects for that case.

About your second question regarding sanitation, because ANEEL -- because Equatorial is growing and growing significantly, we are not -- have to think of new acquisitions. And within that, I may tell you that we are looking into that and we are considering it. And if that -- if we think that, that makes sense, we will go forward in that direction.

Q - Andre Sampaio {BIO 19422379 <GO>}

That's great. If I can, may only add about regulation. Do you understand that the timing of the discussion on economic aspects tends to still take a long time? Or, do you think that once the financial aspect is resolved early in the year, we will already see news in the economic department?

A - Augusto Miranda da Paz {BIO 15350182 <GO>}

Well, one thing we have been discussing since the very beginning with ANEEL and we discussed very intensely about that, what we asked was this. They said that selling all our financial issues was essential to settle the economic aspect. And what they asked was that we do that, and that's what happened. Our financial side is now -- has now progressed a lot. And ANEEL has already determined and they are already opening a public hearing to discuss.

So, what I think is ANEEL is very sensitive to the need to move this discussion forward even because of how important the sector is. And now with the crisis, it's even clear how important our sector is. Whenever there's a crisis, we see how important this sector is. So, that's why I think it's an opportunity for both the government and the agency to not falter. They have been very fast on their feet, and I hope they are even more so moving forward.

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Q - Andre Sampaio {BIO 19422379 <GO>}

Thank you. Thank you for answers.

Operator

Our next question is from Gabriel Francisco from XP Investimentos. Mr.Francisco [ph] you may proceed.

Q - Gabriel Fonseca Francisco {BIO 20569389 <GO>}

Good morning, everyone. I have only a simple question. What your delinquency situation looks like and your concessions, not only right now, but how has it developed since the COVID-19 crisis began? That's my question. Thank you very much.

A - Augusto Miranda da Paz {BIO 15350182 <GO>}

Very well. Mr.Lucas, would you like to answer?

A - Leonardo da Silva Lucas Tavares de Lima {BIO 17560076 <GO>}

Okay, Mr.Miranda. Good morning, Gabriel. We have just closed the results for Q3, and we've been monitoring very closely every impact caused by COVID-19 in our company. I think it's important to talk a little bit about what we are doing there. First of all, we had a very well-rounded memo, so that we could discuss how we would go through this period and also so that we could challenge the company to come up with solutions, what could be done to offset those negative effects. And the effect of that was very positive.

In parallel, I'd like to talk about another question, which is the industry-specific aspect. So, right now, we have a whole set of measures that we may use to mitigate that effect. Naturally, we have been pointing out the volume issue. And we've also monitored the revenue issue, considering a more recent moving average for the past 30 days. What we've seen is that our revenue with regard to the past 30 days, in our concessions, that comes to 9 -- between 9% and 30% delinquency, and that's for the past 30 days. So, if we look at that moving average, it has shown slightly higher value figures than that. And I'm talking about between 13% and 38% in our concession areas. But lately, we are seeing also between 9% and 15%.

It should also be pointed out with regard to the rise in the subsidized value that in April, our low-income customers gain a 100% discount on their electrical bills. We think that this - we would receive an additional BRL80 million in subsidy, which will also help mitigate the

effect caused by delinquency. We could also mention a few measures that we have taken, Augusto.

A - Augusto Miranda da Paz {BIO 15350182 <GO>}

Well, Gabriel, thank you so much for participating, for asking the question. And as we said from the beginning, we designed a number of scenarios, and we are reviewing them on a day-by-day basis and considering how the government and ANEEL have acted. One thing that we have been doing, which are actually two. We need to look at our CapEx and also increase our revenue.

So, a number of steps that we're taking, campaigns on the radio and on TV, the expansion of our low-income base of customers. We have added a significant number of consumers to that base. And we're also looking to campaigns for online payments. So, a number of steps we're taking. Even though ANEEL issued a decree, that decree, we see that the government is being very moved in releasing awareness raising campaigns. And we see that everyone's working to also supply hospitals, and these are things that we feel have an appeal. So, online payments and a number of actions to encourage and to incentive a rise in revenues, and that's also something we are investing in.

A - Leonardo da Silva Lucas Tavares de Lima {BIO 17560076 <GO>}

If I may, let me just add two more pieces of information. It's important to point out the rise by 24% in online payment accounts and also the rise of 108% in talks with our virtual system, Clara, which shows that our -- these channels are being very useful in this time of social distancing and to support our relationship with consumers and improving our chances of rising revenues.

Well, one more thing with regard to low-income consumers, the government is even extending some of their limits with which they could help us cover those discounts, also state governments and local governments, which will also help us expand that base of low-income consumers even during normal times.

Q - Gabriel Fonseca Francisco {BIO 20569389 <GO>}

Thank you so much. I was not expecting such a comprehensive reply. Just something I'd like to add. The figures you mentioned with regard to the moving averages, is that the consolidated figure or considering the share of lower income because the consolidated result could be even better or worse than that? Just so that I have an idea.

A - Leonardo da Silva Lucas Tavares de Lima {BIO 17560076 <GO>}

Well, the figure for the past 30 days I mentioned is obviously partially affected because there's also the lag to the -- when the bill expires, but that's not also something we're not looking at.

Q - Gabriel Fonseca Francisco {BIO 20569389 <GO>}

Okay. Thank you.

Operator

Our next question is from Carolina Carneiro from Credit Suisse.

Q - Maria Carolina Carneiro {BIO 16342681 <GO>}

Good morning, everyone. Thank you for the call. I have two questions. First of all, still on the issue of low-income consumers, could you confirm the 24% increase in searches for that register. Would that be an additional channel that you have already identified and implemented? Because looking at the Q4 results, you added 84,000 new clients. So, I believe that those additional 84,000 were before that event. So, I believe that between April and May, that would be a little greater. Just to give us an idea how much that base has expanded since then.

And my second question, if you could just go back a little bit with regard to ANEEL's regulation. Of course, there may be a lot that you will not be able to inform us on. But do you believe that if necessary, we were hearing in the press that the limit to those loans is BRL15 billion. Should you need an amount that's higher than that? Do you think we could still see something as what we saw in 2014, when a number of loan trusts were created, whether necessary? Or, do you think that, that would not be the case, that it would be a united front and those BRL15 billion would be the overall amount to provide liquidity to the industry? Thank you.

A - Augusto Miranda da Paz {BIO 15350182 <GO>}

Ms.Carneiro, I would start by talking about the new regulation, and then I will talk about the low-income campaign. I think this is still being discussed. We remember that in 2014, we had two or three trusts. And we are seeing to hiring somewhat even for transparency because people are not aware of how extensive this crisis is yet, so even to cover the financial aspect, how that loan would be enough or not.

So, we are in talks with those agencies. And tomorrow, we will probably know exactly what those figures are. You mentioned the BRL7 billion, there are also -- you mentioned BRL15 billion, there are also BRL7 billion. And ANEEL also talked about the assets issue, then there is the collateral issue. And according to their need, ANEEL will establish a cap over that loan. So, that's something we will only learn tomorrow.

Of course, now we have to wait, and we hope that tomorrow, the agency clarifies all of that to us. Then obviously, if the loan was a bit more substantial, we would be in a better place. You see that the Group Acre also filed with them.

I would say, Ms.Carneiro, that we are in talks with the ministry and the agency. I do not have a very clear response for you right now. What I'd like to say is this, we are conducting a number of campaigns, even outside of that. If you look at our register with the ministry, our figures for Maranhao are very good. We have made very great progress. And also, in Alagoas, we have advanced significantly in our figures, and we have held campaigns even with state governors. So, that they -- we show them that there's money from outside the state coming into the state. And because of those steps with the government, they have helped us to expand that base of lower income.

Now Mr.Lucas, if you could talk about that.

A - Leonardo da Silva Lucas Tavares de Lima {BIO 17560076 <GO>}

Well, with regard to the low-income consumers, we have seen a lot of them paying via e-mail. If we look at the month of April, the base of low-income consumers has increased by 470,000. We've added 470,000 new low-income consumers until April 2020. The figure of 24% that I mentioned was the increase we saw in the adoption of our mail -- e-mail bills.

And within that program, to reach low-income consumers, it's also important to point out that over this three-month period, the exemption from the goods and services tax, the ICMS. So, the discount and that over -- up to 50 kilowatts an hour. And we would say that in the states, where we operate, the measure in the past three months was very helpful. And some months -- some states even extended that period over those three months, so that has an impact in our revenues for those accounts. And as Mr.Miranda said, we are trying to strengthen our ties with state governments, so that we can make progress in our register of low-income consumers.

Q - Maria Carolina Carneiro {BIO 16342681 <GO>}

Thank you. Thank you very much.

Operator

Our next question is from Marcelo Sa from Itau. You may proceed.

Q - Marcelo Sa {BIO 16454581 <GO>}

Good morning. Thank you for your call. I have two questions. The first one is, I'd like to understand, what would you do if the CMP expired. I see all this decrease based on the presidential provisional decree. What happens if -- when those ends? We see that there are a number of amendments to that, and we are very concerned about what could happen, if Congress does not pass the decree afterwards?

And the second one is in regard to regulatory assets. It was clear to us with the provisional decree that this will be considered involuntary, and DisCos will be able to offset the impact of over contracts. We talked with a few companies, and some of them mentioned that ANEEL could eventually acknowledge as a regulatory asset the decline in volume or even delinquency, which would increase the impact in Q3. Do you see any impact from regulatory assets or delinquency affecting your Q2 results?

A - Leonardo da Silva Lucas Tavares de Lima {BIO 17560076 <GO>}

Thank you, Mr.Sa. Well, what I would say is that we, meaning our distributors, that's what we have been striving for. With regard to over hiring, the ministry has been talking about that. And over and above that, we understood that the other issues were under ANEEL's jurisdiction. So, obviously, we see that there is some imbalance, and we understand that the decree is not enough. I mean it's not about a crisis within Maranhao or within Bahia.

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This is a global crisis, and this already has an impact in delinquency and in losses. And that's the situation. What I would tell you is that we are striving for ANEEL to acknowledge the regulatory target.

Perhaps you already know, we've had a meeting, and they're picking up suggestions from all -- the entire industry, and we are making these suggestions, what would this regulatory asset, would be, what the rules would be. So, as I said, tomorrow, they will open a public hearing, and we hope that everything will become clear because this is essential.

Now you mentioned the provisional presidential decree. Well, we have BRL6 billion in cash. So, if by one reason or another, that expires, we are prepared. But I don't think this will -- that Congress will fail to pass it. This affects the entire chain, and the government is truly concerned about the electrical industry. I'm expecting it to be approved as soon as possible.

But I would like to stress that this BRL6 billion makes this really peaceful about everything. Well, just about something that Augusto said, we cannot control the political process. This is not only our interest in the industry -- the interest of the entire industry. And as he mentioned, we are very prepared to face any delays that the process may suffer. We have met in May with all our collaborators and the ministry, so we are very prepared.

Q - Marcelo Sa {BIO 16454581 <GO>}

That's great. Thank you. Thank you very much.

Operator

(Operator Instructions) Our next question is from Lilyanna Yang from HSBC.

Q - Lilyanna Yang {BIO 14003234 <GO>}

Hi. Good morning. Thank you for the opportunity. I have three things to say. My first question is the way the decree is written today and from what you can see with regard to the slowdown in demand and the rise in delinquency, in which scenario do you think you could be able to request an RTE? Or, do you not see that occurring in the current situation in, as far as you can see?

And the second is a really quick one. If you could classify the -- explain Alagoas' EBITDA, which you see as recurrent. And also, in Page 4, just to make it clear, what's the extraordinary is for Alagoas, that would help a lot?

And a third question, what's the revenue for low-income consumers now that some of those -- a lot of those consumers have migrated to that classification?

A - Augusto Miranda da Paz {BIO 15350182 <GO>}

Ms.Yang, thank you very much for your questions. I will answer your first two questions, and then Mr.Lucas will talk about the last one. With regard to an occasional RTE, what we

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think is that we're hedged -- it will take a few cases. And for example, there was a case in Bahia or Pernambuco and claim and imbalanced, then that would be a greater problem. But I think that our situation is more focused on what we're living right now, this exceptional period in time that we are now seeing ourselves in.

So obviously, if you go in and ask for an RTE, that's okay, but there are a different set of rules at play. So, before you would go into ANEEL's website and you could calculate that. But now we hope that the rule is clear and that it reflects the problem that it's not just of one or other company, but it's a widespread problem.

So, we expect to be able to build that solution that can be replicated for every company in accordance with the situation that's been caused by the COVID-19 pandemic. So, this is compounding other problems. And I don't think that the problems caused by COVID-19, obviously, ANEEL must solve. But if you see those in relation to other things, I think that ANEEL's solution could be used to solve them.

Leonardo, you could talk about her last question.

A - Leonardo da Silva Lucas Tavares de Lima {BIO 17560076 <GO>}

So, with regard to the revenue from low-income consumers, I mentioned that we had an increase of about BRL80 million until April. Our revenue for April is about BRL120,000 in consolidated terms for all of our four distributors.

Now the main nonrecurring effect that we had was the effect of BRL114 million in RCL assets that had not been recorded and were only recorded in this quarter. We could also meet later to talk about that in further detail. But it was a nonrecurring record, an asset from LGR in the sum of BRL114 million.

Q - Lilyanna Yang {BIO 14003234 <GO>}

Thank you. That's great.

Operator

(Operator Instructions) So, now the Q&A session is closed. I would like to turn the conference over to Mr. Augusto Miranda for his final remarks. Please, you may proceed.

A - Augusto Miranda da Paz {BIO 15350182 <GO>}

Well, once again, thank you, everyone, for participating and for such high-level questions. Our IR department has also brought more people closer because we want to be closer to your market. I would like to underscore that we have been working very hard and more so than in regular times so that we can resume our activities as soon as possible.

We know that some of our activities are seeing losses. We cannot, for example, approach a client. But for example, a region such as that of Belem, we're seeing 30 -- a rate of 30%, which is very exceptional. And that allows me to monitor it somewhat as long as I'm

working from home. And as soon as our regular activities resume, we will be working more closely in that regard.

With regard to our revenue campaigns, I think we have a lesson to learn from all of it. And I think this crisis is showing us an opportunity. So, I think we have to think about what we will do after this crisis has passed. I think life will be different. And some of the instruments we are testing, we will be using. Our targeting system will be revised, and I believe a lot of things will be left that are positive from this crisis. And I believe we will try to make the most of them.

Once again, thank you so much. Our IR department is open to all of you. I don't know, Mr. Lucas, if you have anything else to add, but I'd like to thank everyone once again. And we're very happy to be showing you a robust consolidated result. And we are -- soon, we are quickly delivering very great results. So, thank you, everyone.

A - Leonardo da Silva Lucas Tavares de Lima {BIO 17560076 <GO>}

Well, Augusto, I would just like to thank for everyone's interest. I hope everyone is okay. And I'd like to stress that we are working hard to go through this period in the best way we can, seeking all the best opportunities.

Operator

Equatorial Energia S.A.'s conference is now closed. Thank you. I thank everyone for your participation and have a great day.

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