
GOVERNMENT OF THE STATE OF SÃO PAULO

BID NOTICE No. 001/2017

Sale of equity stock of:

CESP - Companhia Energética de São Paulo

2017

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Government of the State of São Paulo

Directing Council of the State Privatization Program

Bid Notice No. 001/2017

Sale of Equity Stock in:

CESP - Companhia Energética de São Paulo

The State of São Paulo, through the State Revenue Office, in compliance with and for the purposes of State Law No. 9,361, dated as of July 5, 1996, on its own behalf and representing the other SELLERS, makes public the terms and conditions of the destatization of CESP-Companhia Energética de São Paulo.

The procedures for the transfer of SHARES shall be governed by this BID NOTICE and its annexes, by the INSTRUCTION MANUAL, by resolutions of the DIRECTING COUNCIL OF THE PED - State Destatization Program, by acts issued by the STATE and by applicable laws.

This English translation of the BID NOTICE is presented for information purposes. The PROCESS will be conducted in Portuguese. Any and all documents must be presented in Portuguese (translated into Portuguese by a public sworn translator in Brazil if applicable). In case of any discrepancy between the original BID NOTICE, in Portuguese, and this English version, the version in Portuguese shall prevail.

Chapter 1 - Preliminary Clarifications

1.1. Definitions

For its purposes and effects, in this PUBLIC NOTICE, the expressions listed below shall have, in their singular or plural forms, the meanings indicated below:

- 1.1.1. ACCESS: is the access to information relating to CESP, by those interested in participating in the AUCTION, including, without limitation, those available in the DATA ROOM and those obtained during meetings or visits to CESP;
- 1.1.2. SHARES: are 116,450,297 (one hundred sixteen million, four hundred fifty thousand, two hundred ninety-seven) shares issued by CESP, being 87,522,028 (eighty-seven million, five hundred twenty-two thousand, twenty-eight) common registered shares and 28,928,269 (twenty-eight million, nine hundred and twenty-with thousand, two hundred sixty-nine) class B preferred registered shares, of the following SELLERS:

SHAREHOLDER	CNPJ	COMMON SHARES	PREFERRED B SHARES
STATE	46.379.400/0001-50	86,330,751	15.135.166
Companhia do Metropolitano de São Paulo - METRO	62.070.362.0001-06	1.182.500	–
DERSA – Desenvolvimento Rodoviário S.A.	62.464.904/0001-25	180	–
Companhia de Saneamento Básico do Estado de São Paulo - SABESP	43.776.517/0001-80	6.690	–
Department of Water and Electric Power - DAEE	46.853.800/0001-56	1.907	–
Companhia Paulista de Parcerias - CPP	06.995.362/0001-46	–	13.793.103

- 1.1.3. SHARES IN THE OFFER TO EMPLOYEES: are the 16,375,632 (sixteen million, three hundred and seventy-five thousand, six hundred and thirty-two) common registered shares issued by CESP owned by the STATE, corresponding to approximately 5% (five percent) of CESP's capital, in two lots, being: 689,520 (six hundred and eighty-nine thousand, five hundred and twenty) SHARES IN THE OFFER TO EMPLOYEES at a discount of 50% (fifty percent) on the MINIMUM PRICE AT AUCTION, at a price of R\$8.40 (eight Brazilian Reals and forty cents) per share, duly adjusted by the SELIC RATE variation between the date of the PUBLIC AUCTION SESSION and the date of the AUCTION SETTLEMENT, and 15,686,112 (fifteen million, six hundred and eighty-six

thousand, one hundred and twelve) SHARES IN THE OFFER TO EMPLOYEES offered at no discount, at a price of R\$ 16.80 (sixteen Brazilian Reals and eighty cents) per share, duly adjusted according to the SELIC RATE variation between the date of the PUBLIC AUCTION SESSION and the date of the AUCTION SETTLEMENT;

- 1.1.4. AMENDMENT TO THE CONCESSION AGREEMENT: means the amendment to the CONCESSION AGREEMENT to be entered into by and between the GOVERNMENT and CESP, and the NEW CONTROLLING PERSON as an intervening party, specifically to reflect the transfer of controlling interest in CESP;
- 1.1.5. WATERWAY ADMINISTRATOR: is AHRANA Administradora da Hidrovia do Rio Paraná and DH/ST-SP, bodies responsible for the management, administration and inspection of the Tietê-Paraná Waterway, at the federal and state levels;
- 1.1.6. SELLERS: are the STATE, METRÔ, DERSA, SABESP, DAEE and CPP;
- 1.1.7. ANEEL: is the National Agency of Electric Power, federal authority under special regime, with legal personality under public law, under the Ministry of Mines and Energy, with principal place of business and venue in the Federal District, created by Federal Law No. 9,427, dated as of December 26, 1996 and regulated by Federal Decree No. 2,335, dated as of October 6, 1997;
- 1.1.8. ANNEX: is each of the documents attached to this BID NOTICE, numbered in sequence, and that are expressly integral parts hereof;
- 1.1.9. B3: is B3 S.A. - Brasil, Bolsa, Balcão, corporation with its principal place of business in the City of São Paulo, State of São Paulo, at Praça Antônio Prado, 48, enrolled with CNPJ under No. 02.584.094/0001-19;

- 1.1.10. CADE: is the Administrative Council for Economic Defense, federal authority under the Ministry of Justice, in accordance with Federal Law No. 12,529, dated as of November 30, 2011;
- 1.1.11. CESP: is CESP - Companhia Energética de São Paulo, publicly traded corporation, public utility concessionaire of power generation, with its principal place of business in the City and State of São Paulo, at Avenida Nossa Senhora do Sabará, No. 5,312, enrolled with CNPJ under No. 60.933.603/0001-78;
- 1.1.12. PED DIRECTING COUNCIL: is the Directing Council of the State Destatization Program, collegiate organized according to Chapter II, article 4 of the LAW;
- 1.1.13. CONSORTIUM: is the consortium formed by two or more Participants, who are expressly jointly and severally liable, in accordance with and for the purposes of item 3.6.1 of this BID NOTICE;
- 1.1.14. CONSULTANT: is the consulting firm engaged by the STATE OFFICE, through public tender (E-Procurement NC No. 45/2016), for the provision of consultancy services for evaluation, modeling and execution of sale of securities held by the STATE, namely Banco Fator S.A. and subcontractors duly authorized by the STATE, as required by the provision in paragraph 1, article 7 of the LAW.
- 1.1.15. COUNTER-GUARANTEE: is the guarantee to be given by the NEW CONTROLLING PERSON in compliance with the obligations assumed by CESP with respect to debts object of the STATE GUARANTEES;
- 1.1.16. STOCK PURCHASE AGREEMENT: is the agreement to be executed by SELLERS and the NEW CONTROLLING PERSON, whose subject matter is the purchase and sale of the SHARES, whose draft is in ANNEX I to this BID NOTICE;

- 1.1.17. CONCESSION AGREEMENT: is Agreement for the Concession of Public Utility - Electric Power Generation No. 003/2004, executed on November 12, 2004, by and between the GOVERNMENT, through ANEEL and CESP, and the STATE as an intervening party, and amendments thereto;
- 1.1.18. ACCREDITED BROKERAGE FIRM: brokerage firm authorized by the Brazilian Central Bank and CVM, duly authorized to operate in B3 and engaged by the PARTICIPANT(s) to represent it(them) in all acts related to the AUCTION with B3.
- 1.1.19. CPP: is Companhia Paulista de Parcerias - CPP, corporation with its principal place of business in the Capital of the State of São Paulo, at Av. Rangel Pestana, 300, 5th floor, enrolled with CNPJ/MF No. 06.995.362/0001-46;
- 1.1.20. CREDITOR is the creditor of CESP's debt object of CESP's GUARANTEE, which is described in ANNEX II hereof;
- 1.1.21. SCHEDULE: is the schedule of the main events of the PROCESS, described in item 7.4 hereof;
- 1.1.22. CVM: is the Brazilian Securities and Exchange Commission, federal agency under the Ministry of Finance, governed by Federal Law No. 6,385, dated as of December 7, 1976, as amended;
- 1.1.23. DAEE: is the Department of Water and Electric Power- DAEE, agency under the Sanitation and Energy Office of the State of São Paulo, with its principal office in the Capital of the State of São Paulo, located at Rua Boa Vista, No. 170, 7th floor, enrolled with CNPJ/MF under No. 46.853.800/0001-56;
- 1.1.24. DERSA: is Dersa Desenvolvimento Rodoviário S.A., corporation with its principal place of business in the Capital of the State of São Paulo, located at Rua Iaiá, No. 126, enrolled with CNPJ/MF under No. 62.464.904/0001-25;

- 1.1.25. BID NOTICE: is this Bid Notice No. 001/2017, for the sale of the SHARES, including its ANNEXES;
- 1.1.26. EMPLOYEES: are people entitled to purchase SHARES IN THE OFFER TO EMPLOYEES in the context of the OFFER TO EMPLOYEES, in accordance with the provisions in the PROSPECTUS OF OFFER TO EMPLOYEES, which includes active employees, existing on 07/31/2016, including those who have retired after that date;
- 1.1.27. STATE: is the State of São Paulo, legal entity governed by public law, herein represented by the OFFICE;
- 1.1.28. FUNDAÇÃO CESP: is the private entity of supplementary social security administrating CESP's employees' retirement and assistance benefits, enrolled with CNPJ under No. 62.465.117/0001-06, with its principal place of business the City and in the State of São Paulo, at Alameda Santos, No. 2,477;
- 1.1.29. CESP GUARANTEE: is the guarantee given by CESP's with regard to CESP's debt, and which is described in ANNEX V hereof;
- 1.1.30. PARTICIPATION GUARANTEES: guarantees to be given by the PARTICIPANTS to participate in the AUCTION, in accordance with the provision hereof;
- 1.1.31. STATE GUARANTEES: are guarantees and/or counter-guarantees given by the STATE against CESP's debts, and which are described and characterized in ANNEX III hereof;
- 1.1.32. DEPOSITORY ENTITY: is Banco Itaú Unibanco S.A., financial institution depository of the shares issued by CESP, with its principal place of business in the City and State of São Paulo, at Praça Alfredo Egydio de Souza Aranha No.

100, Torre Itaúsa - 9th floor, or any other PERSON that succeeds or substitutes it;

- 1.1.33. LAW: is State Law No. 9.361, dated as of July 5, 1996, that creates the State Destatization Program - PED and provides on Corporate and Equity Restructuring of the Energy Sector of the State of São Paulo, as amended;
- 1.1.34. AUCTION: is the special public auction for the sale of the SHARES to take place at B3, pursuant authorization in article 17, item II, "c" of Federal Law No. 8.666, dated as of June 21, 1993, and according to the provisions of Instruction No. 168, dated as of December 23, 1991, and Instruction No. 286, dated as of July 31, 1998, and Instruction No. 400, dated as of December 29, 2003, all issued by CVM, whose procedures detailed herein and in the INSTRUCTION MANUAL;
- 1.1.35. SETTLEMENT OF OFFER TO EMPLOYEES: Timely and full payment to the STATE made by the EMPLOYEES participating in the OFFER TO EMPLOYEES as compensation to the transfer of ownership of the SHARES IN THE OFFER TO EMPLOYEES, which will be carried out by B3.
- 1.1.36. AUCTION SETTLEMENT: Timely and full payment made by the NEW CONTROLLING PERSON to the SELLERS as compensation for the transfer of ownership of the SHARES IN THE OFFER TO EMPLOYEES, which will be carried by B3.
- 1.1.37. INSTRUCTION MANUAL: is the document prepared by B3, to be made available according to the SCHEDULE, detailing the PRE-IDENTIFICATION process, operational system, the allocation of the PARTICIPATION GUARANTEE and the AUCTION SETTLEMENT;
- 1.1.38. DUE DILIGENCE PROCEDURES MANUAL: is the document detailing the procedures to obtain information about CESP;

- 1.1.39. METRÔ: is Companhia de Metropolitano de São Paulo - METRÔ, corporation with its principal place of business in the Capital of the State of São Paulo, located at Rua Augusta, No. 1626, enrolled with CNPJ/MF under No. 62.070.362/0001-06;
- 1.1.40. NEW CONTROLLING PERSON: is the winning bidder PARTICIPANT that will purchase the single lot of the SHARES;
- 1.1.41. OFFER TO EMPLOYEES: is the offer to EMPLOYEES of the SHARES IN THE OFFER TO EMPLOYEES, in accordance with the provisions set forth in the PROSPECTUS OF THE OFFER TO EMPLOYEES;
- 1.1.42. TENDER OFFER: is the tender offer of shares by transfer of controlling interest, pursuant to (i) article 254-A of Federal Law No. 6,404, dated as of December 15, 1976, as amended , and (ii) article 4, sole paragraph, item II, "a", of CESP's Articles of Incorporation, with regard to registered class B preferred stock issued CESP and owned by shareholders other than the SELLERS;
- 1.1.43. RELATED PARTY: means, with respect to a PERSON, any other PERSON that: (i) is directly or indirectly controlled by the said PERSON; (ii) directly or indirectly controls said person; (iii) is, directly or indirectly, controlled by any PERSON directly or indirectly controlling said PERSON; it being established that the concept of control, whenever used herein, is that provided in article 116 of Federal Law No. 6,404, dated as of December 15, 1976, as amended;
- 1.1.44. PARTICIPANT: (i) is the PERSON interested in participating in the AUCTION, subject to the provisions in item 4.3.2 , and (ii) after the PRE-IDENTIFICATION, it is the PERSON or CONSORTIUM, whose members have been pre-identified, and that has given PARTICIPATION GUARANTEE pursuant to item 3.5 hereof;

- 1.1.45. PERSON: means any natural person, legal entity, or investment fund, condominium, securities portfolio or other form of organization, resident or with its principal place of business located in Brazil or abroad;
- 1.1.46. GRANTING ENTITY: is the Union, using its authority conferred upon it by article 21, item XII, "b", of the Federal Constitution, represented by the Ministry of Mines and Energy;
- 1.1.47. ADDITIONAL PRICE WITH RESPECT TO SHARES PURCHASED AT AUCTION: is the amount due by the NEW CONTROLLING PERSON, in addition to the FINAL PRICE AT AUCTION, calculated in order to compensate for the discount set for the SHARES IN THE OFFER TO EMPLOYEES at a discount, duly adjusted by the variation of the SELIC RATE between the date of the PUBLIC AUCTION SESSION and the date of (i) publication, by ANEEL, of the consent to the transfer of CESP's control; or (ii) publication, by CADE, a res judicata certificate of the decision approving the transaction transferring CESP's control, without restrictions, whichever occurs last, pursuant item 2.3 herein;
- 1.1.48. FINAL PRICE AT AUCTION: is the final bid amount per SHARE, offered by PARTICIPANT that wins at AUCTION;
- 1.1.49. MINIMUM PRICE AT AUCTION: is the minimum sale price per SHARE at AUCTION, recommended by the PED DIRECTING COUNCIL and approved by the Governor of the State of São Paulo, pursuant to item 2.2.2 hereof;
- 1.1.50. PRICE OF LEFTOVERS OF THE OFFER TO EMPLOYEES AT A DISCOUNT: is the value relative to the number of SHARES OF THE OFFER TO EMPLOYEES at a discount purchased under the OFFER TO EMPLOYEES, and which will be mandatorily acquired by the NEW CONTROLLING PERSON at the price of R\$ 8.40 (eight Brazilian Reals and forty cents) per share, duly adjusted according to the SELIC RATE variation between the PUBLIC AUCTION SESSION and the date of AUCTION SETTLEMENT, since the discount value will be paid at the time

of the payment of the ADDITIONAL PRICE WITH RESPECT TO SHARES ACQUIRED AT AUCTION;

- 1.1.51. PRICE OF LEFTOVERS FROM OFFER TO EMPLOYEES NOT AT DISCOUNT: is value relative value to the number of SHARES OF THE OFFER TO EMPLOYEES not at discount and not purchased under the OFFER TO EMPLOYEES, and which will be mandatorily purchased by the NEW CONTROLLING PERSON, for the MINIMUM PRICE AT AUCTION, that is, R\$ 16.80 (sixteen Brazilian Reals and sixty cents) per share, duly adjusted according to the variation of the SELIC RATE between the date of the PUBLIC AUCTION SESSION and the date of AUCTION SETTLEMENT;
- 1.1.52. PRE-IDENTIFICATION: is the process for prior identification, as defined in item 3.3 hereof, to which the participation of any PARTICIPANT in the AUCTION is conditioned;
- 1.1.53. PROCESS: is the process of sale of the SHARES that began with the publication of the LAW and ends with the announcement of official closure made by the PED DIRECTING COUNCIL, which will occur only after the settlement of the TENDER OFFER;
- 1.1.54. PROSPECTUS OF THE OFFER TO EMPLOYEES: is the document detailing the conditions and operational procedures of the OFFER TO EMPLOYEES to be made available according to the SCHEDULE;
- 1.1.55. ACCREDITED REPRESENTATIVES: Individuals authorized to represent the PARTICIPANTES in all documents and acts related to the AUCTION;
- 1.1.56. SABESP: is Companhia de Saneamento Básico do Estado de São Paulo, corporation with its principal place of business in the Capital do Estado de São Paulo, at Av. do Estado, No. 561, Edifício I, enrolled with CNPJ/MF under No. 43.776.517/0001-80;

- 1.1.57. DATA ROOM: is the virtual environment where documents, data, reports, access to the systems and any other type of information about CESP relative to the current process will be available, which can be accessed by the interested parties registered that meet the requirements in the DUE DILIGENCE PROCEDURES MANUAL;
- 1.1.58. OFFICE: is the State Office of Finance, that, representing the STATE, is responsible for the publication of the BID NOTICE and for the coordination of the PROCESS;
- 1.1.59. PUBLIC AUCTION SESSION: Session for the classification of the PARTICIPANTS' written and live-verbal proposals for the AUCTION, to take place on the date indicated in the SCHEDULE, at B3, whose procedures are detailed herein and in the INSTRUCTIONS MANUAL;
- 1.1.60. CONSULTANT'S SERVICES: are the services that include, besides the economic and financial evaluation, modeling and execution of sale of SHARES and other services necessary for the execution of the PROCESS, in accordance with the Notice of E-Procurement NC No. 45/2016 (case No. 12091-959115/2016 SF);
- 1.1.61. SPECIAL PURPOSE ENTITY or SPE: is the legal entity organized in accordance with Brazilian laws, as a corporation, with principal place of business located in Brazil, owned or organized exclusively by the winning bidder PARTICIPANT at AUCTION that, for the purposes execution of the STOCK PURCHASE AGREEMENT and the AMENDMENT to the CONCESSION AGREEMENT pursuant to item 3.6.2 hereof, and that will, for all purposes, be deemed the successor of such PARTICIPANT; and
- 1.1.62. SELIC RATE: is the adjusted average rate of daily financing in the integrated System for Settlement and Custody (SELIC) for federal bonds, as defined in the

Central Bank of Brazil Circulars Nos. 2,868, dated as of March 4, 1999, and 2,900, dated as of June 24, 1999.

1.2 information about CESP

1.2.1 Organization and Brief History

CESP was organized on December 5, 1966, as Centrais Elétricas de Sao Paulo from the consolidation of 11 (eleven) electric power companies. The goal was to centralize the planning and rationalization of resources of the State of São Paulo in the energy sector.

On October 27, 1977, CESP's corporate name changed to Companhia Energética de São Paulo. The goal was to expand the company's operations, making room for the development of other activities besides the traditional public services concerning energy.

The Government of the State of São Paulo State, from 1996 on, carried out the privatization process of the power sector of the State, regulated by the LAW, under the coordination of the Directing Council of the Destatization State Program - PED, and CESP was included in this program.

In November 1997, common stock of Companhia Paulista de Força e Luz (CPFL), controlled by CESP since 1975, were sold.

On June 1, 1998, Elektro - Eletricidade e Servilios, wholly-owned subsidiary of CESP, was created. The privatization of Elektro occurred on July 16, 1998, with the sale of the common stock at auction at B3.

On March 31, 1999, CESP underwent a partial spin-off, resulting in three generation companies (among them CESP itself) and one electric power transmission company.

Out of the generation companies arising from CESP's spin-off, two were privatized in the 90's: Companhia de Geração de Energia Elétrica Paranapanema, whose auction at B3 occurred on July 28, 1999, and Companhia de Geração de Energia Elétrica Tietê, privatized on October 27, 1999. The power transmission company, Companhia de Transmissão de Energia Elétrica São Paulo - CTEEP, was privatized at auction at B3, on June 28, 2006. Unlike the others, CTEEP was privatized without a new concession contract being granted.

CESP's privatization process was suspended on May 15, 2001, when the Government of the State of São Paulo decided, on the recommendation of the Directing Council of the State Destatization Program, to postpone the auction for the sale of shares CESP's capital, object of Bid Notice No. SF/006/2001, which would be held on May 16, 2001 at B3, in São Paulo.

The postponement resulted from circumstances unrelated to the Government of the State's wishes, related to uncertainty as to measures to contain electricity use, which had not yet been announced by the Federal Government, as well as about the future regulation of the electricity sector, which could significantly influence the behavior of the market in general.

On July 28, 2006, CESP joined B3's Level 1 of Differentiated Corporate Governance Practices and Market Arbitration Chamber. It has also taken committed to several requirements found in higher levels of special trading segments, such as the New Market, which were incorporated into its Bylaws through the Special Meeting held on July 7, 2006.

In August 2006, there was a capital increase in the amount of R\$3.2 billion, through a public offering of stock distribution, which allowed CESP a significant capitalization.

CESP's privatization resumed in mid-2007. From a new economic and financial valuation and changes in the electrical energy sector regulations, Bid Notice No. 001/2008/SF was published on February 25, 2008, providing on the sale of equity interest in CESP, this

time under conditions different from those existing in the previous privatization attempt, to the extent that only the transfer of control of CESP is the objective, in view of the option for an extension provided for in art. 19, of Law No. 9,074/1995. There were no bidders interested in this new privatization auction, however, which led to a new suspension of CESP's privatization process.

The privatization process of the government-owned company only resumed in 2016, with the decision of Directing Council of the State Destatization Program, formalized in the minutes of the 17th Special Meeting, published on August 24, 2016, which recommended the Governor of the State of São Paulo to resume CESP's privatization process, by "*carrying out the necessary studies(...) with further analysis of the proposed modeling and minimum price*".

Indeed, the OFFICE launched the bidding process through Notice of E-Procurement NC No. 45/2016 (SF No. 12091-959115/2016), to hire the CONSULTANT'S SERVICES.

The result from the CONSULTANT'S SERVICES was subject to the PED DIRECTING COUNCIL's review during the 20th Council's Special Meeting, and CESP's privatization was approved pursuant to the terms herein.

1.2.2 Legal Nature and Principal Place of Business

CESP, government-controlled company, incorporated as an authorized-capital corporation with indefinite duration, principal place of business and venue in the State Capital of São Paulo, may open and close branches, agencies, offices or representations anywhere within the Brazilian territory, at the discretion of the Executive Board, and abroad, upon proposal of the Executive Board and resolution by the Board of Directors.

1.2.3 Capital

CESP's capital is the amount of R\$ 5,975,433,454.43 (five billion, nine hundred seventy-five millions, four hundred thirty-three thousand, four hundred fifty-four Brazilian Reals

and three cents), represented by 327,502,673 (three hundred twenty-seven million, five hundred two thousand, six hundred seventy-three) shares, 109,167,751 (one hundred nine million, one hundred sixty-seven thousand, seven hundred fifty-one) single class common shares, 7,399,122 (seven million, three hundred ninety-nine thousand, one hundred twenty-two) class A preferred shares and 210,935,800 (two hundred ten million, nine hundred thirty-five thousand, one hundred twenty-two) class B preferred shares, all registered with no par value.

1.2.4 Purpose

CESP's purpose is described in its Bylaws in the following terms:

- i. Studying, planning, designing, constructing and operating production, transformation, transportation and storage systems, distributing and marketing energy, especially electric power from using rivers and other sources, in particular renewable ones.
- ii. Studying, planning, designing, constructing and operating detention dams and other enterprises for the multiple use of water;
- iii. Participating in enterprises whose objective is generating and marketing energy, especially electrical power, as well as providing services that are directly or indirectly related to such purpose;
- iv. Studying, design, implementing plans and research and development programs about new energy sources, especially renewable ones, directly or in cooperation with other entities;
- v. Studying, preparing, implementing plans and programs for economic development in areas of interest to the Company, either directly or in cooperation with other government or private bodies, as well as providing information and assistance to the private sector or government whose purpose is to implement economic, cultural, social, and welfare activities in those regions, to perform its social purpose for the benefit of the community;

- vi. Studying, designing, implementing three forestation and reforestation, commercialization and industrialization of trees, wood and by-products arising out of these activities;
- vii. Researching, mining, exploiting and using mineral resources, especially energy sources; and
- viii. Holding equity interest in other companies, as a partner, shareholder or member of a limited-liability company.

1.3 Legal Framework

1.3.1 Basic Legislation applicable to CESP's Destatization Process

The PROCESS is governed by the provisions of Federal Law No. 6,404, dated as of December 15, 1976 (as amended), Federal Law No. 6,385, dated as of December 7, 1976, Federal Law No. 8,666, dated as of June 21, 1993, Federal Law No. 8,987, dated as of February 13, 1995, Federal Law No. 9,074, dated as of July 7, 1995, Federal Law No. 9,427 dated as of December 26, 1996, Federal Law No. 9,433, dated as of January 8, 1997, Federal Law No. 9,648, dated as of May 27, 1998, CVM Instruction No. 286, dated as of July 31, 1998, CVM Instruction No. 168, dated as of December 23, 1991, CVM Instruction No. 400, dated as of December 29, 2003, ANEEL Resolution No. 484, dated as of April 17, 2012 as well as, if applicable, complementary and supervening legislation, rules and regulations issued by the GRANTING ENTITY and by ANEEL with respect to the exploitation of public services of electric power generation, and by CVM with respect to the AUCTION and the TENDER OFFER.

1.3.2. ANEEL's consent to the transfer of control of the CESP

In accordance with article 27, of Federal Law No. 8,987, dated as of February 13, 1995, Section Twelve CESP's Concession Agreement and ANEEL Resolution No. 484, dated as of April 17, 2012, CESP's transfer of control, resulting from the AUCTION, is subject to ANEEL's prior consent and subject to the NEW CONTROLLING PERSON's complying, at ANEEL's discretion, with the requirements described in the legislation.

The NEW CONTROLLING PERSON will be responsible for any and all costs related to the process to obtain ANEEL's prior consent, and shall submit to ANEEL, according to the terms of ANEEL Resolution No. 484, dated as of April 17, 2012, all the information and required documents for the analysis of the transfer of CESP's control.

1.3.3. CADE's prior authorization of the Transaction

The NEW CONTROLLING PERSON shall comply with the provisions of Article 88, of Federal Law No. 12,529, dated as of November 30, 2011, submitting documents and information to CADE, as required by antitrust laws and CADE Resolution No. 02, dated as of May, 29 2012, within 3 (three) business days as from the PUBLIC AUCTION SESSION.

The NEW CONTROLLING PERSON will be responsible for any and all costs related to the process with CADE, especially the fee provided for in art. 23 of Law No. 12,529, dated as of November 30,2011.

1.3.4. Exemption from Registration with CVM

Pursuant to article 5, item I of CVM Instruction No. 400, dated as of December 23, 2003, the sales of SHARES, per provisions of Article 3, of CVM Instruction No. 286, dated as of July 31, 1998, the application for registration of a public offering of distribution is automatically not required.

1.3.5. TENDER OFFER

The NEW CONTROLLING PERSON shall make TENDER OFFER, (i) per Federal Law No. 6,404, as of December 15, 1976, as amended, CVM Instruction No. 361, dated as of March 5, 2002, for the voting stock owned by CESP's other shareholders, including the SHARES OF THE OFFER TO EMPLOYEES for a price equivalent to at least 80% (eighty percent) of the FINAL PRICE AT AUCTION per share, duly adjusted, plus ADDITIONAL PRICE WITH RESPECT TO SHARES PURCHASED AT AUCTION, duly updated, divided by the

number of SHARES, and (ii) per article 4, sole paragraph, item II, "a", of CESP's bylaws, class B registered preferred shares of the other CESP's shareholders, for price equivalent to 100% (one hundred percent) of the FINAL PRICE AT AUCTION plus ADDITIONAL PRICE WITH RESPECT TO SHARES PURCHASED AT AUCTION, duly updated, divided by the number of SHARES.

The NEW CONTROLLING PERSON shall notify the STATE of the settlement of the TENDER OFFER.

1.4. PROCESS

1.4.1. Beginning of the PROCESS

The PROCESS began with the publication of the LAW, which authorized the STATE to sell shares in CESP's capital stock in any manner authorized by law.

1.4.2. Engagement of CONSULTANTS

In compliance with the requirement in paragraph 1, article 7 of the LAW, the OFFICE engaged the CONSULTANT to implement the CONSULTANT'S SERVICES, defined in Notice of E-Procurement NC No. 45/2016, whose bid process was conducted in accordance with Federal Law No. 10,520, dated as of July 17, 2002.

1.4.3. Summary of Price Evaluations and Justifications

CESP's economic and financial valuation was prepared by the CONSULTANT in accordance with the provisions in the Notice of E-Procurement NC No. 45/2016, based on the present value of the discounted cash flow and comparative analysis. The projections used should not be taken as a guarantee of CESP's revenue.

The economic and financial valuation was based on the discounted cash flow methodology, which considered:

- a) net current value of operating free cash flow to shareholders derived from operating activities until the end of the concession agreements, supported by detailed study of discount rate used and possible residual value obtained at the end of the concession agreements;
- b) identification of critical variables and sensitivity analysis, in particular, of the disputes, as plaintiff or defendant, with the Federal Government regarding the compensation for investments made;
- c) evaluation of the operational costs of the valuated company, the levels and quality of services provided and the evolution of its revenue;
- d) assessment of corporate positioning evaluated in the markets in which it operates, including the perspectives of these markets for the coming years and profitability projections of their activities.

In addition to discounted cash flow assessment, a comparative study of the values obtained in economic and financial valuation with the values obtained in other similar assets for sale operations nationally and internationally (multiple analysis) was conducted.

After analysis of the evaluations carried out by the CONSULTANT, the PED DIRECTING COUNCIL, based on authority granted by the LAW, decided in a meeting held on August 2, 2017, recommended the minimum selling price of the SHARES be R\$ 16.80 (sixteen Brazilian Reals and eighty cents), having this amount been approved by the Governor of São Paulo.

1.4.3. Information Process

1.4.3. I. Information regarding the PROCESS will be published through this BID NOTICE, the INSTRUCTIONS MANUAL, the DUE DILIGENCE PROCEDURES MANUAL and the PROSPECTUS OF THE OFFER TO EMPLOYEES;

1.4.3.II. INFORMATION: documents relating to CESP are available to the interested parties in the DATA ROOM, and may be reviewed, provided the criteria and procedures set out in the DUE DILIGENCE PROCEDURES MANUAL are complied with;

1.4.3.III. Access: only interested parties accredited for access to the DATA ROOM, in accordance with the criteria set out in the DUE DILIGENCE PROCEDURES MANUAL, may receive information, participate in explanatory meetings and technical visits to CESP. Access will not enable the interested parties to participate in the AUCTION;

1.4.3.IV. ADDITIONAL INFORMATION and CLARIFICATION: clarification regarding the BID NOTICE should be requested from the OFFICE by e-mail, per item 7.2.2 hereof, and said request should be received until the applicable deadline set forth in the SCHEDULE. The answers will be provided as described in item 7.2.2 hereof. Additional information conveyed in writing by the OFFICE, on the PROCESS's website (www.vendacesp.com.br), will be considered integral parts of the BID NOTICE; and

1.4.3. V. ADDITIONAL INFORMATION: Additional information officially disclosed on the PROCESS's website (www.vendacesp.com.br) will be considered integral parts of the PROCESS.

1.4.4. Sales Phases

1.4.4. AUCTION: the SHARES will be put up for sale through special auction at B3. The terms and conditions of the AUCTION are described herein and in the INSTRUCTIONS MANUAL; and

1.4.4.II. OFFER TO EMPLOYEES: the SHARES OF THE OFFER TO EMPLOYEES will be offered to the EMPLOYEES who qualify under the terms of the PROSPECTUS OF THE OFFER TO EMPLOYEES. The terms and conditions of the OFFER TO EMPLOYEES will be detailed in the PROSPECTUS OF THE OFFER TO EMPLOYEES.

The phases mentioned in items I and II above are two different ones, and the OFFER TO EMPLOYEES is conditioned to the AUCTION SETTLEMENT.

1.4.5. Announcement of Conclusion of the PROCESS

The PROCESS will be concluded by announcement to be released by PED DIRECTING COUNCIL after the settlement of the payment for the TENDER OFFER, by the NEW CONTROLLING PERSON.

Chapter 2 - Purpose, Offer Structure, Price and Sale Conditions

2.1. Purpose of the BID NOTICE

The purpose of the BID NOTICE is to sell the SHARES owned by the SELLERS, which will be done in one single lot at AUCTION.

2.2. AUCTION

2.2.1. Object of the AUCTION

The SHARES will be put up for sale at AUCTION in one single lot. Third-party interference in the AUCTION will not be permitted, based on the provisions of article 2, paragraph 3, of CVM Instruction No. 168, dated as of December 23, 1991. The AUCTION will take place at B3 on the date provided for in the SCHEDULE, per item 7.4 herein.

2.2.2. MINIMUM PRICE AT AUCTION

2.2.2.1. The MINIMUM PRICE AT AUCTION, for the single lot of SHARES, is R\$ 16.80 (sixteen Brazilian Reals and eighty cents) per SHARE.

2.2.2.2. Proposals with bids below the MINIMUM PRICE AT AUCTION will be disqualified.

2.2.2.3. Roundoffs. All amounts related to the AUCTION will be considered up to two decimal places. If, after any of the rules provided herein, such as, but not limited to, correction and adjustment, the results are amounts with more than two decimal places, the amounts will be rounded off as follows:

- a) The numbers after the second decimal place that are equal to or lower than 4 (four) will be rounded to the number immediately before; and
- b) The numbers after the second decimal place that are equal to or higher than 5 (five) will be rounded to the next immediate number.

2.2.3. AUCTION SETTLEMENT and update of the FINAL PRICE AT AUCTION

2.2.3.1 The AUCTION SETTLEMENT, as set forth in item 2.2.3.2 below, must be made on the fifth business day following (i) the publication, by ANEEL, of the consent to CESP's transfer of control to the NEW CONTROLLING PERSON; or (ii) the publication, by CADE, of a res judicata certificate of the decision approving the transaction transferring CESP's control, without restrictions, whichever occurs last.

2.2.3.2. Payment must be made in cash, in national currency, duly adjusted by SELIC RATE variation between the date of the PUBLIC AUCTION SESSION and the date of (i) the publication, by ANEEL, of the consent to CESP's transfer of control to the NEW CONTROLLING PERSON; or (ii) the publication, by CADE, of a res judicata certificate of the decision approving the transaction transferring CESP's control, without restrictions, whichever occurs last.

2.2.3.3. The OFFICE shall inform B3 of the duly adjusted FINAL PRICE AT AUCTION, according to the previous paragraph, and the total financial amount that must be presented with two decimal places.

2.2.3.4. The PARTICIPANTS represent being fully aware of "*Section 1.4 - Price Adjustment by Increase in Assets*" of the STOCK PURCHASE AGREEMENT.

2.2.3.5. B3 will carry out the operational side of the AUCTION SETTLEMENT as described in the INSTRUCTION MANUAL.

2.2.3.6. For the AUCTION SETTLEMENT operational side to be carried out by B3, the SELLERS shall have deposited the SHARES in B3's Depository Central.

2.2.3.7. If it is a CONSORTIUM, the AUCTION SETTLEMENT will be made in the name of the companies in the consortium, proportionally to each company's shares in the CONSORTIUM, or by one single company participating in the Auction, provided the payment(s) made correspond(s) to the total AUCTION SETTLEMENT. In the event of non-payment due, in whole or in part, to a default of a single member of the CONSORTIUM or all of them, the AUCTION SETTLEMENT will not be performed and the CONSORTIUM will be disqualified and the PARTICIPATION GUARANTEE will be executed by the STATE.

2.3. ADDITIONAL PRICE WITH RESPECT TO SHARES PURCHASED AT AUCTION

2.3.1. Beside the FINAL PRICE AT AUCTION, the NEW CONTROLLING PERSON will be required to pay at the AUCTION SETTLEMENT, the additional amount of R\$ 5,791,968.00 (five million, seven hundred ninety-one thousand, nine hundred and sixty-eight Brazilian Reals), to set off the SHARES OF THE OFFER TO EMPLOYEES at discount.

2.3.2. The ADDITIONAL PRICE WITH RESPECT TO SHARES PURCHASED AT AUCTION will be duly adjusted by the SELIC RATE variation according to item 2.2.3.2 above.

2.3.3. The OFFICE shall inform B3 of the duly adjusted FINAL PRICE AT AUCTION, according to the previous paragraph, and the total financial amount that will be presented with two decimal places.

2.4. OFFER TO EMPLOYEES

2.4.1. Object

2.4.1.1. The SHARES OF THE OFFER TO EMPLOYEES will be offered to the EMPLOYEES, through preferred offer, as follows: 689,520 (six hundred and eighty-nine thousand, five hundred and twenty) SHARES OF THE OFFER TO EMPLOYEES offered at a discount, priced at R\$ 8.40 (eight Brazilian Reals and forty cents) per share, and 15,686,112 (fifteen million, six hundred and eighty-six thousand, one hundred and twelve) SHARES OF THE OFFER TO EMPLOYEES offered at no discount, priced at R\$ 16.80 (sixteen Brazilian Reals and eighty cents) per share. The fact that there are provisions regarding the OFFER TO EMPLOYEES in this BID NOTICE does not represent any guarantee of a right to purchase the SHARES OF THE OFFER TO EMPLOYEES, since the OFFER TO EMPLOYEES is subject to the AUCTION SETTLEMENT.

2.4.2. PROSPECTUS OF OFFER TO EMPLOYEES

2.4.2.1. The detailed conditions and operational procedures of the OFFER TO EMPLOYEES are in the PROSPECTUS OF THE OFFER TO EMPLOYEES, to be made available on the process's website, according to the SCHEDULE.

2.4.3. Allocation of the leftovers

2.4.3.1. The SHARES OF THE OFFER TO EMPLOYEES not purchased under the OFFER TO EMPLOYEES will be compulsorily purchased by the NEW CONTROLLING PERSON for the PRICE OF LEFTOVERS OF THE OFFER TO EMPLOYEES AT A DISCOUNT in the event the leftovers relate to the lot of SHARES IN THE OFFER TO EMPLOYEES offered at a discount

or for the PRICE OF LEFTOVERS OF THE OFFER TO EMPLOYEES AT NO DISCOUNT in the event the leftovers related to the lot of SHARES OF THE OFFER TO EMPLOYEES offered at no discount.

2.4.3.2. The amount will be paid in full to the STATE, in cash, in national currency, and the financial amount of the share will be presented with two decimal places.

2.4.3.3. The payment will be made by the third (3rd) business day after the communication by the OFFICE, to the NEW CONTROLLING PERSON presenting the adjusted amount of the PRICE OF LEFTOVERS OF THE OFFER TO EMPLOYEES AT A DISCOUNT and the PRICE OF LEFTOVERS FROM OFFER TO EMPLOYEES NOT AT DISCOUNT.

2.4.4. Putting forward the OFFER TO EMPLOYEES and Settlement of the OFFER TO EMPLOYEES

2.4.4.1. The completion of the OFFER TO EMPLOYEES, including its financial settlement, is subject to the occurrence or performance of the events described below:

(a) AUCTION SETTLEMENT and payment of the ADDITIONAL PRICE WITH RESPECT TO SHARES PURCHASED AT AUCTION;

(b) execution of the STOCK PURCHASE AGREEMENT; and

(c) the execution, by the NEW CONTROLLING PERSON, of the Term of Consent required by Section 3.1, (iii), of the Agreement for the Adoption of B3's Level 1 Differentiated Corporate Governance Practices entered into by CESP on July 28, 2006, which is a part hereof, as ANNEX VII;

2.4.5. Deadlines

2.4.5.1. The OFFER TO EMPLOYEES will start on the date provided in the SCHEDULE, except if, at the STATE's sole discretion, the OFFER TO EMPLOYEES is extended. The dates for the subsequent events are listed on the SCHEDULE.

2.5. STOCK PURCHASE AGREEMENT

2.5.1. On the date set in the SCHEDULE, the STOCK PURCHASE AGREEMENT must be entered into between the SELLERS and the NEW CONTROLLING PERSON, according to the draft in ANNEX I hereof.

In the event the NEW CONTROLLING PERSON is a CONSORTIUM or SPECIAL PURPOSE ENTITY, in the case provided in item 3.6 below, the STOCK PURCHASE AGREEMENT must also be entered into between its members, partners and/or shareholders, who will be jointly and severally liable with the CONSORTIUM or SPE and among themselves for the compliance with the obligations set forth therein.

2.6. AMENDMENT TO THE CONCESSION AGREEMENT

2.6.1. After payment of the FINAL PRICE AT AUCTION and the ADDITIONAL PRICE WITH RESPECT TO SHARES PURCHASED AT AUCTION, in accordance with this BID NOTICE, the AMENDMENT TO THE CONCESSION AGREEMENT must be executed on a date to be set by the GRANTING ENTITY or by ANEEL.

2.7. Independence of Phases

The AUCTION and the OFFER TO EMPLOYEES are two distinct steps of the PROCESS, and should be deemed independent from each other for all legal purposes, except solely for the purposes of item 2.4.4. The OFFER TO EMPLOYEES is conditioned to the AUCTION SETTLEMENT.

2.8. STATE's Interest in Jaguari HPP

Considering the hydrological importance of Jaguari HPP, the STATE states it intends to request the GRANTING ENTITY for an authorization be granted to the STATE itself, directly or indirectly, to exploit Jaguari HPP, after the end of the current concession of said hydropower plant.

Chapter 3 - General AUCTION Procedures

The PUBLIC AUCTION SESSION will be conducted by B3 at Rua XV de Novembro No. 275, City and State of São Paulo, on the date set in the SCHEDULE.

The general AUCTION procedures and representation rules are further detailed in the INSTRUCTIONS MANUAL.

3.1. Representation in the AUCTION

3.1.1. ACCREDITED PARTICIPANTS

Each PARTICIPANT itself, or as part of a CONSORTIUM, may have up to two (2) ACCREDITED REPRESENTATIVES. Each ACCREDITED REPRESENTATIVE may represent one single PARTICIPANT, be it a sole PARTICIPANT or as part of a CONSORTIUM.

3.1.2. ACCREDITED BROKERAGE FIRMS.

The PARTICIPANTS, in the PROCESS, at B3, will be represented by ACCREDITED BROKERAGE FIRMS, authorized to operate at B3, according to the INSTRUCTIONS MANUAL.

3.2. Restrictions to PARTICIPANTS

3.2.1. Restrictions to the Participation of Social Security Entities

Social security or welfare entities and supplementary retirement pension funds related to the direct or indirect public administration shall be subject to the restrictions and the limits set forth in the applicable legislation, as well as to any other rules issued by competent bodies. The other private retirement pension entities must also comply with the legislation and rules issued by such agencies, applicable to the purchase of the SHARES object of this BID NOTICE.

3.2.2. Restrictions to the participation of State Government-owned Companies

Pursuant to article 24, § 2 of the LAW, any and all State Government-owned company, except for those owned by the STATE, will be not permitted to be pre-identified, neither (i) directly, as a PARTICIPANT; nor (ii) indirectly, as shareholder singly holding the majority of the direct or indirect voting capital of a PARTICIPANT.

3.2.3. Restrictions to the Participation of Energy Distribution Companies

Energy distribution companies may not be directly or indirectly pre-identified as PARTICIPANTS, pursuant to Federal Law 10,848, as of March 15, 2004. Said restriction is not applicable to controllers of energy distribution companies.

3.2.4. Restriction to the Participation of Companies that are Insolvent, Disreputable or Barred from Contracting with the STATE

The PERSON (i) under judicial or extrajudicial recovery, bankruptcy, insolvency, intervention or liquidation, or (ii) which has been declared disreputable by the government at any level, or (iii) that is temporarily suspended from participating in bidding processes and/or barred from contracting with the STATE may not pre-identify as a PARTICIPANT.

3.2.5. Restriction to Participation by more than one PARTICIPANT

The PERSON that is RELATED PARTY of another PARTICIPANT will not be permitted to participate in the AUCTION.

3.3. PRE-IDENTIFICATION

To participate in the AUCTION, PRE-IDENTIFICATION of the PARTICIPANTS is mandatory, according to the terms herein. PRE-IDENTIFICATION consists of presenting the documents listed in this item 3.3, in ANNEX V herein and in the INSTRUCTIONS MANUAL, with the purpose of previously identifying the PARTICIPANTS and verifying the technical and financial capability and good legal and fiscal standing of the PARTICIPANTS, required by ANELL for the transparency of the transfer of CESP's control to the NEW CONTROLLING PERSON.

The representations presented at PRE-IDENTIFICATION must follow the templates in the ANNEXES hereof and the INSTRUCTIONS MANUAL. Participation in the AUCTION through a CONSORTIUM will be subject to the provisions in item 3.6. Each member of the CONSORTIUM that wishes to participate in the AUCTION, per item 3.6, will be subject to PRE-IDENTIFICATION, under this item 3.3

In the event any of the documents listed in this item 3.3 do not apply to the specific case of the PARTICIPANT, it should provide justification, and a Template of Declaration of No Equivalent Foreign Document, per ANNEX IX.

3.3.1. ACCREDITED REPRESENTATIVE's Documents:

The granting of representation powers to the ACCREDITED REPRESENTATIVES will follow the procedures below:

3.3.1.1. In case of Brazilian PARTICIPANTS, of branches of foreign legal entities authorized to operate in Brazil, through a public power of attorney that shows the powers to perform,, on behalf of the PARTICIPANT, all acts relating to the PROCESS (including powers to represent the PARTICIPANT in the administrative level, reach settlements, waive rights, such as right to appeal), with a notarized signature and accompanied by the documents proving the powers of the grantor(s) (such as last amendment to bylaws filed with the Registry of Commerce of competent civil registry);

3.3.1.2. In the case of a foreign PARTICIPANT that does not operate in Brazil, upon presentation of:

- power of attorney granted to a representative resident or with its principal place of business in Brazil, with notarized signature(s) or with signature(s) certified by other entity per the legislation applicable to the documents, legalized by the Brazilian consular office or apostilled according to the terms of the Convention Abolishing the Requirement of Legalization for Foreign Public Documents, concluded in Hague on October 5, 1961 and Federal Decree 8,660, dated as of January 29, 2016, in any case, the document must be accompanied by its certified translation into Portuguese, prepared by a sworn translator registered with any of the Registries of Commerce in Brazil, and recorded with a Registry of Deeds and Documents, wherein there are powers sufficient to:

(i) practice, on PARTICIPANT's behalf, all acts related to the AUCTION;

(ii) receive service of process and represent the PARTICIPANT in administrative and judicial courts, pursuant to art. 32, paragraph 4, of Law No. 8,666/93; and

(iii) reach settlements and waive rights;

- documents that show the powers of the grantors, legalized by the Brazilian consular office or apostilled according to the terms of the Convention Abolishing the Requirement of Legalization for Foreign Public Documents, concluded in Hague on October 5, 1961 and Federal Decree 8,660, dated as of January 29, 2016, in any case, the document must be accompanied by its certified translation into Portuguese, prepared by a sworn translator registered with any of the Registries of Commerce in Brazil (pursuant to last amendment to articles of organization filed with a legal entity, civil or similar requirement in the country of origin).

3.3.1.3. In the case of a CONSORTIUM, the signatures of all signing must be notarized. The powers of the parties in the Consortium organization must be proven by presenting the respective corporate documents of each of the parties to the Consortium. Other requirements regarding the participation via CONSORTIUM are described in item 3.6 herein.

3.3.1.4. ACCREDITED BROKERAGE FIRM's Documents, according to the INSTRUCTIONS MANUAL.

3.3.2. Classification of PARTICIPANTS

The PARTICIPANTS will be classified, for purposes of PRE-IDENTIFICATION, as follows:

- I. Nationals: (a) individuals defined in Article 12 of the Federal Constitution; and (b) legal persons organized under Brazilian law, with principal place of business and administration in Brazil;
- II. Foreigners: those that do not fall under the definitions set forth in in items (a) and (b) of item (I) above; and
- III. Investment funds: will be classified as nationals or foreigners.

3.3.2.1. The foreign PARTICIPANT, that participates alone or in a CONSORTIUM, shall also submit, along the documents required herein, a statement according to which, by participating in this Auction, it will comply with the laws of the Federative Republic of Brazil and that it waives the right to make any claim via diplomatic channels, pursuant template in ANNEX XI.

3.3.3. PRE-IDENTIFICATION Documents

For the PRE-IDENTIFICATION, in addition to the documents listed in ANNEX V and in the INSTRUCTIONS MANUAL, the documents in item 3.3 herein will also be required, as the case may be:

I. Provision Applicable to all PARTICIPANTS:

I.1. Representations:

a. Representation to the fact that it does not participate in the AUCTION through another PARTICIPANT, neither directly or by means of RELATED PARTY (see template in ANNEX XII);

b. Representation to the fact that the PARTICIPANT is not prevented from participating in the AUCTION according to item 3.2 (see template in ANNEX X);

c. Representation that it complies with the provisions of article 7, item XXXIII of the Federal Constitution (see template in ANNEX XIII);

d. Representation to the fact that all sector charges provided in Federal Laws Nos. 8,631, dated as of April 4, 1993, and 9,427, dated as of December 26, 1996, have been paid, if the PARTICIPANT is a concessionaire or licensee of electric power public service (see template in ANNEX XIV); and

f. Declaration of acceptance of the terms and conditions of the BID NOTICE, the INSTRUCTIONS MANUAL and other documents related to the PROCESS (see template in ANNEX X).

I.2. Organizational Chart:

a. Organization chart of the economic group of which the PARTICIPANT is a part.

I.3. Miscellaneous:

I.3.a. All documents must be signed by the PARTICIPANTS' legal representatives with authority to do so;

I.3.b. Closed pension funds and other similar legal entities, that are not required to pay federal, state and local taxes, should submit a document containing representation of such situation or, when applicable, show proof by adequate document; and

I.3.c. All documents (except those presented as guarantee to B3) produced by the PARTICIPANTS and which have been prepared abroad shall be notarized and consularized and, if in another language, translated into Portuguese by a public sworn translator in Brazil.

I.3.d. The companies or foreign entities that do not operate in Brazil shall meet, as much as possible, the PRE-IDENTIFICATION conditions by presenting equivalent documents, authenticated by their respective consulates and translated by a sworn translator, and must have legal representation in Brazil, with express authority to receive service of process and represent them in administrative and judicial proceedings.

i. Foreign companies from signatory States of the Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents, enacted in Brazil through Federal Decree No. 8,660/2016, may replace the need for authentication by the respective consulate, referred to in items I.3.c and I.3.d. above, by placing the apostille referred to with in articles 3 and 4 of the Convention. The documents and the respective apostille must be translated by a sworn certified translator.

a. The PRE-IDENTIFICATION documents equivalent to those requested in this BID NOTICE must be submitted in order to permit clear identification of its validity, enforceability

and effectiveness, and the PARTICIPANT shall indicate to which item of the BID NOTICE the document is equivalent.

- b. In the event of the absence of documents equivalent to those requested in this BID NOTICE, the PARTICIPANT shall submit a statement informing of such absence, according to the template in ANNEX IX.

II. National Individual:

- a. Identity card; and
- b. Proof of Enrollment with the Individual Taxpayer Register (CPF) of the Ministry of Finance.

III. National Legal Entity and National Branch of Foreign Company:

- a. Copy of the authorization decree, in case of foreign business or company operating in Brazil, and registration documents or authorization to operate issued by the competent agency, if their activity so requires.

III. Foreign Individual:

- a. Identity card; and
- b. Power of Attorney to individual, pursuant to terms in item 3.3.1 above.

IV. Foreign Legal Entity:

- a. Power of Attorney to individual, pursuant to terms in item 3.1 above.

V. National Investment Funds:

a. Copies of the fund's bylaws and its registration with CVM, and documents electing current administration, its manager and administrator; and

b. Proof of registration of the Fund or Its Administrator in the National Register of Corporate Taxpayers (CNPJ).

VI. Foreign Investment Funds:

a. When applicable, copies of the fund's bylaws and its registration with the competent agency, and documents electing current administration, its manager and administrator;

b. Power of Attorney to individual, pursuant to terms in item 3.3.1 above; and

c. Registration of the investment fund with CVM.

3.3.4. Submission and Examination of the Documents

The documents required in this item 3.3. shall be numbered sequentially, initialed and presented to the STATE, at B3's premises, in two counterparts by the PARTICIPANTS on the date set in the SCHEDULE and, when applicable, as prescribed in the ANNEXES hereof and the INSTRUCTIONS MANUAL. The documents will be analyzed by the STATE, with B3's assistance. The STATE shall decide, on the PARTICIPANT(S)'(S) PRE-IDENTIFICATION.

Only the PARTICIPANTS whose PRE-IDENTIFICATION has been approved by the STATE as described herein will be able to participate in the AUCTION.

3.3.5. Announcement of the Results of the PRE-IDENTIFICATION and REQUESTS FOR RECONSIDERATION

On the date indicated in the SCHEDULE, the list of PARTICIPANTS that meet the PRE-IDENTIFICATION requirements will be made public in a statement published by the STATE on the PROCESS's website. Those that fail to obtain PRE-IDENTIFICATION may, upon written request addressed to and filed with the STATE on date set in the SCHEDULE, request that the STATE's decision be reconsidered ("REQUEST for RECONSIDERATION"). In the event REQUESTS FOR RECONSIDERATION are submitted by any interested party, the parties that have been pre-identified will be given the right to manifest themselves with respect to such requests, within the time limits set forth in the SCHEDULE. In this case, the STATE shall reschedule the PUBLIC SESSION, and make available a new updated SCHEDULE, so that all interested parties may manifest themselves. The REQUESTS FOR RECONSIDERATION will be analyzed by the STATE and the result will be disclosed on the date indicated in the SCHEDULE by electronic means, and by publication in the State Gazette.

3.4. B3's Fees

The following fees will be payable to B3, in national currency:

During the AUCTION SETTLEMENT, B3 will retain the amount corresponding to its fees.

B3's fees are made up of the following amounts:

- R\$1,765,940.48 (one million, seven hundred and sixty-five thousand, nine hundred forty Brazilian Reals and forty-eight cents); and
- Asset Distribution Fee corresponding to 0.035% of the AUCTION SETTLEMENT regarding the FINAL PRICE AT AUCTION and the ADDITIONAL PRICE WITH RESPECT TO THE SHARES PURCHASED AT AUCTION.

B3 will issue statement confirming receipt of its compensations and will send it to the STATE.

The effective sale of the SHARES is conditioned upon B3's compensation, so that the PARTICIPATION GUARANTEE may be enforced on for the purposes of compliance with this obligation.

The amounts will be adjusted for inflation if the payment is effect on a date that is later than a year after the BID NOTICE date of publication.

The adjustment will be calculated based on positive variation assessed between the last index published prior to the date of publication of the BID NOTICE and that published immediately prior to the date of the AUCTION SETTLEMENT, by the National Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo – IPCA*), published by the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística – IBGE*) or if IPCA is not available, by the adjustment index that replaces it.

The NEW CONTROLLING PERSON shall pay the fees to B3 and settlement fee to CBLC through the brokerage firm that represents it at the AUCTION, on the date of the financial settlement of the FINAL PRICE AT AUCTION, adjusted as provided herein.

3.5. PARTICIPATION GUARANTEE

3.5.1. Presenting PARTICIPATION GUARANTEE

Until the date indicated in the SCHEDULE, each PARTICIPANT shall present to the STATE, at B3's premises, through their respective ACCREDITED BROKERAGE FIRM, a PARTICIPATION GUARANTEE, pursuant the INSTRUCTIONS MANUAL, in the amount of R\$ 19,621,569.58 (nineteen million, six hundred twenty-one thousand, five hundred sixty-nine Brazilian Reals and fifty-eight cents), equivalent to 1% (one percent) of the MINIMUM PRICE AT AUCTION, multiplied by the number of SHARES, added to the ADDITIONAL PRICE WITH RESPECT TO THE SHARES PURCHASED AT AUCTION; valid for at least 180 (one hundred and eighty) days, subject to extension at the discretion of the STATE, for as many times as necessary, subject to the provisions of item 3.5.3 below. If the PARTICIPATION GUARANTEE is not renewed as prescribed herein, the

PARTICIPATION GUARANTEE in force will be foreclosed one, per the provisions of Chapter 6 hereof, in what they are applicable. The PARTICIPATION GUARANTEE must be given by the Participants according to the SCHEDULE.

For a PARTICIPANT organized as a CONSORTIUM, the PARTICIPATION GUARANTEE shall be presented by each of the CONSORTIUM's members or by its leader, as properly identified.

The detailed information and procedures for the allocation of the guarantee are detailed in the INSTRUCTIONS MANUAL.

3.5.2. Disclosure of the List of PARTICIPANTS that have submitted PARTICIPATION GUARANTEE.

On the date indicated in the SCHEDULE, the list of PARTICIPANTS that have given PARTICIPATION GUARANTEE, as prescribed in this item 3.5 will be published by the STATE on the PROCESS's website.

3.5.3. Release and/or replacement of PARTICIPATION GUARANTEE

The PARTICIPATION GUARANTEE, given in accordance to item 3.5.1, will be returned to the PARTICIPANTS that did not win the AUCTION after the financial settlement of the FINAL AUCTION PRICE.

To PARTICIPATION GUARANTEE of the winner of the AUCTION will only be released after the financial settlement of the leftovers of the OFFER TO EMPLOYEES by the NEW CONTROLLING PERSON, within the time limit set forth in the SCHEDULE.

The winner of the AUCTION must keep the PARTICIPATION GUARANTEE valid and effective until the obligation referred to in the above paragraph is performed, assuming the obligation to, if necessary, renew it with B3 as many times as necessary to that end,

under penalty of having the current guaranty foreclosed on, per the provisions, *mutatis mutandis*, of Chapter 6.

3.6. Participation in CONSORTIUM and SPECIAL PURPOSE ENTITY

3.6.1. CONSORTIUM

3.6.1.1. In conjunction with the presentation of the PARTICIPATION GUARANTEE as provided in item 3.5, until the date specified in the SCHEDULE for the presentation of the PRE-IDENTIFICATION documents, the PARTICIPANTS that wish to participate in the AUCTION through a CONSORTIUM shall submit a promise of incorporation of a CONSORTIUM.

3.6.1.2. The document submitted per the terms of the previous item shall indicate the percentage interest of each PARTICIPANT in the CONSORTIUM and expressly establish that the members of the CONSORTIUM are jointly and severally liable for all the obligations set forth in this BID NOTICE, in the event that the PARTICIPANT is the winner of the AUCTION, including the obligations to pay the FINAL PRICE AT AUCTION, the ADDITIONAL PRICE WITH RESPECT TO SHARES PURCHASED AT AUCTION, and, if applicable, the PRICE OF LEFTOVERS OF THE OFFER TO EMPLOYEES AT A DISCOUNT and the PRICE OF LEFTOVERS FROM OFFER TO EMPLOYEES NOT AT DISCOUNT and, if due and payable, the penalties provided for in items 3.11.2 and 3.11.3. The promise to organize the CONSORTIUM must also provide:

- (i) name, organization and purpose of the Consortium;
- (ii) identification of the companies in the Consortium;
- (iii) internal composition of the Consortium, with each respective member's interests;
- (iv) appointment of the leader, responsible for carrying out the Consortium's acts; and
- (v) express provision of joint and several liability, among themselves and with respect to the Consortium, with respect to the compliance with all terms, conditions and obligations herein and ANNEXES hereto

3.6.2. SPECIAL PURPOSE ENTITY

Until 12 (twelve) p.m. of the second business day immediately following PUBLIC AUCTION SESSION the PARTICIPANT that won the AUCTION, including if it presented itself as a CONSORTIUM, will be entitled to replace itself by a SPECIFIC PURPOSE ENTITY to execute the STOCK PURCHASE AGREEMENT, the AMENDMENT TO THE CONCESSION AGREEMENT and to comply with the other conditions, rights and obligations contained in the BID NOTICE, provided that, cumulatively: (a) there is no prejudice or delay to the SCHEDULE or in the fulfillment of each of the steps contained therein; (b) the PRE-IDENTIFIED members participate in the SPECIAL PURPOSE ENTITY, in the same exact proportion as they do in the CONSORTIUM; (c) the SPECIAL PURPOSE ENTITY's principal business office and administration is located in Brazil, and (d) the SPE's documents are presented to the STATE, per the terms in item 3.3.3, herein and ANNEX V hereof, without prejudice to the performance of other obligations set forth in this BID NOTICE and in the STOCK PURCHASE AGREEMENT. The shareholders of a SPECIAL PURPOSE ENTITY are, pursuant to this BID NOTICE, jointly and severally liable among each other and with respect to SPECIAL PURPOSE ENTITY, with respect to the compliance with all the terms, conditions, and obligations set forth in the BID NOTICE and STOCK PURCHASE AGREEMENT, including the obligations to pay the FINAL PRICE AT AUCTION, the ADDITIONAL PRICE WITH RESPECT TO SHARES PURCHASED AT AUCTION and, if applicable, the amount equivalent to the PRICE OF LEFTOVERS OF THE OFFER TO EMPLOYEES AT A DISCOUNT and the PRICE OF LEFTOVERS FROM OFFER TO EMPLOYEES NOT AT DISCOUNT and, if due and payable, the penalties provided in items 3.11.2 and 3.11.3 and they shall sign, for that purpose, said documents as such.

The same PERSON signing, as the NEW CONTROLLING PERSON, the STOCK PURCHASE AGREEMENT with the STATE, will execute the AMENDMENT TO THE CONCESSION AGREEMENT with the GOVERNMENT.

3.7. Submission of the Proposal and procedures for sale of shares in the PUBLIC AUCTION SESSION

3.7.2. Together with the PRE-IDENTIFICATION documents, on the date set in the SCHEDULE, the PARTICIPANTS must submit proposal, per template in ANNEX VIII. Each PARTICIPANT may deliver one single proposal, containing one single bid. The proposal must be sealed, and shall show, on the outside, the PARTICIPANT's name and the brokerage firm representing it and reference to "Bid for purchase single lot of SHARES - Destatization of CESP-Cia. Energética de São Paulo BID NOTICE No. 001/2017", per the template below.

Identification of Envelope of Proposed Bids

Bid for purchase single lot of SHARES - Destatization of CESP - Cia. Energética de São Paulo BID NOTICE N° 001/2017 PARTICIPANT's Name Brokerage Firm

3.7.2. Per the proposal template in ANNEX VIII, The bid amount per SHARE shall be indicated in Brazilian Reals, to the cents (that is, with two decimal places), and the amount shall be written in words, which shall prevail in the event there is a difference between them.

3.7.3. B3 will be responsible for keeping the proposals until the PUBLIC SESSION, when they will be opened by the AUCTION's Director.

3.7.4. 3 The sale of one single and indivisible lot of SHARES will be made through AUCTION by highest bid offered, initially through written modality and then by live

verbal and successive bids and, as the case may be, in accordance with the rules set forth in this BID NOTICE and the INSTRUCTIONS MANUAL.

3.7.5. After the commencement of the PUBLIC SESSION, the AUCTION's Director will open the proposals and will announce the amount per SHARE offered in writing by each of the PARTICIPANTS in the order in which they were delivered. If the situation described in item 3.7.6 immediately below does not happen, the Director of the AUCTION will declare the PARTICIPANT ranked first the winner of the AUCTION.

3.7.6. If the offer(s) of any of the other PARTICIPANT(S) has/have an amount equivalent to at least 90% (ninety percent) of the amount offered by the PARTICIPANT that ranked first, the director of the AUCTION will commence an in-person live auction (the "IN-PERSON VERBAL AUCTION") among PARTICIPANTS whose proposals meet the requirements below:

(a) the IN-PERSON VERBAL AUCTION will be initiated by the director of the AUCTION, who will receive the bids of the PARTICIPANTS entitled to participate, bids which will be considered valid if, and only if, the respective amounts are at least, R\$0.1 (one cent of Brazilian Real) per SHARE higher than (i) the PARTICIPANT's proposal ranked first at AUCTION, at first bid, and (ii) the last bid received by the director of the AUCTION;

(b) the procedure described in item (a) above will be successively repeated until none of the PARTICIPANTS offers a bid higher than the last valid bid offered by a PARTICIPANT in the IN-PERSON AUCTION, case in which the PARTICIPANT that made the last valid bid will be declared the winner of the IN-PERSON VERBAL AUCTION by the Director of the AUCTION, declaration which will entitle such PARTICIPANT to the right to acquire all of the SHARES.

If there is a tie between the PARTICIPANTS' proposals and if they fail to submit bids at the IN-PERSON VERBAL AUCTION, the director of the AUCTION shall draw lots to define

the winner of the AUCTION. The first one drawn will be best ranked and will win the AUCTION.

3.8. Documents for the ANEEL's consent to CESP's transfer of Control

Within up to 3 (three) business days as from the PUBLIC AUCTION SESSION the NEW CONTROLLING PERSON, will submit to ANEEL, in accordance with ANEEL Resolution No. 484, dated as of April 17, 2012, all information and documents required for the analysis of CESP's transfer of control.

3.9. Completion of Transfer of the SHARES

3.9.1. The AUCTION SETTLEMENT is conditioned to (i) the provisions herein, and within the deadlines set forth in the SCHEDULE; (ii) the execution of the STOCK PURCHASE AGREEMENT; and, (iii) the previous conditions set forth in Section 1.5 of the STOCK PURCHASE AGREEMENT.

3.9.2. In the event the AUCTION SETTLEMENT is not completed, the STATE, without prejudice to the provisions in item 3.9.3, may, at its sole discretion, summon the PARTICIPANT that ranked second place in the classification order, and so on and so forth, in succession, for the execution of the STOCK PURCHASE AGREEMENT at the price indicated in its ranking at AUCTION, duly adjusted per item 2.2.3.2 herein, without prejudice to the penalties provided herein.

3.9.3. The PARTICIPANT that wins the AUCTION will be obliged to pay a non-compensatory pecuniary penalty to the STATE, in the amount of 30% (thirty percent) of the sum of (i) the FINAL PRICE AT AUCTION, multiplied by the number of SHARES, and (ii) the total amount regarding the ADDITIONAL PRICE WITH RESPECT TO SHARES PURCHASED AT AUCTION if it fails to meet, by intent of fraud, the requirements established by the GRANTING ENTITY for the transfer of CESP's control.

3.10. Failure to Pay the PRICE OF LEFTOVERS OF THE OFFER TO EMPLOYEES AT A DISCOUNT and the PRICE OF LEFTOVERS FROM OFFER TO EMPLOYEES NOT AT DISCOUNT

In the even the NEW CONTROLLING PERSON fails to make payment of the PRICE OF LEFTOVERS OF THE OFFER TO EMPLOYEES AT A DISCOUNT and/or the PRICE OF LEFTOVERS FROM OFFER TO EMPLOYEES NOT AT DISCOUNT, by the date specified in the SCHEDULE, the STATE may foreclose on the guarantee given pursuant per item 3.5.1, without prejudice to the penalty provided for in item 3.11.2.

3.11. Irrevocability

3.11.1. The purchase and sale of SHARES under the terms of this BID NOTICE, once formalized by the executions of the STOCK PURCHASE AGREEMENT, will be a perfect and irrevocable juridical act, not susceptible to termination on any grounds. The transfer of CESP's control and its exercise by the NEW CONTROLLING PERSON will be subject to the applicable legislation and inspection by the competent governmental bodies.

3.11.2. Without limiting in any way the NEW CONTROLLING PERSON's liability with respect to the performance of any of the obligations provided herein, including those described in this item, the NEW CONTROLLING PERSON will be obliged to pay a non-compensatory pecuniary fine to the STATE, in the amount of 30% (thirty percent) of the amount of the financial obligations related to the events listed below and not paid by the NEW CONTROLLING PERSON on the dates on which they are due and payable per the terms of the BID NOTICE:

- a. AUCTION SETTLEMENT by the date provided in the SCHEDULE;
- b. payment of the total amount payable for the ADDITIONAL PRICE WITH RESPECT TO SHARES PURCHASED AT AUCTION, by the date provided in the SCHEDULE;

- c. payment of the total amount payable for the PRICE OF LEFTOVERS OF THE OFFER TO EMPLOYEES AT A DISCOUNT and for the PRICE OF LEFTOVERS FROM OFFER TO by the date provided in the SCHEDULE.

3.11.3. The STATE, for the purposes of receiving any of the amounts described herein, including those relating to the fine in item 3.11.2, may, without prejudice to the exercise of any other rights, foreclose on the PARTICIPATION GUARANTEE given per item 3.5.1.

3.11.4. The foreclosure on the PARTICIPATION GUARANTEE, per the provisions in item 3.11.3. does not preclude the CONSORTIUM members' or the SPE's shareholders' joint and several liability, as the case may be.

3.12. Liability for the Information and for the PROCESS

The information contained in any of the documents of the PROCESS, as well as other information disclosed by the STATE and other SELLERS, by B3, CESP, and by the CONSULTANT and their subcontractors are for informational purposes only and shall not replace independent analysis that the PARTICIPANTS may have carried out, at their expenses and by their own means. The STATE and other SELLERS, CESP, the CONSULTANT and their subcontractors, B3 will not be liable, in any way and on any ground whatsoever, for (i) the truthfulness, consistency, quality, and sufficiency of the information provided during the PROCESS; (ii) the decision taken by any of the PARTICIPANTS with respect to its participation in the PROCESS; or (iii) for any losses or damages suffered by any PARTICIPANT on account of its participation in the PROCESS.

3.13. Jurisdiction

This BID NOTICE is governed by the laws of the Federative Republic of Brazil, **and the** competent jurisdiction to settle any issues or disputes arising out of the BID NOTICE is the jurisdiction of the City of São Paulo, State of São Paulo.

Chapter 4 - NEW CONTROLLING PERSON's Rights and Obligations

4.1. Dividends

The SELLERS will be entitled to being paid dividends declared until the date of the transfer of the SHARES. The purchaser of the SHARES will be entitled to being paid dividends and to other rights, including, share bonuses, that may be declared from the date of transfer of the SHARES in the DEPOSITORY ENTITY's records.

4.2. Intervening parties in the CONCESSION AGREEMENT

Without prejudice to other obligations required by the GRANTING ENTITY or by ANEEL, the NEW CONTROLLING PERSON shall:

- a. as intervening consenting party, execute the AMENDMENT TO THE CONCESSION AGREEMENT; and
- b. strictly comply with the relevant contractual provisions and legal provisions, regulations involving CESP's activity, making efforts so that the necessary investments are made to its maintenance and improvement, always with the purpose of providing appropriate and efficient generation service object of the CONCESSION AGREEMENT.

4.3. NEW CONTROLLING PERSON's Special Obligations

4.3.1. The NEW CONTROLLING PERSON, even if organized as a CONSORTIUM or SPECIAL PURPOSE ENTITY, and its successors, in any quality, all jointly and severally liable among themselves and with the CONSORTIUM and the SPECIAL PURPOSE ENTITY, including as a result of a future assignment or transfer of shares, is irrevocably required, without prejudice to compliance with specific legal rules and regulations, to perform the obligations herein, as well as (i) to exercise, whenever necessary, its right to vote in CESP's Shareholders' Meetings; and (ii) to direct the votes of the Board of Directors'

members elected, so that the Company continues to perform, for the duration of the Company's concessions, the obligations provided in Section Three - New Controlling Person's Special Obligations in the STOCK PURCHASE AGREEMENT, under penalty of having appropriate judicial measures brought against CESP and/or the NEW CONTROLLING PERSON, including specific performance, comminatory fine, without prejudice to cumulative request for damages suffered by the STATE and the society in general.

4.3.2 Without prejudice to the compliance of all other CESP's financial obligations in relation to which the NEW CONTROLLING PERSON acknowledges the STATE is not responsible for, if, while CESP has any debts guaranteed or counter-guaranteed by the STATE, the NEW CONTROLLING PERSON intends to transfer CESP's control or to promote corporate restructuring for CESP's spin-off, consolidation or merger, such transaction is conditioned to the unconditional consent of third parties who may acquire or receive CESP's shares, to the STOCK PURCHASE AGREEMENT.

4.3.3 1659 Without in any way limiting any SELLERS' rights , including that of bringing actions for specific performance, in the event the NEW CONTROLLING PERSON fails to carry out the TENDER OFFER described in the item 1.3.5 herein, the STATE may, at its sole discretion, terminate, as of right, the STOCK PURCHASE AGREEMENT irrespective of notification or warning. In this case, all of the shares issued by CESP transferred to the NEW CONTROLLING PERSON due to the AUCTION or the OFFER TO EMPLOYEES shall be returned to their respective SELLERS, who may therefrom exercise the rights, privileges and advantages inherent to those shares, retaining from the amount to be returned to the NEW CONTROLLING PERSON, as liquidated damages, 50% (fifty percent) of the total amount resulting from the sum of the FINAL PRICE AT AUCTION, multiplied by the number of SHARES, added to the ADDITIONAL PRICE WITH RESPECT TO SHARES PURCHASED AT AUCTION, and the total amount involving the PRICE OF LEFTOVERS OF THE OFFER TO EMPLOYEES AT A DISCOUNT, and the total amount involving the PRICE OF LEFTOVERS FROM OFFER TO EMPLOYEES NOT AT DISCOUNT duly adjusted according to the SELIC RATE variation during that period.

4.4. Absence of Liability for Increase in Assets or Decrease in Assets

The SELLERS, the PED DIRECTING COUNCIL's members, the CONSULTANT and its subcontractors will not be liable, in no circumstances whatsoever or for any reason, for any of CESP's increase in assets or decrease in assets or contingencies, whatever their nature. By presenting a proposal the PARTICIPANTS, it is assumed that they unconditionally acknowledge and accept, that the SELLERS', PED DIRECTING COUNCIL's members', the CONSULTANT'S and its subcontractors' are not liable for increase or decrease in assets, or contingencies, regardless of their having been mentioned during the course of the PROCESS, mentioned in the BID NOTICE, in the reports and/or DATA ROOM.

4.5. Supervening Facts

The events in the BID NOTICE and the SCHEDULE are directly subordinate to carrying out and success of the several phases of the PROCESS. In the event supervening facts occur after the publication of the BID NOTICE, the PED DIRECTING COUNCIL may review, postpone, change, suspend, extend, or revoke the SCHEDULE, completely or in part, seeking the best result to be achieved by CESP's privatization. The change of conditions provided in this BID NOTICE or in its ANNEXES shall not prejudice the carrying out of the AUCTION and its respective settlement, except at the discretion of the PED DIRECTING COUNCIL.

Any material act or fact, after the publication of this BID NOTICE, that may influence the PARTICIPANTS' decision, will be widely publicized, with publication on the process's website (www.vendacesp.com.br), as well as in newspapers of wide circulation.

Chapter 5 - Obligation of the STATE to CESP

5.1. Responsibility for the Benefits Arising from Law No. 4.819/58

5.1.1. In view of State Law No. 4,819, dated as of August 26, 1958, and in paragraph 4, Article 3, of the LAW, the STATE undertakes:

- I. to directly fund the supplementary retirement and pension benefits provided for in State Law No. 4,819, dated as of August 26, 1958, payable to employees who have retired at CESP or to CESP's current employees who fall into the scope of State Law No. 4,819/58 and that come to retire there, and who meet the terms and conditions set by the STATE's Attorney General Office; and
- II. to carry out the financial transfers, within the limits of the guidelines established by the STATE Attorney General's Office, either to CESP or to FUNDAÇÃO CESP, as the case may be, in the event they are required to pay these benefits to employees who have retired at CESP or CESP's current employees who fall into the scope of State Law No. 4,819/58 who retire there, by court decision, non-integrated action by the STATE, in which all appeals and stages of the legal case have been timely and properly exhausted.

In the event provided in item (II) above, the transfers to CESP or to FUNDAÇÃO CESP, as the case may be, shall be made on a monthly basis, in accordance with legal criteria set by the STATE Attorney General's Office, described in ANNEX IV herein. No monies arising from judicial decisions that are not in accordance with the legal criteria set by STATE Attorney General's Office will be reimbursed by the STATE. The STATE shall bear any expenses possibly incurred by CESP or by FUNDAÇÃO CESP by reason of processing these benefits payments.

In the event provided in item II above, the NEW CONTROLLING PERSON undertakes to keep the STATE informed of all legal actions filed against CESP, through periodical reports to be forwarded to the OFFICE, containing the main information regarding such actions. Such reports will be presented whenever there is a new action or every 6 (six) months.

Chapter 6 - Warranties Relating to CESP's Financial Contracts

6.1. CESP's Debts Guaranteed by the STATE

6.1.1. The STATE has given the STATE GUARANTEES with respect to CESP's debts that described and characterized in ANNEX III hereof;

6.1.2. The NEW CONTROLLING PERSON shall, according to the SCHEDULE, as a condition for the executing of the STOCK PURCHASE AGREEMENT, deliver the COUNTER-GUARANTEE to the STATE.

6.1.3. The COUNTER-GUARANTEE may be given as a Bank-issued Guarantee or insurance guarantee and, in both cases, meet at least the following requirements: (i) the duration must be 12 (twelve) months, renewable for equal periods until there are no more STATE GUARANTEES in force; (ii) be in an amount equivalent to the balance due of the debts object of the STATE GUARANTEES on the date of they are issue or renewed, as the case may be; (iii) be governed by the laws of the Federative Republic of Brazil and have as their exclusive jurisdiction the Forum of the Capital District of the State of São Paulo; and (iv) not contemplate any provisions that exclude liability nor any provisos that may hinder or prevent their foreclosure, allowing for their automatic and unconditioned foreclosure.

6.1.4. The NEW CONTROLLING PERSON is fully responsible for carrying out the required renewals and updates, and it shall give notice of any renewal and update to the STATE. The NEW CONTROLLING PERSON must submit to the STATE document proving the COUNTER-GUARANTEE has been renewed and updated, at least 30 (thirty) days prior before their expiration date, under penalty of failing to comply with a NEW CONTROLLING PERSON's obligation and full foreclosure on the COUNTER-GUARANTEE.

6.1.5. If the COUNTER-GUARANTEE is a Bank-issued Guarantee, it must meet at least the following specific requirements: (i) the guarantor shall be bound as principal debtor and joint and several debtor and expressly waive the rights and prerogatives conferred upon

it by applicable Brazilian legislation, in particular those provided in articles 333, sole paragraph, 364, 365, 366, 368, 821, 827, 830, 834, 835, 837, 838 and 839 of Law No. 10,406, dated as of January 10, 2002 , as amended ("Civil Code") and in articles 130 and 794 of Law No. 13,105, dated as of March 16, 2015, as amended ("Code of Civil Procedure"); (ii) it shall be issued by a Brazilian financial institution listed among the 50 (fifty) largest institutions according to the "Total Assets" criteria, in the Supervised Entities' Selected Data, IF.data, , issued by the Central Bank of Brazil, in the following segments: "b1 – Commercial bank, bank with multiple portfolios or savings bank " and/or "b2 – Bank with multiple portfolios with no commercial portfolio and investment bank", in the report available at the time the COUNTERGUARANTEE is received" ; (iii) it shall contain an express clause that ensures the STATE, irrespective of any formality, the irrevocable right to enforce the Bank-issued Guarantee from the date (including) it is notified by any creditors of debts that are object of STATE GUARANTEES to effect payment of amounts due and unpaid by CESP;

6.1.6. If the COUNTER-GUARANTEE is a Insurance Guarantee, it must meet at least the following specific requirements: (i) be issued by an insurance company authorized to operate in Brazil, per the laws in force at the time it is presented; (ii) be shown to exist by submission of an insurance guarantee policy accompanied by proof of premium payment, when applicable, as well as Certificate of Good Operation Standing issued by the Private Insurance Superintendency - SUSEP, in the name of the insurer that provided the policy; (iii) the policy must be in compliance with the provision in SUSEP Circular No. 477/2013, and must not include any clause exempting the NEW CONTROLLING PERSON or the insurer from liability, nor any special or particular conditions; (iv) be accompanied by proof of reinsurance, according to the legislation in force at the time it is presented; (v) in case the COUNTER-GUARANTEE given as Insurance Guarantee includes any clauses that are not compatible with the provisions hereof or of the STOCK PURCHASE AGREEMENT, including clauses that limit or exempt liability, the NEW CONTROLLING PERSON shall submit a declaration, undersigned by the insurance company, stating that such clauses are not applicable as to the current AUCTION and its respective STOCK PURCHASE AGREEMENT, and that the Insurance Guarantee is valid for all the events provided for herein and in the STOCK PURCHASE AGREEMENT.

6.1.7 In the event the NEW CONTROLLING PERSON fails to submit the new COUNTER-GUARANTEE, per the provisions in Section 6.1.4 above, the STATE, irrespective of any notice or formality, may fully foreclose on the COUNTER-GUARANTEE, In such a case, the resources received by the STATE due to the foreclosure on the COUNTER-GUARANTEE may be used for the purposes of making advance payment on CESP's debts object of the STATE GUARANTEE, if possible as a result of negotiations with creditors, as there is no express contract provision to that end in CESP's debt agreements object of the STATE GUARANTEE, and if that is economically possible for CESP and the NEW CONTROLLING PERSON. In the event it is not possible to pay CESP's debts in advance, debts which are object to the STATE GUARANTEE, the funds received by the STATE by reason of the foreclosure on the COUNTER-GUARANTEE shall be kept in an account whose exclusive purpose is the payment of CESP's debts object of the STATE GUARANTEES. While kept in said escrow bank account, such funds will be invested in investment backed by federal public securities with liquidity consistent with CESP's need for such funds; and the use of financial derivatives is prohibited, and the amount obtained from such investments shall be incorporated into the amount deposited in the escrow account and used to pay CESP's debts or returned to the NEW CONTROLLING PERSON in case of excess in relation to the balance due after full payment of the debts guaranteed by the STATE GUARANTEES. At the sole discretion of the STATE, the amounts deposited in escrow account may be released to the NEW CONTROLLING PERSON, upon the latter's request, whenever the balance in the escrow account, on the date of the intended release, is greater than the amount of the adjusted debt balance of the debts object of the STATE GUARANTEES.

6.1.8. The COUNTER-GUARANTEE shall be fully in force until the full and final discharge of debts guaranteed by the STATE GUARANTEE, and will only be released by the STATE after such discharge and release is proven.

6.1.9. Whenever the COUNTER-GUARANTEE is executed, in full or in part, the NEW CONTROLLING PERSON will be required to bring it back to its total amount within 48

(forty-eight) hours as from receipt of notice, under penalty of defaulting and full execution of the COUNTER-GUARANTEE.

6.1.10. Amendments to the terms and conditions of the COUNTER-GUARANTEE are prohibited, except upon express prior consent of the STATE and, in any event, including, without limitation, at the time of its renewal or restoration of its economic value and enforceability conditions.

6.1.11. If the NEW CONTROLLING PERSON wishes and succeeds in effecting the early settlement of all such debts, the STATE must authorize the release of the COUNTER-GUARANTEE, whatever it is, upon production by the NEW CONTROLLING PERSON of release instruments with respect to the debts object of the STATE Guarantees.

6.2. CESP's Debts Guaranteed by CESP

CESP has given CESP's GUARANTEE to back the performance of its obligations resulting from CESP's debt as described and characterized in ANNEX V hereof;

Considering that, according to the CESP's debt contractual instrument, object of CESP GUARANTEE, as described and characterized in ANNEX II hereof (i) the CREDITOR may require CESP'S GUARANTEE be supplemented or replaced in the event CESP is totally or partially privatized, and (ii) CESP undertakes to meet such request within 24 (twenty-four) hours as of the receipt of the CREDITOR's notice under penalty of early payment of the total debt amount; the NEW CONTROLLING PERSON shall, within 2 (two) business days of the as from CADE's final approval of the transaction, notify the CREDITOR to inform it of its right, taking the necessary steps with CREDITOR to have CESP'S GUARANTEE replaced, if the CREDITOR so wishes.

Chapter 7 - Additional Information and SCHEDULE

7.1. Notices and Communications

The PED DIRECTING COUNCIL MAY require the OFFICE publish notices or additional communications pertaining to the contents of the BID NOTICE, its ANNEXES, and other PROCESS documents.

7.2. Provision of Bid Notice, Additional Clarifications

7.2.1. BID NOTICE

Those interested in obtaining the BID NOTICE, its ANNEXES and additional PROCESS documents, may do so in accordance with the provisions in the SCHEDULE, available on the process's website (www.vendacesp.com.br).

7.2.2. Information and Further Clarifications

Request for clarifications and information shall be directed to the OFFICE until the date specified in the SCHEDULE, as follows:

STATE FINANCE OFFICE:

E-mail address: editalcesp@fazenda.sp.gov.br

Answers to requests sent as provided herein will be made available by the STATE OFFICE OF FINANCE on the PROCESS's website.

7.3. Implicit and Unconditional Acceptance

The participation of any investor in the offer object of the BID NOTICE implies tacit, irrevocable, unconditional and acceptance of its terms, rules and conditions as well as of the INSTRUCTIONS MANUAL, and other documents that may be disclosed and/or published because of the BID NOTICE.

The PARTICIPANTS also acknowledge and represent that they are fully aware of the laws in force in Brazil, including rules and regulations issued by ANEEL, Brazil's Central Bank, the Brazilian Securities and Exchange Commission, and any rules relating to rural property ownership by foreign persons, and that they may claim ignorance of any law or current regulation, and they assume full responsibility for the obligations and limitations arising from laws and regulations that may be issued by the Government.

7.4. GENERAL SCHEDULE

According to the terms provided in item 4.5 hereof, all dates indicated in the SCHEDULE below are subject to being changes, suspended, being brought forward or pushed back.

Date	Event
06/24/2017	Announcement of the Public Hearing.
07/11/2017	Public Hearing
07/18/2017	Opening of the DATA ROOM and DUE DILIGENCE PROCEDURES MANUAL made available.
08/03/2017	Provision of BID NOTICE and its ANNEXES.
08/10/2017	PROSPECTUS OF THE OFFER TO EMPLOYEES and B3's INSTRUCTION MANUAL made available.
09/12/2017	Deadline for request clarification with respect to the BID NOTICE.
09/15/2017	Answers to clarifications to the BID NOTICE will be published by the STATE on the PROCESS's website.
09/18/2017	Delivery of PRE-IDENTIFICATION documents, PARTICIPATION GUARANTEE and PARTICIPANTS' proposals from 10 a.m. to 12 p.m., at B3.
09/21/2017	Announcement of pre-identified PARTICIPANTS's suitability on the PROCESS's website.
09/22/2017	End of the due diligence procedures described in the DUE DILIGENCE PROCEDURES MANUAL.

09/25/2017	Deadline for submission of Request for Reconsideration regarding the PRE-IDENTIFICATION to the STATE, by 12 p.m..
09/26/2017	PUBLIC AUCTION SESSION date at B3 at 10 a.m.
09/29/2017	Deadline to submit the documents required for the consent to the transfer of controlling interest in CESP to ANEEL and CADE, according to each agency's authority.
10/02/2017	Start of the OFFER TO EMPLOYEE's reservation period.
11/29/2017	Estimated date for ANEEL and CADE to approve the transfer of controlling interest in CESP.
12/01/2017	Deadline for submission of COUNTER-GUARANTEE to the STATE (as a condition for the execution of the STOCK PURCHASE AGREEMENT).
12/04/2017	Deadline for submission of COUNTER-GUARANTEE to the STATE (as a condition for the execution of the STOCK PURCHASE AGREEMENT).
12/06/2017	Expected date for the AUCTION SETTLEMENT, including the Payment of the ADDITIONAL PRICE WITH RESPECT TO THE SHARES PURCHASED AT AUCTION, at B3, according to the provisions in the INSTRUCTIONS MANUAL.
12/07/2017	Authorization for the release of the guarantees of the PARTICIPANTS that did not win the AUCTION by B3.
12/14/2017	Ending of the reservation period of the OFFER TO EMPLOYEES.
12/15/2017	Announcement of allocation of the OFFER TO EMPLOYEES.
12/20/2017	Date of the SETTLEMENT OF THE OFFER TO EMPLOYEES.
12/21/2017	Announcement of leftovers from the OFFER TO EMPLOYEES to the NEW CONTROLLING PERSON.
12/27/2017	Liquidation of leftovers from the OFFER TO EMPLOYEES by the NEW CONTROLLING PERSON.
12/28/2017	Authorization for the release of the Guarantees of the AUCTION winning PARTICIPANT by B3.

01/08/2018	Deadline for the NEW CONTROLLING PERSON to request permanent registration of the TENDER OFFER with CVM.
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7.5. ANNEXES

The following ANNEXES are integral parts of this BID NOTICE:

ANNEX I - DRAFT STOCK PURCHASE AGREEMENT

ANNEX II – CESP's debts Guaranteed by CESP

ANNEX III – CESP's Debt Guaranteed by the STATE

ANNEX IV – State Law No. 4,819/58 – Criteria to Define the Amount to be transferred each month by the STATE to CESP

ANNEX V – PRE-IDENTIFICATION Documents

ANNEX VI - Operational Regulation for the Lock - Porto Primavera HPP (Eng. Sérgio Mota)

ANNEX VII - Agreement for Adoption of Corporate Governance Practices – B3 Level 1 executed by CESP

ANNEX VIII – Template of Written Proposal

ANNEX IX – Template of Certification of No Equivalent Foreign Document

ANNEX X – Template of Statement of Acknowledgment of the Terms of the Bid Notice and Absence of Impediment to Participation in the AUCTION

ANNEX XI - Template of Statement of Compliance to Brazilian Laws

ANNEX XII - Template of Certification that it does not participate in the AUCTION through another PARTICIPANT, neither directly or by means of RELATED PARTY

ANNEX XIII - Template of Certification to the fact that it complies with the provisions of article 7, item XXXIII of the Federal Constitution

ANNEX XIV - Template of Certification to the fact that all sector charges provided in Federal Laws Nos. 8,631, dated as of April 4, 1993, and 9,427, dated as of December 26, 1996, have been paid.

ANNEX I TO BID NOTICE NO. 001/2017

Draft Stock Purchase Agreement

[separate document]

ANNEX II TO BID NOTICE NO. 001/2017

CESP's debts Guaranteed by CESP

Creditor	Date of Agreement	Amount	Maturity	Outstanding balance on 03.31.2017
Eletróbrás	18.09.2002	R\$ 90,000,000.00	30.11.2019	R\$13,336,770.73

ANNEX III TO BID NOTICE NO. 001/2017**CESP's Debt Guaranteed by the STATE**

Creditor	Date of Agreement	Amount ¹		Maturity	Outstanding balance on 03.31.2017 ²	
		USD	BRL		USD	BRL
BNDES	04.09.2002	552.650.508,00	1.660.714.776,39	15.10.2019	161.434.856,10	510.828.315,11

¹ Amount in Brazilian Reals was calculated based on the dollar exchange rate published by the Central Bank of Brazil on September 2, 2002 (US \$1.000 = R\$3.005).

²Balance in Brazilian Reals was calculated based on the dollar exchange rate published by the Central Bank of Brazil on December 31, 2016 (US \$1.00 = R\$3.1643).

ANNEX IV TO BID NOTICE NO. 001/2017

State Law No. 4,819/58 – Criteria to Define the Amounts to be transferred each month by the STATE to CESP

According to the guidelines established by the Office of the Attorney General of the STATE recognizes the following amounts as amounts that may be reimbursed to CESP: Base salary, Yearly Payment and Position Bonus, with salary cap and social security contribution.

The STATE will not reimburse any amounts resulting from court decisions that do not meet the legal criteria set forth by the Office of the Attorney General of the State.

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ANNEX V TO BID NOTICE NO. 001/2017

PRE-IDENTIFICATION Documents

Based on ANEEL Resolution No. 484, dated as of April 17, 2012, setting out the procedures to be adopted by utilities and electric power facilities to obtain authorization to the transfer of controlling interest, the documents described below should be sequentially numbered and presented in 2 (two) copies by the PARTICIPANT(S) for PRE-IDENTIFICATION purposes.

1. Legal Requirements

- (i) Organizations documents in force duly registered with the competent body

Articles of Organization or Bylaws in force, duly registered with the competent body, accompanied by the documents appointing the current administrators, pursuant, when applicable, the provisions of Federal Law No. 6,404, dated as of December 15, 1976, as amended, , as well as Federal Law No. 10,303, October 31, 2001.

Authorization Decree, in case of foreign business or operating in Brazil, and registration documents or authorization to operate issued by the competent agency, if their activity so requires.

- (ii) Members' or shareholders' agreement and other documents that affect corporate control

The document must be have items providing on management, voting rights and veto highlighted with a highlighter.

- (iii) Organizational chart of the economic group that simulates post-transaction status

The organizational chart must contain in its structure the expected controlled company, indication of the percentage of equity interests of the controlling companies, accompanied by the full names of the people involved in the direct, intermediate and indirect control. The opening of the Organizational chart should show all direct, indirect and intermediary equity interest, equal to, or greater than 5% (five percent). The organizational chart should also contain information on the controllers, including through stockholders' agreement, whose interest is smaller than 5% (five percent).

(iv) Approval Term of the NEW CONTROLLING PERSON, according to Template A herein.

1.1. Only documents issued by the competent body, or certified copies thereof made according to the law will be accepted.

1.2. The corporate documents listed above must be submitted by the individual PARTICIPANT or each PARTICIPANT in the CONSORTIUM.

2. Economic-financial Requirements and fiscal and labor standing

(v) Non-certified copy of the registration with the National Registry of Corporate Taxpayers – CNPJ.

(vi) Balance sheet and financial statements of the last fiscal year, already required presented pursuant to legal provisions; these cannot be replaced by interim balance sheets or trial balance sheets. In case of a company organized less than 06 (six) months ago, forward opening balance sheet.

(vii) Certificate of No Bankruptcy and Judicial and Extrajudicial Recovery.

(viii) Certificate issued by the Clerk of the Judicial District where the PARTICIPANT(S) have its/their principal place(s) of business, concerning the judicial or extrajudicial liquidation procedures.

(ix) Non-certified copy of State Taxpayer registration card.

In the event the intending controlling company's activity does not require registration, the concessionaire shall demonstrate the exemption upon presentation of rules or other relevant documents

(x) Certificate of Good Standing on Tax Debts or Certificate of Suspended Tax Liability relating to Federal Taxes and Overdue Federal Tax Liability;

(xi) Certificate of Good Standing regarding Severance Fund - FGTS.

(xii) Certificate of Good Standing on Labor Debts – or CNDT or Certificate of Suspended Labor Liability (with the same effect as the CNDT).

(xiii) Certificate of Good Standing on State Tax Debts or Certificate of Suspended State Tax Liability;

In the event the intending controlling company's activity does not require registration, the concessionaire shall demonstrate the exemption upon presentation of rules or other relevant documents

(xiv) Certificate of Good Standing on City Tax Debts or Certificate of Suspended City Tax Liability;

In the event the intending controlling company's activity does not require registration, the concessionaire shall demonstrate the exemption upon presentation of rules or other relevant documents.

2.1. All the certificates listed above should be within the expiration date. In the event the expiration date is not shown on the certificates submitted, only will those issued within 180 (one hundred eighty) days prior to the submission date will be accepted, unless another expiration date has been specified in the BID NOTICE.

2.2. If any certificate is a Debt Certificate or if the updated status of the debt(s) is not shown, proof of payment and/or certificates pointing to the updated situation of the listed lawsuits and/or of administrative procedures, dated within 90 (ninety) days prior to the date of the PUBLIC AUCTION SESSION.

2.3. Vouchers attesting certificated have been requested will not be accepted.

2.4. If the PARTICIPANT(S), or CONSORTIUM member is a subsidiary/branch it must submit the parent company's consolidated balance sheet.

2.5. Only documents issued by the competent body, or certified copies thereof made according to the law will be accepted.

2.6. The documents listed above must be submitted by the individual PARTICIPANT or each PARTICIPANT in the CONSORTIUM.

3. Miscellaneous

3.1. The interested foreign company must have a legal representative in Brazil with express powers granted by public or private power of attorney, provided the latter is notarized, to receive service of process and file defenses in administrative and judicial proceedings in Brazil, as well as to represent grantor at all stages, conditions that must be expressly indicated in its documents.

3.2. Foreign companies shall submit documents equivalent to those required in this list, notarized, apostille and translated by a sworn translator, per the provisions of §4 of Article 32 of Law No. 8,666, dated as of June 21, 1933;

3.3. The approval to the process of transfer of corporate control of the concessionaire is subject to the full compliance with all the requirements above.

Template A

**TERM OF CONSENT AND SUBMISSION TO THE TERMS OF THE EXISTING DELEGATION
(CONTRACT FOR THE CONCESSION OF PUBLIC UTILITY - ELECTRIC POWER
GENERATION No. 003/2004)**

- 1. Corporate Name/Name of the Private Equity Investment Fund - Intended Controller:**
- 2. Company's address:**
- 3. CNPJ Number:**
- 4. [Legal Representative's Name]:**
- 5. Name(s) of the Current Manager(s):**
- 6. Name(s) of the Sector Agent(s) to be Controlled:**
- 7. Name(s) and Number(s) of the Concession Agreement(s)/Authorizing Resolution:**
- 8. Name(s) of the Delegated Project(s):**

In compliance with the provisions of Resolution No. 484, dated as of April 17, 2012, providing on transfer of controlling interest of concessionaires, licensees and authorized companies providing services and electric power installations, this company/Private Equity Investment Fund by its legal representative, hereby declares its assent, consent and commitment to comply with, with no exceptions, all the provisions of the delegation act(s) in force(s) regarding the project(s) mentioned above, and assures that, in the exercise of acting on behalf of the controlled company(ies), it will maintain and implement, whenever necessary, improvements to its current technical capacity of said agent(s).

This Company/Private Equity Investment Fund represents, in particular, that it is aware of the status of the construction schedule(s) of the projects delegated to the sector agent(s) to be controlled, and undertakes to act diligently so that the new controlled company(ies) act according to the implementation schedule(s) of said projects, indirectly assuming the risk of any penalties to the sector agents, due to existing delays, in compliance with the due process governed by Resolution No. 63/2004, whose penalties provided in its art. 2 range from warning to revocation of authorization and lapse of the concession or permission.

It also represents that it does not employ anyone under 18 year of age in night, dangerous or unhealthy work and that it does not employ anyone under 16 years of age, except as apprentices. (CF, art. 7, XXXIII).

Lastly, it submits to the current legal and regulatory provisions, as well as industry standards that arise.

(place, date)

Legal Representative's Name:

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ANNEX VI TO BID NOTICE No. 001/2017

Operational Regulation for the Lock - Porto Primavera HPP (Eng. Sérgio Mota)

1. OPERATION AND MAINTENANCE OF THE LOCKS

1.1. CESP, as the operator of the existing lock at the dam of the Porto Primavera Hydroelectric Power Plant, as to the operation of the Lock, shall:

- I. provide the conditions necessary for the navigation on the Tietê-Paraná Waterway, in the stretch covered by the plant reservoir as described in these Regulations, whenever normal operational conditions exist;
- II. operate the lock and its related facilities, whose list is part hereof, as Annex A, without any charge to the user, with its own resources and under the monitoring and inspection of WATERWAY ADMINISTRATORS;
- III. ensure the locks are operational 24 hours a day, during the entire year, as long normal operating conditions are met;
- IV. ensure the operational availability according to the limits established in the regulations in force;
- V. ensure operating reservoir levels throughout its length for navigation with minimum draft established for the 3.5m Paraná standard and guarantee the continuity of the use of the locks with due control of total downflow. The above value is valid for normal operating conditions.

If any adverse hydrologic situation occurs that may lead to the suspension of the lock operation, such an event shall be previously notified to the WATERWAY ADMINISTRATORS.

VI. meet the standards, instructions and guidelines for the operation of the locks and approach of vessels, in particular:

-Traffic Rules in the Locks of the Tietê-Paraná waterway and its canals, 2012 - Navy Ministry- Ports and Coasts Board - DPC;

- Maritime Authority Regulations for Vessels Employed in Inland Navigation - NORMAN 02 - 2005 Navy Ministry - Ports and Coasts Board-DPC;

- Operating Instruction 05.02.29 - Operating Procedures for Use of Locks by Vessels - 2015;

Porto Primavera Power Plant and Lock - Navigation Routes-Signalling and Buoyage - Themag Report No. 13701-EC22-RT-2783-25572 R-OA.

VII. forward, monthly, to the WATERWAY ADMINISTRATORS, information pertaining to the day-to-day movement of vessels and cargo transport;

VIII. allow that, in the plant under its charge, at any time, including in the safety lock area, the WATERWAY ADMINISTRATORS can install and maintain any and all kinds of signs used in the buoyage of the Waterway, such as floats, shore signs, bridge navigation span signs, buoys and illuminated signs. All such equipment is the property and use of the WATERWAY ADMINISTRATORS;

1.2. CESP, as the operator of the existing lock at the dam of the Porto Primavera Hydroelectric Power Plant, as to the maintenance of the lock, shall:

I. perform maintenance and attend to the proper operation of the lock and the related premises part of the Tietê-Paraná Waterway, whose list is part hereof as Annex A, without any charge to the user, providing the necessary resources for this purpose;

- II. perform maintenance of the lock in a manner that is compatible with the obligations set forth in item 1.1., subitems III and IV of this ANNEX, except for preventive maintenance;
- III. perform periodic inspections, together with the WATERWAY ADMINISTRATORS in the navigable stretches within the power plant area, checking all equipment and lock systems, identifying all items that present risk to the operation of the Waterway;
- IV. Comply with three maintenance levels for the lock:
 - a. Emergency - held when the malfunction or breakdown of equipment cause system stoppage.
 - a.1. For this procedure, a Police Report must be made, identifying the decisive causes for the malfunction or breakage and defining the responsibilities for legal purposes. The repair service will occur immediately, and should be reported to the WATERWAY ADMINISTRATORS within 24 hours as of the occurrence.
 - b. Corrective - held in previously established date, with the purpose of replacing or repairing equipment that present risks for the proper functioning of the system.
 - b.1. The corrective maintenance procedures will be provided by the lock operator and should occur within the shortest time possible, in order to restore its operation within safety and quality indexes. The dates and periods for such maintenance procedures to take place must be submitted to the WATERWAY ADMINISTRATORS within at least 72 hours in advance, for approval.

c. Preventive - maintenance procedure that will be made every two years, with a maximum length of 70 (seventy) days, and the waterway may remain totally or partially interrupted for up to 30 (thirty) days.

c.1. Preventative maintenance must cover replacing worn items, anticorrosive treatment, painting, lubrication and gauging. This activity will occur during from December 20 to February 28 (period between crops), after notifying the WATERWAY ADMINISTRATORS, the Navy, City governments, companies that use the Tietê-Paraná Waterway and the general population.

c.2. Notice of the period for preventive maintenance to the WATERWAY ADMINISTRATORS must be given within 180 (one hundred and eighty) days in advance.

2. EXCEPTIONAL, UNFORESEEN OR ABNORMAL OCCURRENCES WITH VESSELS IN THE TRANSPOSITION SYSTEM

2.1. CESP notify the WATERWAY ADMINISTRATORS and the body in charge of the Navy, of any occurrences involving administrative and/or judicial measure, so that these issues may be always dealt with jointly and in a coordinated manner, so that the operation of the Waterway System does not suffer solution of continuity.

3. THE WATERWAY ADMINISTRATORS

3.1. The WATERWAY ADMINISTRATORS, within their respective areas of competence, as defined in items 3.1.1 and 3.1.2 of this ANNEX, shall:

- I. monitor operations performed in the locks on its own initiative, or when it deems a request made by users of the system well-founded;
- II. supervise, together with other agencies responsible for the navigation system, the compliance with the operational rules set forth in item 1.1, subitem VI of

this ANNEX, the Rules herein and those that come to complement, replace or amend them;

- III. promote studies with the purpose of revising the rules in subitem VI, item 1.1. of this ANNEX, the Rules herein, and any other source relating to the use of Tietê-Paraná Waterway, together with the Ministry of Transport and ANEEL, or their delegates, and according to the authority of each of the bodies involved.
- IV. mediate the disputes between the lock users and the operator;
- V. establish among themselves an operation agreement to coordinate the maintenance and inspection duties regarding the Tietê-Paraná Waterway, standardizing the Lock Operating Rules of the rivers that are part of it.

3.1.1. The Waterway Department of the Transport Office of the State of São Paulo is responsible for the administration of Tietê River, Pereira Barreto Channel, São José dos Dourados River and the Paraná River stretch between Tietê River and the Jupia Dam, included.

3.1.2. AHRANA - Administradora da Hidrovia do Rio Paraná, of the Ministry of Transport, is responsible for the administration of the remaining stretches of the Paraná River, Paranaíba River and Grande River, that are in the concession area.

4. LOCK OPERATOR'S DUTIES

- 4.1. The coordination of waterway traffic and maintenance of navigation conditions, within the safety area of Porto Primavera Power Plant lock, which comprises the navigable river area between upstream and downstream required stopover points (PPOs), as defined in article 3, item XXII of the "Traffic Rules of the Locks of the Tietê-Paraná Waterway and its Channels " are exclusive duties of Companhia Energética

de São Paulo as defined by the WATERWAY ADMINISTRATORS. Among these duties, the following are not included: works and buyoance services and signalling of navigational route and maintenance of the brige pillars protection devices.

5. AMENDMENTS

5.1. The provisions in these Rules may be amended by the WATERWAY ADMINISTRATORS, in conjunction with the Ministry of Transport and ANEEL, and in compliance with the authority of the other agencies involved.

6. MISCELLANEOUS

6.1. Any differences of interpretation of these Rules and other rules applicable to the operation and maintenance of locks shall be resolved by the WATERWAY ADMINISTRATORS, in conjunction with the Ministry of Transport and ANEEL, and in compliance with the authority of the other agencies involved.

* This English translation is presented for information purposes only. The Operational Regulation is available as an ANNEX to the BID NOTICE, in Portuguese. In case of any discrepancy between the original BID NOTICE, in Portuguese, and this English version, the version in Portuguese shall prevail.

ANNEX VII TO BID NOTICE No. 001/2017

Agreement for Adoption of Differentiated Corporate Governance Practices – B3 Level

1 executed by CESP

[According to separate document – presented only in Portuguese]

ANNEX VIII TO BID NOTICE No. 001/2017

Written Proposal Template

[Place], [•], [•], 20__

Dear Sirs,

In response to the call in the PROCESS conducted by the STATE, pursuant to the terms and conditions in BID NOTICE No. 001/2017, we hereby present our proposal for the acquisition of SHARES in CESP-Companhia Energética de São Paulo.

We offer, irrevocably, the amount of R\$ [•] ([•] Brazilian Reals) for each SHARE.

We expressly represent that:

- This proposal is valid for 180 (one hundred and eighty) days from its date of submission;
- We agree, in full and without any restrictions, to the contract terms and conditions set forth in the BID NOTICE and the draft stock purchase agreement;
- We confirm that we have full knowledge of the object of the STOCK PURCHASE AGREEMENT and the conditions therein; and
- We have fully complied with all the obligations and requirements contained in the BID NOTICE.

Any terms in capital letters contained herein will have the meanings assigned to them in the BID NOTICE.

[PARTICIPANT]

[ACCREDITED REPRESENTATIVE]

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representations and statements must be presented in Portuguese (translated into Portuguese by a public sworn translator in Brazil if applicable). In case of any discrepancy between the original BID NOTICE, in Portuguese, and this English version, the version in Portuguese shall prevail.

ANNEX IX TO BID NOTICE No. 001/2017

Template of Certification of No Equivalent Foreign Document

[Place], [•], [•], 20__

TO THE STATE

RE: Bid Notice No. 001/2017 - Template of Certification of No Equivalent Foreign Document

Dear Sirs,

For the purposes of complying with Bid Notice No. 001/2017, [•], company with its principal business office in [•], by its undersigned legal representative, in compliance with the provisions of item 3.3 of the BID NOTICE, expressly declares, under the penalties of the law, that there is no document, in its country of origin, equivalent to the one required in item [•] of the BID NOTICE.

Sincerely yours,

[PARTICIPANT]

[ACCREDITED REPRESENTATIVE]

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ANNEX X TO BID NOTICE No. 001/2017

Template of Statement of Acknowledgment of the Terms of the Bid Notice and
Absence of Impediment to Participation in the AUCTION

[Place], [•], [•], 20__

TO THE STATE

Re: Bid Notice No. 001/2017 - Statement of Acknowledgment of the Terms of the Bid Notice and Absence of Impediment to Participation in the Auction

Dear Sirs,

In response to the aforementioned Bid Notice, the [PARTICIPANT], by its undersigned representative(s), declares, under penalty of the the applicable law, to acknowledge the terms of this BID NOTICE, and to be in agreement with all that is provided therein, as well as other documents related to the PROCESS, and that there is no impediment that prevents its participation in the procurement procedures with the STATE.

Sincerely yours,

[PARTICIPANT]

[ACCREDITED REPRESENTATIVE]

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ANNEX XI TO BID NOTICE No. 001/2017

Template of Statement of Compliance to Brazilian Laws

[Place], [•], [•], [•]

TO THE STATE

Re: Bid Notice No. 001/2017 - Statement of Compliance to Brazilian Laws

Dear Sirs,

The [PARTICIPANT], by its undersigned representative(s), certifies, for the due purposes, to formally and expressly be subject to and comply with the Brazilian Laws and it fully waives the right to make any claim via diplomatic channels for any reasons of fact or of law.

Sincerely yours,

[PARTICIPANT]

[ACCREDITED REPRESENTATIVE]

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ANNEX XII TO BID NOTICE No. 001/2017

Template of Certification that it does not participate in the AUCTION through another PARTICIPANT, neither directly or by means of RELATED PARTY

[Place], [•], [•], [•]

TO THE STATE

Re: Bid Notice No. 001/2017 - Certification to the fact that it does not participate in the AUCTION through another PARTICIPANT, neither directly nor through a RELATED PARTY

Dear Sirs,

For the purposes of complying with Bid Notice No. 001/2017, [•], company with its principal business office in [•], by its undersigned legal representative, in compliance with the provisions of item 3.3 of the BID NOTICE, expressly declares, under the penalties of the law, that it does not participate in the AUCTION through another PARTICIPANT, neither directly nor through a RELATED PARTY.

Sincerely yours,

[PARTICIPANT]

[ACCREDITED REPRESENTATIVE]

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ANNEX XIII TO BID NOTICE No. 001/2017

Template of Certification to the fact that it complies with the provisions of article 7,
item XXXIII of the Federal Constitution

[Place], [•], [•], [•]

TO THE STATE

Re: Bid Notice No. 001/2017 - Certification to
the fact that is complies with the provisions of
article 7, item XXXIII of the Federal Constitution

Dear Sirs,

For the purpose of complying with Bid Notice No. 001/2017, [•], company with its principal business office in [•], by its undersigned legal representative, in response to the provisions of item 3.3 of the BID NOTICE, expressly declares, under the penalties of the law, that it does not employ anyone under the age of eighteen in night, dangerous or unhealthy work, and does not employ anyone under the age of sixteen years, except those in apprenticeship contract, older than fourteen years old.

Sincerely yours,

[PARTICIPANT]

[ACCREDITED REPRESENTATIVE]

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ANNEX XIV TO BID NOTICE No. 001/2017

Template of Certification to the fact that all sector charges provided in Federal Laws Nos. 8,631, dated as of April 4, 1993, and 9,427, dated as of December 26, 1996, have been paid

[Place], [•], [•], [•]

TO THE STATE

Re: Bid Notice No. 001/2017 - Certification to the fact that all sector charges provided in Federal Laws Nos. 8,631, dated as of April 4, 1993, and 9,427, dated as of December 26, 1996, have been paid

Dear Sirs,

For the purposes of complying with Bid Notice No. 001/2017, [•], company with its principal business office in [•], by its undersigned legal representative, in compliance with the provisions of item 3.3 of the BID NOTICE, expressly declares, under the penalties of the law, that it is compliant with payments of sector charges provided in Federal laws Nos. 8,63, dated as of April 4, 1993 and 9,427, dated as of December 26, 1996.

Sincerely yours,

[PARTICIPANT]

[ACCREDITED REPRESENTATIVE]

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between the original BID NOTICE, in Portuguese, and this English version, the version in Portuguese shall prevail.