

Q3 2020 Earnings Call

Company Participants

- Elvira Baracuh Cavalcanti Presta, Chief Financial and Investor Relations Officer
- Pedro Luiz de Oliveira Jatoba, Chief Generation Officer
- Wilson Ferreira Junior, Chief Executive Officer

Other Participants

- Andre Sampaio
- Carolina Carneiro, Analyst
- Daniel Travitzky, Analyst
- Marcelo Sa, Analyst
- Pedro Manfredini, Analyst

Presentation

Operator

Ladies and gentlemen, good afternoon. Thank you for waiting. Welcome to the Earnings Call of Eletrobras for the Results regarding the Third Quarter of 2020. We inform that all participants will only listen to the teleconference. And, thereafter, we are going to start the Q&A with more instructions. Remember that this audio file is -- and the presentation is available in PDF at the website of eletrobras.ri. (Operator Instructions)

Well, before proceeding, any of the things that are said during the earnings call regarding different business perspectives of the company, projections, operational goals, financial goals are beliefs and premises of the Board of Directors of Eletrobras, as well as being based on information that is currently available to the company. Future considerations do not assure performance, they involve uncertainties. That's why -- and they might be based on things that might not happen. Other operational issues might also influence the results.

Now, I would like to give the floor to the President, Wilson Ferreira Junior; Ms. Elvira Presta, the Director of RI of Eletrobras; and Pedro Luiz Jatoba, Gen -- Director of Generation. Thank you. You may proceed.

Wilson Ferreira Junior {BIO 20013669 <GO>}

Good afternoon, everyone. Thank you to the investors, the analysts, and everybody that is keeping up at this -- that is following up the earnings call of the third quarter. Good afternoon. Now that we've done the disclaimer this presentation because of the specificity of the results, it will be a little bit longer. I will try to be as objective as possible, in such a way that we can answer all the questions.

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I get the four -- well, let's go to page four. Here are the operational highlights. Here is a good news. The market of energy is recovering, and we are here with a daily load that is already operating above what was '19 -- well, 2019, we have a difference in 26%. And in May, this was changed 11% more and the situation shows it is an important evidence of what we are doing. When we look at this in the average ticket -- monthly ticket, the same thing takes place in the bottom graph. We have the green area that was very strong this year since the beginning of the pandemic. And since then, we have been operating above and here monthly base will be 4% above the year 2019.

So, it is a situation that shows the regaining of the economy. It's important to highlight because of the specificity of Eletrobras, the -- on the side of PLD, we see BRL327 at the beginning of the year, a little bit before the pandemic. And exactly because of that drop on the construction, on the usage, the prices on the unregulated market the price dropped. And it got to the bottom until May BRL40 and now it's starting to recover. We had in September a BRL100 and here in the north part it's a volume that is very important, and we got to BRL288. We are reporting prices per megawatt that is still lower than the average values of PLD and the effective results.

Next page, five, let's see the highlights, positive ones. You can see in the third quarter, the first one is the reduction of the periodic tariffs -- reduction of tariffs. We had in the last quarter talking about ACR here, we see the payment of Ke and in this semester, we had a BRL819 million due to that process of the hiring effort regarding the infrastructure in the transmission agreement for the new RAP. And this will also have a readjustment in the transmission, BRL91 million, in renewed LTs and the O&M generation, the quotas.

The power plants, we had a readjustment in the quarter, another BRL123 million. We have a reduction in PMSO, BRL60 million. I am talking specifically about, as said, subcontracted 4,000 people in Furnas, BRL60 million. We have an advancement of the dividends anticipated by September 2020, BRL2.5 billion. So, the payment to the shareholders is BRL2.5 billion, but it impacts the net debt of the company. And because of that, we have a slight growth in our leverage. The sales that we had with SPEs, we had a signed contract and we are waiting for it to be concluded, the BRL434 million and BRL134 million.

Next page, we have the negative results, negative highlights. First talking about the generation revenue. If you follow up with Eletrobras, Eletrobras with Eletronorte had a big share of energy and they hired with the bid A-0 when we started in 2014. This contract ended last year and they have very high value, BRL360 megawatt hour. Now, changing these volumes that were hired with a price that was already above it in the unregulated market, we can show the numbers in the first slide in my presentation.

We had two extraordinary events that were not positive. The first was the stoppage of the power plants, Angra 1 and 2, longer than necessary and that mandate a provision of BRL217 million in generation of the quotas of 1 and 2 -- Angra 1 and 2. We have a problem with the power plant of Candiota III, there is the inflexibility in the period and also an adjustment of BRL52 million (inaudible) with Angra 2 already working, Candiota coming back this weekend, these are extraordinary events in the third quarter. They are limited to this quarter alone.

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PMSO, we have an effort for the return here, but this third quarter is not a good quarter to evaluate this. They are less than the expectation because, first, we have less investments. As we can see, we got to 90% of what we predicted, but we are capitalizing less personnel with investment with the personnel, with the labor, within the non-capitalization of labor by investment lower than what was budgeted. We had labor issues, the anticipation of vacation because of COVID-19, more expensive in the company and we had a readjustment of the ACT, the overall contracts of 3.55%. We also had due to the pandemic in the -- we had the personnel now that retired, we did the provisioning for the people, 454 people actually are leaving the company by January '21, but we have with the period an economy of BRL252 million.

Now with the anticipation of the dividends and the impact in the net debt and EBITDA, there is a leverage of BRL2.5 billion. The investments that were not done, BRL409 million, 50 [ph] to spend still which is a good news. We had here a quarter that was atypical in regards to provisions. Adjustments that we did with the compulsory loans. And while we had provisioned and the contingency the increase that we had because of the deficiency in our budget and the contingencies generated an increase of BRL600 million in this quarter, main in our -- mainly in our controllership.

Page seven, you should remember that we have the future publication MP 998/2020 and it says that the CNPE does the contracts for commercialization, fundamental issues. So, we can have the process of finishing Angra 3. Now with the MP, we have the usage of 50 years plus 20 years and the contract for supplying for 40 years, if renewed for another 20 years. Price of energy will result from studies done by BNDES. Remember the BRL580 in July of 2018, but we also wanted to bring economic and financial viability of the enterprise, the reasonability and the tariff modicity -- modality principle and the readjustment for inflation and by the cost of nuclear fuel.

The discount -- the reduction in cost of the energy will come from the competition between the bidders. Once we adjust these four items, we can have a reduction of cost and then we can compete and we can have a lower value than what was updated for today. And the official publication has published these conditions, so that we can restart the work. And once we have a TPA we can finance adequately. The extraordinary assembly that we had impacting the credits. There is an increase in capital of Eletronuclear, there was approved of BRL1.8 billion.

Now, GSF, we can see the BRL1.8 billion corporate that is the regul -- the assets. BRL539 million are -- have a participation in SPEs, this is still being discussed. We will talk about this up ahead. And as I said, the impact of the advance in September, the payments that we had with the compulsory loans for us adjust -- elevated and adjusted to 1.9 times, the adjusted LTM, without taking into consideration the RBSE LTs that were renewed the revenues. Without RBSE, we have a 2.8 net debt over the EBITDA, 2.8 times.

Page eight, evolution of our businesses for generation and transmission. And let's see the financial results. Generation on page nine. We have our participation, 51,301 megawatts of installed capacity, about 30% above the Brazilian capacity. All of our corporate installations, all of our participation in SPEs that assures more than 10,500 average megawatts, a physical guarantee in the power plants and another 9,000 megawatts

average, which is the coal gas of the hydroelectric and nuclear power plants. The physical guarantees, if you add everything, we have 20,000 megawatts of physical guarantees. Generated energy, 23% of the installed capacity and we generated 23%, almost 50,000 gigawatts hour were generated by Eletrobras.

On the right, we see this big transformation that I was just mentioning. We see a breakdown of our participation looking at the quotas of guarantees of our hydroelectric plants. So, here in blue, 2019 to 2020 reduced from 57% to 49%. There is the effects that we've already discussed. ACR that we had in that contract that I just mentioned, that was a reduction from 17% to 12%, and this reduction promotes what we see in green, the growth of our participation in the unregulated market, ACL, from 26% to 36% and only 3% of the volume was not contracted. The revenue from generation in terms of billions, 2018, we declined [ph] from BRL20 billion to BRL23 billion in the annual base from '18 to '19.

We have to see the contribution of ACL, ACR. And when we see here in gray, it goes from BRL4.7 billion to -- mainly it is now stable.. We had in the first nine months of this year we can see on the right and it was impacted by the change in the crisis in the unregulated market. We go from BRL7.3 billion in green to BRL5.6 billion in the nine months of '20 and the total is BRL16.2 billion. This drop is well -- because we are considering three quarters. So, 5.4 third quarter. Obviously, we should have value over BRL20 billion, but below the BRL23 billion of last year. And the main reason is the fact that we have a change in contracts. That is very important. We lose important contracts in a very high value. We will make an effort to maximize the contingencies, and we're trying to find better conditions in the unregulated market.

Please turn. Very complex explanation of what is called the periodic reduction of tariffs over RBNI. The impact of RAP it has in the cycle in this period, and the impact of an additional BRL441 million per year, and it's also divided in two components. First component is the incremental effects, which is BRL206 million over contracts that were renewed. This is reflecting the new WACC, the new values of O&M benchmarking and our -- the new installations that we have from January/13 to December/18. When we look at down below, you can see here in the middle in green, it gives you that variation on RAP, a RAP of BRL1.346 billion, it goes to BRL1.546 billion. We don't have here the contracts. And then the total variation of RAP is BRL2.3 billion to BRL2.5 billion, it's actually 8.8%.

For people that like to look at the total value, we have it subdivided in the contracts of our company's Chesf, Eletronorte, Furnas and Eletrosul, but we also added as I showed you above. The second amount of value which is the readjustment and then we will have an adjustment installment [ph] regarding to the delays in the application of this official norm and we have the review of the contractual assets. Here, the contractual asset of the infrastructure, we did a agreement T for RAP is BRL819 million addition and this is the impact on the revenue in the building of IFRS 15. When you look at the results, you will find these two values.

And we understand that we concluded the process in transmission and we are going to make there the additions that we have from the previous quarters. Something important for transmission and we are showing here in the work that we are doing, page 11. First, an increase of our availability, we got to 99.96%, this is the best indicator since 2015 third

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quarter, this is a reduction of 27.3% of (inaudible) by cutting of lows in the Eletrobras System. You've seen, for example, the issue of what is happening in Macapa in the state of Amapa. It's been three years since we had allowed a black -- since we had a blackout that was over 1,000 megawatts originating at Eletrobras. On one side, we are very robust with our procedures of operation. Maintenance has kept the availability very high. And the level of trustworthiness, that is very high.

On the right, we have the variable installments or the penalties, 1.66%. And here, we have the best results since 2015 as well. The variable installment once again is 1.66%. We got at the third quarter of '16 3.38%. This is a great improvement, therefore, it adds value to the company. It's BRL25 million less when we compare via the application of penalties in the third quarter of 2020 regarding the third quarter of '16 -- sorry, of the third quarter of '19. We have 43.9% of Brazil, over 70,000, almost 71,000 transmission lines in Brazil and in Eletrobras. 64,000 are above 230 kV.

And we have here our financial performance. On the left, on 13, we have the numbers -- some explanations on the right. What we are seeing is the report on the left in IFRS also in the first three columns, and the work that we do usually which is to incorporate the recurrent values, so we can see our results.

It's importation to highlight the growth in our gross revenue of 2%. And if (inaudible) in the box in the recurrent it's dropping 4%, and this is BRL348 million and it's explained because of the drop in generation, BRL589 million. Remember that contract of ACR that I just mentioned we have faced in this period that is lower because of Santa Cruz and the operations on the short-term, we have a drop in BRL94 million in PLD. Now, the readjustments of the hydroelectric quotas. There is a credit from Amaz initiative, BRL28 million, with (inaudible) Coari and better and a higher procurement of BRL59 million of ACL. We can see that the value is positive, we were just talking here on the right. And non-recurring was positive BRL554 million. The first one is the tariffs for RBNl, BRL819 million, and the inflexibility of Angra 1 and 2, minus BRL216 million, and Candiota III, which is minus BRL52 million. So, the tariff review of RBNl is only done once, so it is BRL0.5 billion.

When we look at the report of this demonstration and here PMSO, we can see that there is a drop, as I told you, of BRL34 million in personnel. So, this is almost BRL100 million and we have an addition here of BRL56 million [ph] being mainly taxes and expenses, additional expenses in the holding because of payments, et cetera. If we look at the operational costs, a drop, and this is due to less investment. Also, we had less payment in Amazonas GT. We see the drop in usage for example for fuel. We -- the fuel that we didn't buy in Candiota and we have here for the readjustment of the Tust, that was a readjustment of plus BRL68 million. Well, the result of the EBITDA is dropping 29% and dropping 18% when we did a recurrent analysis getting to BRL3 billion. We see depreciation and amortization, which is regaining the investments in the company, but still a modest growth.

Financial result. Also, we have a drop in minus 15%. In a recurrent way, we had from minus BRL745 million to minus BRL706 million. This is due to the adjustment of RBSE, the big change that we had in regards to (inaudible) and the cost of capital in the transmission lines, we had an impact of the exchange rate and the numbers should change in the next

quarter. If we do not have the continuity, that might be positive and the effects of that is and the contracts that we have in Eletronorte that has to do with the price of aluminum and the exchange rate and we see the reduction of the main indicators of debt in Brazil.

Unfortunately, we are reporting a result of BRL96 million of profit, of course, in regards -- in comparison to the BRL700 million last year, but we see that the recurrent values we are talking about a drop of BRL17 million, 70%, getting to BRL1.6 billion. So, we can see a little bit of that of what happened in comparison of the third quarter of '19 that we dropped from the net revenue from BRL716 million to BRL96 million.

Up here on the right, we have as you know the recurrent. We have a reduction of BRL90 million. And then as I've talked about, Candiota III and Angra 1 and 2. The recurrent, we had a drop in revenue of 3.9%, BRL348 million, above we have the IFRS 2.2 -- plus BRL2.2 billion and BRL194 million. We're going back to the bottom, the BRL348 million is we have lost the contracts and now we are working in the unregulated market, as I've told you. We had in the period lower prices.

Given the growth of the economy in the future, we have good expectations. We have a growth of BRL185 million that happens in the O&M in the revenues for operation and maintenance, and also transmission in RBSE and contractual revenue. These -- all the transmission values are positive and there is less investment when you compare it to the last quarter when we talk about generation. Now because of the less availability of some equipment being imported or by the important variation in the exchange rate for some imported products, that was difficult that we see an improvement that is important.

This is what I will have to talk about, our gross revenue. And here adjusted, in generation, and this is more complex and we need a professor actually just to explain this. But remember the tables, trying to be deductive [ph] our volumes of energy are negotiated in the regulated free and unregulated markets. In the regulated, we have the quotas for the nuclear and hydroelectric power. And here, what you see in the first line is a drop in the volume from 2,841 to 2,170, a variation of 23%. We add the number of Furnas and Eletronorte and that impacts in dropping 70% in the revenue because of the drop in volume that was bought at a higher value, about BRL362 per megawatt. And we had the two stoppages with the hydropower plant and the nuclear plants.

Now, the quota for hydro is going to have a readjustment, adding BRL123 million. And when we look at the right in the top table, we see the effects of PLD in each of the markets. You can see the comparison that we have here in the third quarter of last year. The value was BRL200 and BRL215. And when we look at the third quarter, we're talking about values that are about BRL80 to BRL90 per megawatt, some contracts have an indexation of the values when we have a lower volume and this is in the bilateral agreement, bilateral contracts that we have for ACL here at the bottom.

And if we look at the volumes of energy, there is a drop of 3% up ahead, and there is just an increase of 9%, almost 500 megawatts on average. We are hiring a higher volume. What we have is what we do not use (inaudible) the variations of the liquidations and a drop in the PLD entity will be minus BRL123 million because of the dropping of the PLD.

16, just a report of PMSO, the company personnel material services, some contracted and other expenses, PMSO in Portuguese [ph]. The third quarter. We are reporting 3% drop, BRL60 million, in IFRS, but recurrently an addition of 2% or BRL30 million due to the positive aspects are dropping in personnel less than what we expected and we talked about this. Materials are less -- 8% less than last year, another BRL5 million and there are things of OBZ, COVID and services drop of BRL97 million.

Here, we see the aggregate of the subcontracted contract of Furnas. And on the other side, we have others that was very heavy this month -- in the quarter, actually. BRL166 million in red -- 50 -- well, BRL26 million of drop in the creditor negotiating with clients and the labor costs of Chesf. BRL24 million for the donations for the campaigns of COVID-19, something very important from the standpoint of our social responsibility, we had that around the installations of Eletrobras. And we had BRL12 million of insurance at Eletronorte, BRL12 million.

Well, you need to see the glass half full. In page 17, we see the evolution. We are still -- we've done important reduction in PMSO. You see that the number of employees in yellow, 12,487 in '16 now close to 6,000, our cost is -- well we are talking about nine months -- I'm sorry, it was - the number of employees is 26,000, now 12,000. The PMSO, the cost BRL12 billion in PMSO and it dropped to BRL5.8 billion. And on the purple, we had BRL9.8 billion in costs for PMSO. (inaudible) we are making this value ever lesser. We have a cost of material and personnel. And next year, it will -- we will have another 500 employees leaving and we will have more economies.

Now, page 18. (inaudible) connected. We have a drop of 1.2% in the recurrent and 2% on the current [ph]. Actually, when we look at the energy that was bought for resale, we have Amazonas GT BRL26 million and they were less exposed in the short-term, we had negative results in Furnas that is a reduction of BRL28 million in fuel and this is getting all of our installations a drop in the fuel because of the energy in Santa Cruz. And as we've done before, there is a drop in the building investment, a drop in 13.5%, minus BRL35 million.

From here, we go to page 19. More difficult issues. Provisions, operational provisions are important. We need to have a governance that is important for this. And here, the main aspect of variation is regarding the contingencies that are here highlighted. Furnas is the main one, very important growth in regards to the previous quarter, almost BRL262 million in labor. In the contingency credit compulsory loans, we have BRL377 million. We have aspects connected to PECLD in the perspective of Amazonas D, the prospective risk regarding PCLD CPC 48.

We have worked and we are still developing with ANEEL and the provision for ANEEL CCC, we still need to do it. And here, the Amazonas distribution, where we have the bad debt increasing in regards to last year. We have a reduction in the provision of ANEEL. We have onerous contracts. Remember the impact of Jirau and Coaracy Nunes. We were working with controllers in Jirau and Chesf, the values for -- well, we have a loss. There you can see then the provision that we just talked about, Candiota. The inflexibility here, which is BRL31 million and losses of credit of the coal in -- that is BRL76 million. This is

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necessary due to a high level of covenants, so we can have the best evaluation of our contingency.

Page 20. We see one page on compulsory loans. Remember that they determined the issue of shares, 142 million shares. Basically half of our PNB, over 9% of the capital of Eletrobras. This quarter, we had an advancement. If we look at the lower graph, we're leaving a provision of BRL16.197 billion and we have additional provisions. The update of the exchange rate, BRL155 million we paid, the claims of BRL1.286 billion and the position that we have here at the end of the third quarter is BRL15.443 billion. So, a drop in BRL754 million.

We have two events that are important on the right that imply a BRL558 million in non-recurrent provisions that are additional to our contingencies. First operational provision, we can see the shares that need to be delivered updated in their value. In the second quarter, it was BRL268 million. Now, it's requiring that update, equals to BRL621[ph] million. It's BRL353 million of updates in regard to the shares -- preferential B shares that should be delivered.

And we have the financial result of the company, compulsory, that is not paid for consumers that disagree with the loan is updated by the IPCA-E plus 6% of interest rates during the time of update. So, in this case, we have an authorization on update from BRL219 million to BRL424 million, more on the addition of BRL205 million. Now, we talked about the compulsory.

With all that, we have the impact of EBITDA. Reporting EBITDA 29% [ph], in a recurrent way 18%. The main aggressor, let's just say, in this drop is the operational net revenue that we just mentioned that has to do with the contract of (inaudible) that was granted and the stoppage in Angra and Candiotá. In the recurring participation, everything that was -- there was a drop of 9%. And the operational cost, PMSO and recurring costs, we reported an improvement of 1.2%, BRL23 million. We had PMSO recurrent going up BRL30 million and we had operational provisions recurrent mainly from the contract of Amazonas D (inaudible) and assuring the provision of GAG Melhoria and other reversals, a variation of BRL205 million. And it goes along with the net revenue, the aggressor responsible for the addition of the 18% of our EBITDA recurrent in the quarter.

We are reporting a net debt -- net revenue, we have the 87% in the quarter, while we have the recurrent, we had lower drop instead of BRL620 million, we dropped [ph] to BRL327 million. We go from BRL1.9 billion to BRL1.6 billion. The aggressor is EBITDA. And we have here the financial result, plus depreciation and amortization, there is a drop of 1%, so BRL10 million. And, obviously, because of the worst result, drop in the income tax of BRL343 million.

Let's go to Page 23. We talk about the financial discipline. I said in the beginning that we had an increase of our -- while we have the EBITDA that was reported, BRL12.8 to BRL12 billion, a drop in the EBITDA and an increase in the net debt by two aspects. The main one is the dividends, BRL2.5 billion, and second, the payment of the loans, compulsory loans. It

gives you a variation of almost BRL4 billion, which is what we show with the increase in the net debt, which makes our indicators go up slightly to 2.8 and 1.9, respectively.

Now, page 24 and 25, the investments. Good news is that we improved in regards to what we've done in the second quarter. We've invested in corporate generation BRL334 million out of these projects that are detailed down below, a growth in regards to the second quarter of 115%. In the corporate transmission, a growth of 66% (inaudible) around BRL281 million this quarter. Total corporate climbed 84%.

I highlighted here SPES, which was our total investment, when you look at the last column (inaudible) line would be BRL3.603 billion. In fact, the SPES is BRL575 million, the SPES. In the first couple of -- nine months, we invested BRL91 million. This is good news because we are investing -- this investing is naturally in SPES was either to cover mainly issues connected to the GSE and we don't need to do that this year because of the standstill that a great deal was obtained from this. So, it's the details. It's reasonable to think that we should be comparing ourselves to BRL3.028 [ph] billion (inaudible) billion. And at this moment, we have BRL1.3 billion invested in and it shows -- and I will show you in the next page.

If we do an evaluation that we did BRL681 million, we're getting the investment is BRL290 million, but for the aspects that are connected for the impacts of COVID and authorizations of ANEEL, we have here optimization of costs. And we have mainly in the case of Angra, we need to have the legal budget for -- general legal budget and we didn't have that authorization. It was done recently. And out of the BRL85 million, it was a value that was limited. And that was -- is going to be resolved because of the authorization, and that's why we will recover that schedule mainly what has to do with Angra 1 and 2.

And in this quarter, we -- because of the standstill, we invested in general -- over BRL400 billion -- BRL400 million. Now, the total budget was BRL1,088 million. And if we see where we invested, well, we did not do because we couldn't do because of our legal limitation or because of COVID, we will get to something like \$956 million or 89% of what was predicted.

I am getting towards the end of the presentation. I wanted to show you some relevant highlights. Those of you that have been following since 2016 when we had 178 SPEs, now we are on the level of here 131, we sold. When we closed also, you can see the closing and incorporation and those that are ongoing in such a way, and here there is an observation. Due to some delays, we had the prediction that at the end of the year we're going to get to 81, from 178 in 2016, we're going to get to 81. This is due to the sale -- the selling that we already formalized and the incorporation right now with SPE, TGO -- TSBE, sorry, TGO, Pindai I, II and III and we have IGESA Punau, we are closing here IGESA and Punau, seven SPEs, eight in total. So, we get to 81.

What have we did not -- what did we not do? We could not conclude the process of selling Chapada do Piauí I and II, 15 SPEs. We had a few closings that were presenting more complexity. Well, we have Manaus, we have Amapari, Baleia and famous [ph]

rationalization of the structure of Baguari and Famosa is four SPEs. And they are going towards next year. Here, I am advancing that our planning we should conclude this process of restructuring with 49 SPEs by December 2021.

Page 28, just to report the public consultation of ANEEL number 56/2020 regarding the SP -- CCEE, actually. We have here all of our corporate power plants. The first observation BRL1.823 billion are the nominal calculation. Here, we don't have Itumbiara. That is not in the calculations. Due to the renewal of the concession of CCEE, that was in the context of NME being recommended by ANEEL yesterday and this is the official publication 3,108 [ph] of 10/11/'20 [ph]. This is a very important point.

Second point, there is -- as you know, there was a public consultation. All the companies contributed through the media and there are things that we are saying IPCA over the spend capital, the allocation of regulatory asset, it's an alternative, so you can have that limitation of the maximum deadline, but we have a lot of contributions. We should have in the 9th of December a known resolution and the rules for the commercialization after the public consultation. And then after 50 days, we will present a new calculation for CCEE on February 9th. Once, we do that in 30 days, we have the publication of the calculation for ANEEL on March 9th, 60 days we have to -- if they accept that extension, we have to announce the legal proceedings.

Now, the investors, the issue of Chesf has a value that is not paid, but it would be an appeal, BRL1.278 billion, and here BRL891 million are credits retained from Chesf and CCEE. So, that this process is working. The net value that has to be paid should (inaudible) is BRL387 million. As you've seen, there should be some installments, some payment in installment. And going up ahead, we have the report of Amapa, an extraordinary event, very difficult, but here reporting that Eletronorte our controller here in the north immediately was working and they were volunteers to contribute with this work of the energy industry of Amapa. We mobilized engineers, specialists, technicians, over 70 people. We supported through our regionals, so we can move equipment, transformer, oil, et cetera, (inaudible) investment. We actually have an official publication 406, so they can do an emergency procurement of 40 megawatts and that is distributed by the generation and it can be up to 150 megawatts.

We have the cost coverage through sectorial expenses after the approval of ANEEL. This is an approval that is ongoing and here are the assets that were made available. So, once again, transformers, power, and remember that there, we only have one important method, which is the UHE Jirau and is one of the suppliers of energy of the region. We have to close in the next pages.

The highlights of the ESG that we've reported, we increased the number of ODSs [ph] that we prioritize in our activities. We have here the growth, economic growth. Now, we have a consultancy with DuPont with a new program for the health and safety at the workplace that is developed by DuPont here at Eletrobras. (inaudible) 86% of the labor is tested every 15 days. We did over 60,000 [ph] tests of COVID-19 at Eletrobras. The climate changes, we have the 13 actions and we established the task -- the commitment with the Task Force on Climate-related Financial Disclosures regarding to the climate change and in human rights, everybody adhered -- all the companies adhered on the right

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hand program, which is an initiative of Childhood Brasil as the objective of fighting against sexual exploitation of children and adolescents in Brazil.

And on the next page, we have the client relationship. We have a satisfaction report that goes close to 89%. We went over the goal last year. In the (inaudible) we are reporting contributions and donations that we've done over BRL23 million to 109 hospitals benefited around our operational installations. We have the actions for the implementation of the LGPD here at Eletrobras and the sustainable management of suppliers. We have (inaudible) edition of the national meeting with suppliers, with over 300 suppliers. And I conclude here saying in excess.

We have up ahead on the short-term the reduction of our personnel and 454 people that are leaving our GSF regulatory asset with the definitions that we mentioned. The issue of the AFAC of Angra 3, which was actually BRL370 million that was transferred to Eletronorte, BRL640 still waiting for the legal PDG. (inaudible) we will solve this issue with the implementations. The effort to simplify our shareholders' SPEs from 131 to 49 up until 2021. Candiota III returning in November 2020 and we're still waiting for regulatory solution for the over procurement of Amazonas D by Amazonas GT. We have a lot of work. And once again thank you, and I apologize not only for the result, that saddens me, it was a very small result, but I am sure that it will be the effort in the governance, and the report, the risk evaluations, et cetera, of course, we have here extraordinary events and we will very quickly go over this with Eletrobras.

So, in the name of my colleague, Elvira, I am available for questions.

Questions And Answers

Operator

Very well. I guess, we will do a Q&A session. (Operator Instructions) We have a few questions. The first one from Andre Sampaio.

Q - Andre Sampaio {BIO 19422379 <GO>}

Good afternoon. I have two questions. The first question in regards to the privatization. We have a lot of news of the blackout in Amapa, if can comment. What is the impact in the privatization process? And what is the plan up ahead in the future? That is the first question. And the -- for second question is hydrology. We have a lower -- we have a poor prediction of rains and the consequence will be that the prices will go up and a very big impact for next year -- in the process of GSF for next year?

A - Wilson Ferreira Junior {BIO 20013669 <GO>}

Thank you. Now, in regards to several things. We had -- well, we have elections and everything. And this is a result that we have in the slide. It is common here in Brazil. In the States, that our -- we have limitation here. And Brazil has always developed in extremes. (inaudible) we have in the case here, we have a reservation and fortunately this is an event that is not clearly clarified. We lost both transformers in the distribution of energy,

the company is being -- the distributor is being -- as a process of being privatized. And unfortunately, we have the negative results of the pandemic.

And here, you don't have the conclusions of all the reports that are being -- not all the investigations we have, the due diligence we had five days leading. Now, that of course that involved ANEEL and it had our contribution of Amazonas D and here the challenge is to reestablish the system and obviously spare the citizens of Amapa of this very difficult and rare situation in Brazil. We are now talking about an event that takes place in Brazil every so often. I understand that there is an extra location because of the possibility of movement of Eletronorte of that privatization. Well, that investment, maybe there were some (inaudible) and they couldn't win.

A review of the investment is private. So, if we have a regulation, when we will modernize the regulatory framework, discussions in the several levels of the government, that is important to effect investments and the investments will be private. And if we do not recognize that, I always tell you, we improved a lot, but we don't have the financial capacity to do all the investments in regaining the market share of the company and that is happening in Brazil and throughout the world. And we have the necessary capital to actually file projects on the long-term that have higher profitability than the interest rate in the country. This is important for the pension benefit.

There is no changes, and here, we are talking about privatization. I think that the administrative part of that is, as said, has made available to start and regaining these projects and it is natural. Well, this is not an event that -- well, it is necessary to see what happened, so we can hold accountable either us or whoever it is responsible for this unfortunate event. I believe that once again not only we have the best of ministers, but our minister of mine and energy (inaudible) and also also part of the economy, we have the public debt (inaudible) condition of infection that we are living, well, we are going to have to do it by January. So, it will be necessary more and more that we see that the public debt is also being worked with privatization. This is why I do not believe that there will be any changes and, of course, the plan was to do restart this year and we have the elections. And we will have a regain of the question of Eletrobras at the beginning of the year. And we have minister, Paulo Guedes, and the secretary that has done an extraordinary work with that.

Well, about the range, November 11. I always believe that we are waiting for the rain on the 15th. We wait for it in the beginning of the month, but it's on the 15th that we should get the rains again. And I believe that we have still a year that we had La Nina as a meteorological phenomena. And we have more rains in the North and Northeast. We are still optimist and we will finish the end of the year better than last year. This is an important point and somehow we have to look at the market, we have an impact and that will make the prices lower. And I still think that there is no reason for us to be worried. And we've concluded several projects, and all of them giving contributions to the system. I think it is early for us to worry about it. And we don't have to go.

Q - Andre Sampaio {BIO 19422379 <GO>}

Thank you very much.

A - Wilson Ferreira Junior {BIO 20013669 <GO>}

Very well.

Operator

Next question will be Carolina from Credit Suisse.

Q - Carolina Carneiro

Good afternoon. Thank you for the call. If you can talk a little bit more about the provisions? You did a very good job for recycling capital allocation, a work that has been very significant and this part is complicated, but it showed how many things are very relevant for strategy. I wanted to know, if talking about the compulsory loan, is there anything that you can do? And specifically with Amazonas, as mentioned at the end of the call, they were expecting maybe the resolution of ANEEL and the procurement. Is there any other option or something else that we can do to avoid that, the bad debt will continue to give us problems?

A - Wilson Ferreira Junior {BIO 20013669 <GO>}

Thank you Carolina for your question. I think it is important to highlight that we have two important liabilities that are being addressed with -- as a priority for the company. One is the compulsory loans. I believe that we have two things here. First, most of the projects and the claims are being concluded. We have had responses and sometimes we have a response, we need clarity, but here we have a small variation and where they are provisioned, BRL1.2 billion this month -- this quarter is because of that.

Now, we have other lawyers here and we also issued here the policy of agreements and that happens for the provisions of loans so that we can anticipate into agreements that are lower than what was provisioned. A lot of companies, they might have -- be interested in closing the process and, therefore, giving an advantage to the paying party. And this is what we're looking right now. The compulsory loan, we will have more lawyers that will help us with agreements in the issue of the labor issues. And here, we have a system of the same thing that we have for SAP. We have artificial intelligence and we are implementing this at the Eletrobras Group. This is very important because we had digital deposits and this is being phased to systems. And also, we have to do these defenses or at least a great part, and this asset will be shared with the lawyers, private lawyers to represent Eletrobras in these processes regionally.

We expect any combination of loan and the assets that have to be -- once again, we need an effort and the provision that needs to be done more perfectly with our assets. This quarter, we did this movement, but we need to do two things, anticipate that this might bring the benefit to the company and, on the other side, we have to work in the sense of mitigating the occurrence of any similar event in these two things. And this is a great work of Eletrobras, and we will have an important event over the last quarters.

Q - Carolina Carneiro

Thank you.

Operator

Next question will be Pedro Manfredini. Pedro?

Q - Pedro Manfredini {BIO 21633245 <GO>}

Hello. Thank you everyone for this opportunity. I have a question. Next year, you start to think about this new RBSE, the generation of capital for next year. This is very important. Well, after the strong reversal of RBSE and as you commented, it is complicated. And I wanted to understand with you if there is a payment of dividends about what was practiced before in the third quarter of 2020, is that a possibility? And will the privatization hinder -- well, will hinder this process? The second point, I just wanted to understand how and what was the effect of the pandemic in the contracts, we have the free market in the company, was there a structural change in renegotiation or short-term reduction?

A - Wilson Ferreira Junior {BIO 20013669 <GO>}

I'm going to ask Jatoba to talk about contracts. But in this first thing where you talked about the dividends, the answer is no. I need to highlight that we were never called so that we anticipate the dividends and we never had that demand presented to the government. And I just wanted to say one thing. Along with the controllership, something in -- around BRL2 billion, and we've seen in our -- to make the controllers make the type of payment in such a way that we can in the first opportunity do the payment that is regarding the FY of 2018, and this is in our table to debate this issue and take it to the Board of Directors to do this, we don't have any prospective payment.

If we have projects, we are evaluating the participation in the area of transmission, this is one of the projects that we have, so we are evaluating this. You talk about capacity to be entrepreneurial and we have almost a lab, so we can really act as a company. Establishing committees that validate the financial framework, so we can see the return rate that clearly has to be above the capital cost. And the company, regardless of the environment in the private -- in the public, we don't have to pay the dividends above what was expected. It's important to highlight that we have a robust cash flow. Now, the demand, it's better to do this payment. We don't have any prediction of payment above the minimum return of the company and we will only have things that are regarding the payments of dividends that are retained, so we can liquidate this.

And in regards to the second theme, contracts, we had a big movement right at the beginning of the pandemic and maybe Jatoba can talk a little bit about this situation. And I would just like to say that a great deal of them may have the difficulty of immediate payment and keeping as a criteria, the students and some type of seasonality. Can you comment on that, Jatoba?

A - Pedro Luiz de Oliveira Jatoba {BIO 21241144 <GO>}

Thank you for the question. The dividends took place in April and May. Due to the -- we didn't know the impact of the crisis. And we -- through the committee of commercialization, we established the guidelines and we want to preserve the current values of the contracts and the management volumes. We had very little problems with

the regrowth of the demand from June-July. It was practically normalized. Basically, we do not have any case just like in the last month. Thank you.

Q - Pedro Manfredini {BIO 21633245 <GO>}

Thank you for the answer. Now, the subsidiaries, you have cash that is retained at these subsidiaries? The idea is to -- well, is there any other thing in the pipeline to optimize the capital, the size this up -- going up of the dividends of these subsidiaries, is there any -- well, I know that we have the concessions, but we have the other concessions along the way. But we know that there is a potential path for the recycling of capital of the SPEs also.

A - Wilson Ferreira Junior {BIO 20013669 <GO>}

Exactly, yes, we have clearly the freedom to lead, but yes, we understand that we have a lot of contracts with BMS, where we have costs that are comparatively higher than we can get in the market. So, this discussion occurs with our subsidiaries. It's important to highlight that the contracts, we have very honest conditions. So, this has to be done with a lot of care. We are not the only ones, we have complements for financial -- for financing with the debentures that are the objective of verification, so we can in fact pay and this is work and our companies, as you've said in the past, that had contracts, financial contracts withholding and the case of Furnas and Eletronorte that can, given the financial solidity, getting financing directly without having any need of assurance from the holding. So, this is something that we are taking care, and we've done a great work with this. Some of the things that you followed recently we also had the rollout in reals, so there is still space and opportunity with our operations with the controlled companies.

Q - Pedro Manfredini {BIO 21633245 <GO>}

Thank you.

Operator

Next question from Marcelo, Banco Itau.

Q - Marcelo Sa {BIO 16454581 <GO>}

Thank you for the call. I have a question in regards to GSF. We did the calculations that would be NPV positive and I wanted to know how that would impact the results of the company? And should this take place, is there any payment of taxes or whether we have to pay with the zero? This is the first question. The second question and we'll ask you a comment that you did. And while they will participate, in this case, you will get into a partnership with someone or would it be Eletrobras as the controller for the investments?

A - Wilson Ferreira Junior {BIO 20013669 <GO>}

I'm going to ask Elvira to talk about this the first thing here for tax, but I'm just going to try answer for the second. This is going to participate closer. We should participate alone, and the issue of partnership is synergy. I cannot add value to the asset or disagree on synergy with other assets, but we are closed to have partnerships. We have preference, corporate speaking, with our controllers, with our regionalized projects, so we can have

the capacity to compete alone. This is the idea that we're nourishing right now, but giving the preference to the corporate investment that were recently authorized and with the exceptional shut, we have been authorized to participate. Can you talk about that?

A - Elvira Baracuhy Cavalcanti Presta {BIO 18709914 <GO>}

Well, in regards to the accounting, we still -- internally, we depend on the final solution and will this be something that we can infer that this will be an asset that will be registered once and we have to do a technical discussion, but it's something that we do not have a definition. In regards to GSF, we would have to do a payment.

Q - Marcelo Sa {BIO 16454581 <GO>}

Do you think that the payment will be done once or the companies will have a chance to defer this payment?

A - Wilson Ferreira Junior {BIO 20013669 <GO>}

I don't know if they have a capacity to pay or not pay, so there should be other companies that have cash flow that might have difficulties. Maybe there is a government plan to finance this amount. I do not believe that there will be any support from the government to do this type of financing. But yes, I believe that we will establish, as it happened before, a process of negotiation, where we have the installments. Expensive, but (inaudible) of the amount that is involved, there are -- well, we are fighting against a bad debt in this process. And in this case, we can have via Chesf. And yes, there will be some sort of payment in installments.

Q - Marcelo Sa {BIO 16454581 <GO>}

Thank you.

Operator

(Operator Instructions) Next question from Daniel, Banco Safra.

Q - Daniel Travitzky {BIO 20928929 <GO>}

Good afternoon, Wilson. Thank you for the opportunity. I want to explore a little bit about the shareholders. First question, well, you have a prediction of getting in December of 2020 49 SPEs, I wanted to understand, how is your perspective up in the future? That 49 is stable? And where would we have more space for the simplification of the structure?

A - Wilson Ferreira Junior {BIO 20013669 <GO>}

Now, this -- we have to talk about this. We have SPEs of any type, even international participation, et cetera, and we made a decision that is strategic. What was the strategic decision that we had SPEs where we can increase our participation when -- (inaudible) SPEs, sometimes the partners stopped and we followed. So, we did that sequence and what we wanted to do -- play. And this can be a company that can be accounted for. We wanted to incorporate a company buying 100% and incorporating it as a corporate asset.

And that is an advantage. The SPEs have a management board, board of directors. And actually what makes the SPE work is the operations are local.

What we did here, I think it was 13, and if memory serves me right, and we have this process here. These are processes for incorporation. Then we had an evaluation here of the cost of the partner. We did the negotiation and actually we made that negotiation viable and we will finish with 14 SPEs. These were created and not made viable in the last year. A great deal of them related to wind power due to the contracts -- remember the provider that went bankrupt, and then we had the difficulty in the construction. In this case, we got into that bid of not hiring and then we eliminated the risk.

The next step is closing. That's why you have the second. And also we did a strategic analysis, where we wanted to remind you that the sales process was preceded by a recognition of our debt -- of the debt of the controller, the controlled company in such a way to check to reduce this, so we can do a process that is systematic and we can attract more competitors. And we have the compete -- competitive process and the only thing that we didn't sell is this one. Now, these assets have been chosen because they are assets that they had conditions that were important for the debt of the controller and the holding and these are assets that we would have the same activity as the control.

One criteria that you need to know is we weren't working with hydroelectric power assets. What we have today is the GSF, which is the condition of those companies. We followed many that time and they were not successful. And a great deal of that is due to the social GSE.

Now, we have to think about this in an important way from now on the companies have a perceived value by the market different than what they've received before. So, you have the physical assurance and there is a set of activities that are here placed. The objective was to simplify it with the focus in the asset of generation transmission. In these 49, a great deal were the hydroelectric power plants. We have Delamonte. And with that 49, we have a focus here. A great deal of them will be integrated with the corporate asset and we have the private partners with this account, this operation. And then we can work for the consolidation of the assets.

There is no defined plan. I just wanted to show you that, in fact, we implemented a plan for the reduction of the number of SPEs, which contributed for the reduction of the debt on the controller with the company and a very strong work and I even joke around that this is the substation of the Olympics. I can see the difficulty when I was concluding this process. So, we need to proceed here and we've done that, and we will be happy to finish the year with 81, a 100 less than what we had, with an improvement of the results, of the 14, the values of the SPEs we can revert it, we had several here. We had 40 last year, 30 this year and we will try and find out an asset that makes more sense because of the size of Eletrobras. This is the idea in this process of rationalization. I didn't answer Carolina.

In regards to Amazonas distribution, obviously, the problem of Amazonas distribution affects us because the supplier of energy had contracts that not necessarily -- they were

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not contracts that serviced the road of the distributor. So, this has been adopted as one norm, not only one, and the debate on the ministry of energy with the participation of Amazonas GT and Amazonas energy and ANEEL, I am very optimistic that we will have a solution for this in the next 60 days. We will have a better expectation in the processors that are here, we will have one director that will answer and we will focus in our challenge and also the sector. And I believe that this will happen, and that's to say we have authorizations and this mitigates a little bit of the problem, it mitigates a great deal of the problem for the cash. We can do it via Amazonas distribution and we have less risk of non-payment.

Q - Daniel Travitzky {BIO 20928929 <GO>}

Thank you.

Operator

We close here the Q&A session. And I'll give the floor to Wilson Ferreira Junior for the final thoughts. Mr. Wilson?

A - Wilson Ferreira Junior {BIO 20013669 <GO>}

First of all, thank you for your attention. Once again, it is difficult as a President to do a report. We believe that we could have done much better. Counterpart is that we make the quality more robust and this implies in the improvement of our processes and our controls. Evidently, we were affected by the pandemic, Candiota and Angra 1 and 2, but I'm very trustworthy in the recovery of the economy and the processes that we are developing in the country and in the company to train and evolve in our commercialization. We have thereafter the meeting that we are doing with all of the directors of the company was the cultural transformation and -- well, having this digital time of the pandemic, so we can have a network that is more modern, more contemporariness, more collaborative, more synergistic, more sustainable. We're working towards this, and I believe that we advanced and we will advance even more.

With the standardization of our organizational structures, I do not see yet the perspective for the reduction of costs we are making an effort. Sometimes we have an expectation of a lower impact in the pandemic, but we have an equipment that has a stoppage and that impacts the investment as a whole. So, we had a quarter that unfortunately we had a lot of events that are extraordinary and events that were predicted. But I am very optimistic in regards to Eletrobras, it's a company that is recovering. And we'll, in fact, know the perspective, still limited by the financial capacity is to restart the perspective of investments.

I hope that this was the worst quarter that I will have to report in the last four years. I am very optimistic that we will restart with the perspective that we will -- that we had over the last few years. Thank you. And now you're healthy [ph]. Thank you.

Operator

Therefore, the audio conference of Eletrobras is complete.

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