

COMPANHIA ENERGÉTICA DE MINAS GERAIS – CEMIG

LISTED COMPANY – CNPJ: 17.155.730/0001-64 – NIRE 31300040127

MARKET ANNOUNCEMENT

Aneel decides tariff adjustment of Cemig D

Cemig (*Companhia Energética de Minas Gerais*) ('the Company'), a listed corporation with securities traded on the stock exchanges of São Paulo, New York and Madrid, in accordance with CVM Instruction 358 of January 3, 2002, as amended, **hereby publicly informs** the Brazilian Securities Commission (CVM), the São Paulo Stock, Commodities and Futures Exchange (BM&F Bovespa S.A.) and the market in general **as follows**:

Today (Monday, April 7, 2014) the Brazilian electricity regulator Aneel decided the **Annual Tariff Adjustment** to be applied to the tariffs charged to consumers for supply of electricity by **Cemig Distribuição S.A. ('Cemig D')**, a wholly-owned subsidiary of Cemig.

Cemig is issuing the following public announcement:

"Today, Monday April 7, 2014, the Brazilian Electricity Regulator, Aneel, decided on the annual adjustment of the electricity rates charged to consumers by **Cemig Distribuição S.A.** ('Cemig D'), the group's distribution company: the new rates decided today increase the amount charged to the consumer for supply of electricity by an average (across all consumer categories) of 16.33%. The increases come into effect tomorrow, Tuesday, April 8.

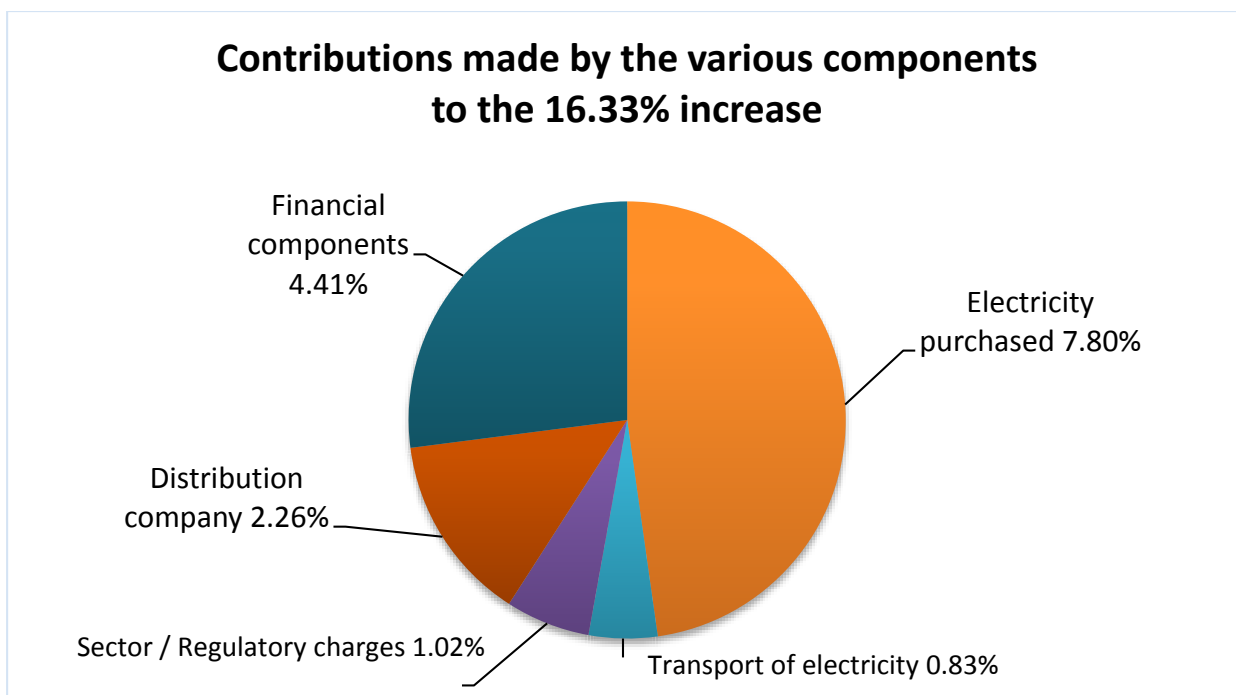
For *Residential* consumers, the increase in the charge for electricity is 14.24%. For clients classified as captive consumers in the *Industrial* and *Services* categories, served at medium and high voltage, the adjustment has the effect of an average increase of 12.41%. For those served at low voltage, the increase is 15.78%.

Cemig's Tariffs Manager, Mr. Ronalde Xavier Moreira Júnior, says consumers will receive the full effect of the adjustment only in their May invoices. "This is because the dates of meter readings for electricity bills are spread over the month. So in April, consumers will pay for the part of their consumption that took place before April 8 at the previous rate, and the other part with the increase in the electricity supply rate included".

Calculating the electricity bill

Of the amount charged in the invoice, only 25.8% stays with Cemig D itself – remunerating its investment, and covering its depreciation and running costs as a concession holder. The other 74.2% is passed on by Cemig D to a range of operational and regulatory costs and expenses: the cost of electricity purchased (39.8%); electricity sector regulatory charges (4.9%); costs of transmission (3.5%); the ICMS value added tax charged by Minas Gerais State (21%); and the federal Pasep and Cofins taxes (an aggregate 5%) – all of these items are in fact passed on to the state or federal governments and to other agents of the electricity sector.

According to Mr. Xavier, the main increase in costs in 2014 was the expense on purchase of electricity – reflecting the use of supply generated by the thermoelectric plants during this last year: “The price of the electricity from these plants is practically double the costs of electricity generated by hydroelectric plants,” he says. “This year, the cost of purchased electricity was R\$ 679 million higher than in the previous year – this component alone is responsible for 7.80 percentage points of the overall increase.”



Taxes and similar charges included in consumer electricity bills

Under Brazil’s Constitution, Cemig is obliged to charge certain taxes directly on the consumer’s electricity bill, and pass them on to the related authorities.

The *PIS*, *Pasep* and *Cofins* taxes are examples of taxes charged directly on the consumer’s electricity bill that are destined for maintaining federal government social programs. The *ICMS* tax, charged by states, is also charged directly on the consumer’s electricity bill, and is passed on in full to the government of the State.

In the case of Minas Gerais State, however, residential clients consuming less than 90kWh/month – a total of about 2.4 million families – are exempt from ICMS tax.

Another component charged on the consumer's electricity bill is the *Contribution to Finance Public Illumination (Contribuição para Custeio do Serviço de Iluminação Pública, or CIP)*. The amounts of this charge are decided by individual municipal prefectures. Cemig collects the amount, and passes it on to the prefectures of individual cities and towns – which are the bodies responsible for planning, building, expansion, operation and maintenance of public illumination facilities.

Low-income consumers

In the 774 municipalities of Minas Gerais State where Cemig distributes electricity, more than 660,000 consumers are in the *Rural* category and about one million are classified as low-income consumers. These clients benefit from a subsidy, and pay less than cost for the electricity they consume.

For low-income consumers with consumption up to 30kWh/month, the benefit results in a discount of approximately 65%. For consumption between 31kWh and 100kWh/month, the discount is 40%, and for the range between 101 and 220kWh/month the discount is 10%.

Residential consumer electricity bills – examples

	Invoice of a low-income residential consumer (R\$)		Full residential consumer invoice (R\$)	
Period	April 8, 2013 to April 7, 2014	April 8, 2014 to April 7, 2015	April 8, 2013 to April 7, 2014	April 8, 2014 to April 7, 2015
Consumption, kWh/month	(Aneel Decision 1507/2013)	(Aneel Decision of 2014)	(Aneel Decision 1507/2013)	(Aneel Decision of 2014)
30	3.56	4.09	10.41	11.89
66	10.90	12.52	22.90	26.16
90	15.79	18.13	31.23	35.68
100	27.85	31.99	54.22	61.94
130	42.17	48.44	70.48	80.52
220	85.14	97.80	119.28	136.27
250	101.06	116.08	135.55	154.85

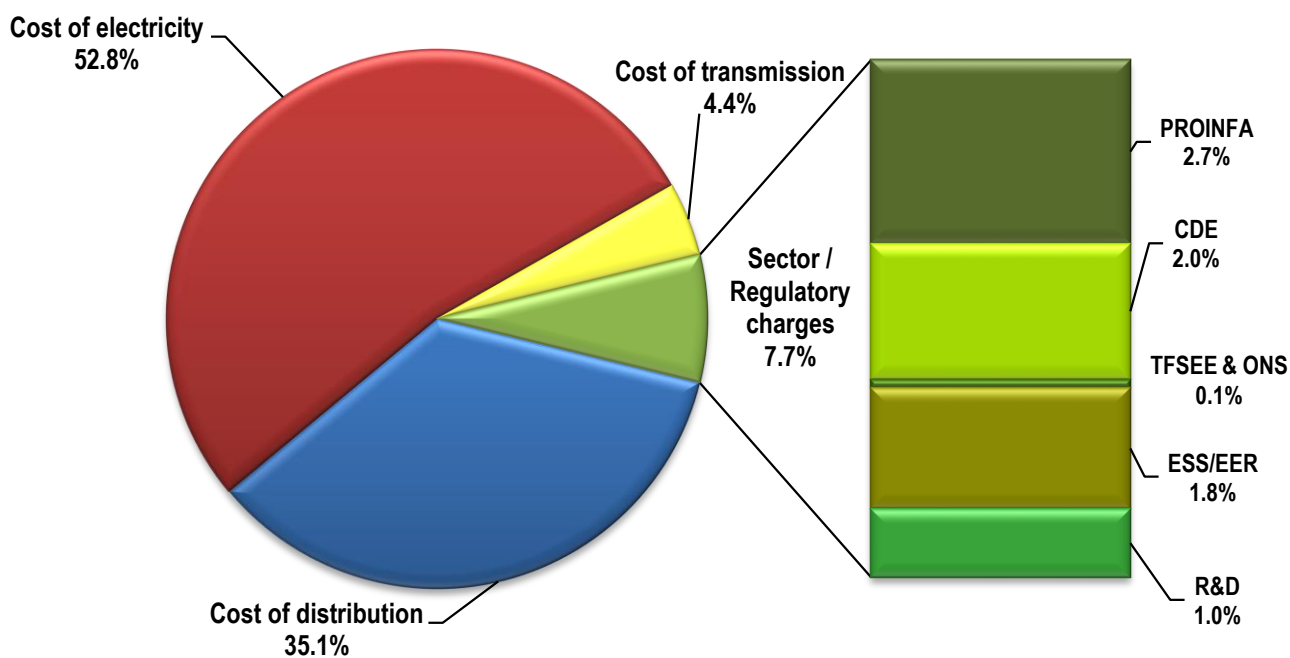
Examples of amounts of electricity bills, in R\$, including the taxes.

Consumers' average electricity bills

In 2013, half of the consumers of Cemig D (Distribution) had electricity bills lower than R\$ 60 – i.e. their daily expense on electricity was less than R\$ 2 (equivalent to just under one US dollar). With the tariff adjustment, the monthly amount will on average increase to about R\$ 68.

With today's adjustment fully in effect, the revenue of Cemig D will have the following structure:

Cemig D - Components of revenue (excluding taxes)



Belo Horizonte, April 7, 2014

Luiz Fernando Rolla
Chief Finance and Investor Relations Officer