

RESPONSE TO REQUEST FOR REVIEW

From: Bureau Veritas Holding SAS

To: CDM Team

Attention: Andrew Howard, Secretary to the CDM Executive Board

Reference: Corrections Requested for Request for review for: request for registration of 6331 Passos Maia CDM Project, sent in e-mail of 31/12/2012 09:57

Dear CDM Team,

Regarding the above mentioned reference, Bureau Veritas Certification, BVC Holding SAS, had performed the Validation of the CDM Project 6331: Passos Maia CDM Project. Subsequently, have been issued 3 requests for review, where all of them have the same description, as follows:

The DOE should justify how the input values used in the investment analysis were valid and applicable at the time of the investment decision (17/09/2009 as per the Contract of Assignment and Share Subscription Rights and the Shareholders Agreement) given the fact that the sources for the total investment (Eletrobrás Standard Budget, dated 12/2009), the electricity tariff (PPA dated 14/12/2009) and the PLF (Consolidated Basic Engineering Project, dated 15/03/2010) were not available at the time of investment decision. Please refer to EB 62, Annex 5, paragraph 6.

It is a pleasure to inform Bureau Veritas Certification's response for this issue as defined below, where we describe all actions taken to properly handle the analysis of the situation and give the right answer for that.

The Contract of Assignment and Share Subscription Rights signed on 17/09/2009 establishes the time of the investment decision. CDM Executive Board requested explanation about the sources used for the following input values used in the investment analysis: total investment, electricity tariff and PLF. PP's demonstrated as follows that had sources for all these input values before the investment decision. (This information is updated in the Validation report version 04.0 - please refer to references /54/ and /55/).

Total Investment

Regarding the total investment, despite the validation report mentions the Eletrobrás Standard Budget (dated 12/2009) as evidence for Capex, there are other evidences that can prove that this value was already available before the investment decision. Clause 03 of the board meeting minute (Desenvix –AR-0004/09) dated from 15/06/2009 establishes that the budget for Passos Maia SHP implementation was R\$ 127 million based on engineering company studies. Eletrobrás Standard Budget (dated 12/2009) confirmed further this value. This Board Meeting was already supplied to DOE during the validation.

The electricity tariff

Despite the Power Purchase Agreement was signed on 14/12/2009, this level of prices were sought by the company before. This can be seen on the Board Meeting Minute from **19/06/2009**(Desenvix – AR-0005/09), where it is expressed level of electricity tariffs (R\$ 160.00/MWH from 2012 to 2016 and R\$ 140.00 for all the remaining authorization period). According to this minute this level of prices must be reached to cover the debt coverage index required by BNDES. Therefore, this level of electricity tariffs were considered and known before the investment decision. After that, these prices were confirmed by Power Purchase Agreements. Therefore, project owner projected electricity tariffs according its expectations(that were conservative from the CDM's point of view as indicated in the Validation Report, page 29/30)which were confirmed after with PPA.

The Plant Load Factor

Internal economic studies of the company considered that the plant load factor was 57% and the assured energy was 14.3 MW. This is expressed in Board Meeting Minute from **19/06/2009** (Desenvix –AR-0005/09). This evidence is before the investment decision date.

The DOE submitted clean and tracked versions of updated documents, PDD V 04.3 and Validation report version 04.

Confident that the above comments will support you to adequately address the raised issues, the DOE remains available at any time for additional clarification.



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Marco F. Prauchner
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