

Table of Contents

For the SHPPs, the Group considers these rates appropriate since, based on a legal assessment of the prevailing legislation and management's assessment of ANEEL Permission Resolution granting a license to operate as an independent power generator, the Group will be indemnified for the residual value of the assets upon termination of these licenses, if not renewed. Management considers the renewal of operating licenses probable. As the regulatory agency issues new information or decisions, the current depreciation rates for such assets may be changed.

### 8. Borrowings

The Group's small hydroelectric and wind energy generating facilities are owned and operated in separate legal entities for which the costs of development and construction have been financed by borrowings with Brazilian development banks through project entity specific debt secured by the project entity assets with no recourse to the Parent. The outstanding balances under these financing arrangements at March 31, 2015 and December 31, 2014 are summarized as follows:

	Interest rate Debt cost	March 31, 2015			December 31, 2014		
		Interest	Principal	Total	Interest	Principal	Total
BNDES	TJLP + from						
	1,92% to 2,18% p.a.	2,646	60,658	63,304	789,849	2,625	60,625
BNDES (Sub loans)	TJLP	17	1,525	1,542	5,051	14	1,527
BNB	8,08% p.a.	23	5,897	5,920	89,311	—	5,897
Borrowing subtotal		2,686	68,080	70,766	884,211	2,639	68,049
(-) Debt issuance costs		—	(617)	(617)	(8,070)	—	(617)
Total		2,686	67,463	70,149	876,141	2,639	67,432

*BNDES Agreements*—The Group's wind energy generation projects have been financed through the Brazilian National Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*—BNDES) in the total amount of R\$ 893,457. Borrowings accrue interest at variable rates based on the Long-term Interest Rate (*Taxa de Juros de Longo Prazo*—TJLP) as offered by BNDES plus a credit spread ranging from 1.92% for subsidiary entities of Salvador and 2.18% for subsidiary entities of Bahia. For the period ended March 31, 2015 and December 31, 2014, TJLP was 5.5% Principal and interest are payable monthly from May 2013, with final maturity in 2029.

The project are also financed by sub-loans with BNDES, which have an outstanding principal amount of R\$6,593. The sub-loans bear variable interest at TJLP rate, and mature in 2019 and 2029 for Bahia and Salvador respectively.

Borrowings under the BNDES financing agreements are secured by a pledge of the shares of all subsidiaries of Bahia and Salvador, substantially all the operating assets of the operating subsidiaries, and rights to receivables and cash collections on the future sales of electricity under the subsidiaries' PPAs. Additionally, these agreements require that the subsidiaries maintain funds in restricted deposit accounts as collateral and guarantee for the related borrowings.

These agreements contain customary representations, covenants and warranties of the borrower including limitations on business activities, guarantees, environmental matters, and project maintenance standards. Additionally, the agreements require the maintenance of a minimum debt service coverage ratio, as defined in the agreements, of 1.3:1. At March 31, 2015 the Group was in compliance with all related covenants under the individual financing agreements.

*BNB Agreements*—The Group's small hydroelectric energy generation projects have been financed through the Bank of the Northeast of Brazil (*Banco do Nordeste do Brasil*—BNB) for a total amount of R\$120,096. Borrowings under the agreements are subject to fixed rate interest of 9.5% per annum (which can be reduced to 8.08% due to a 15% timely payment bonus), with principal and interest payable monthly with final maturity in 2026.

F-76