

Equatorial Energia S.A. announces tariff adjustment for its subsidiary, CEMAR, approved by Aneel

São Luis, August 28, 2006 – EQUATORIAL ENERGIA S.A. (BOVESPA: EQTL11), a holding company whose subsidiary CEMAR - Companhia Energética do Maranhão, retains the electricity distribution concession for the entire state of Maranhão, announces that the National Electricity Agency (Aneel) has approved CEMAR's average tariff adjustment of 14.58% for the period between August 2006 and July 2007.

Considering the financial adjustments already included in CEMAR's tariffs related to the recovery of tariff differences from previous periods, the average tariff increase for electricity bills will be 10.68%.

The adjustment index will be applied to the various customer categories in a differentiated manner, due to the federal government's tariff realignment policy, i.e. the gradual elimination of the crossed subsidies among consumer segments. This policy was determined by the granting power, with implantation scheduled between 2003 and 2007.

Thus Aneel announced that adjustments for high Tension consumers (essentially large commercial and industrial customers) will be higher than those for low Tension consumers, as can be seen in the following table:

Tension Levels	Effective increase over 2005 tariff
Low Tension (below 2.3 Kv)	9.03 %
High Tension (above 2.3 Kv)	16.38%
Average Percentage	10.68%

The tariff readjustment index is calculated according to a parametric formula defined in the concession agreements, through which the concessionaire's revenue is divided into two portions: Part A, or non-manageable costs, corresponding to expenses from energy purchases and sector and transmission charges, whose variations are entirely passed on to the consumer, and Part B, or manageable costs, which are updated by the variation in the IGP-M inflationary index less the so-called Factor X (related to productivity gains). In addition, financial adjustments are recognized through the CVA (Part A Offsetting Account) and other instruments.

Since the 2005 tariff review, the levying of PIS/PASEP and COFINS has changed. These taxes, with their new rates, have been removed as tariff components and are now levied directly on the electricity bill itself, as with ICMS (state VAT). In addition, Aneel implemented the tariff repositioning in installments (deferred repositioning, the origin of the RTD - deferred tariff revenue) following each adjustment. The first installment following the current adjustment will be recognized by adding R\$ 42 million to Part B.

Another highlight is that Aneel also deferred CEMAR's request to recognize in the tariff base the impact of the "Luz para Todos" ("Light for All") program, designed to ensure universal access to electric power, on its cost and investment structure. Thus, this adjustment recognized R\$ 34 million as a financial component, which pushed up the average electricity tariff by 4.25%.

The impact of the "Light for All" program will be reevaluated on the next tariff readjustment which will take place in August 2007.

The table below shows the breakdown of CEMAR's 2006 tariff adjustment:

CEMAR: Breakdown of 2006 Tariff Adjustment				
Tariff Adjustment 14.58%	Pass-through of Part A and B Variation 10.07 %	2.98 %	Energy Purchases	Part A
		1.08 %	Sector and Transmission Charges	
		5.84 %	RTD	Part B
	0.17 %	Part B		
	Variation in Financial Accounts 4.51%	4.25 %	Universalization	Financial Components
	0.26 %	Other Financial Adjustments		

The table below shows the impact of the adjustment calculation variables in value terms:

Variable	2005	2006	Adjustment (%)
Annual Adjustment	R\$726,415,379.06	R\$799,593,865.83	10.07 %
Part A	R\$346,846,807.11	R\$376,320,022.91	8.50%
Part B	R\$379,568,571.94	R\$423,273,842.92	11.51%
Financial Adjustments		R\$ 36,046,002.22	4.51%

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