Empresa Distribuidora Eléctrica Regional S.A. (EMDERSA)

EMDERSA

Quick Facts

Country of Operation:	Argentina
Business Segment:	Power Distribution
Asset Details:	15,885 miles distribution lines
Operating Since:	1997
AEI Ownership:	77.1%

EMDERSA, through its subsidiaries Empresa Distribuidora de San Luis S.A., or EDESAL, Empresa Distribuidora de La Rioja S.A., or EDELAR, and Empresa Distribuidora de Salta S.A., or EDESA, supplies electricity to a service area with a population of approximately 2.0 million that encompasses approximately 124,000 square miles in the Provinces of San Luis, La Rioja and Salta, respectively. As of December 31, 2009, EMDERSA had approximately 509,000 customers and sold approximately 2,814 GWh of electricity in 2009. EDESA also owns 90% of Empresa de Sistemas Eléctricos Dispersos, or ESED, an electricity generation and distribution company that supplies energy to customers in remote areas of the Province of Salta through the utilization of photovoltaic solar panels. In addition, EMDERSA's subsidiary, EMDERSA Generación Salta S.A., or EGSSA, is in the process of obtaining the operational approval from the Argentine Secretary of Energy to generate electricity through a natural gas-fired 30MW plant located in the northeast region of the Province of Salta which is expected to start operations in the first half of 2010. We own 77.10% of EMDERSA. A substantial amount of the remaining ownership interest is owned by Argentine government pension funds. EMDERSA is a public company and traded on the Buenos Aires Stock Exchange with negligible liquidity under the symbol "EMDEHR". EMDERSA owns 99.99%, 99.99%, 90.00% and 99.98% of EDESAL, EDELAR, EDESA and EGSSA respectively. Our acquisition of EMDERSA is still pending local anti-trust approval.

EDESAL, EDELAR and EDESA each hold an exclusive long-term renewable concession from the San Luis, La Rioja and Salta Province regulators respectively. EDESAL's concession agreement is divided into several administrative periods, the first of which was 15 years and expired in 2008, followed by eight successive ten-year periods, the next of which will expire in 2018. At the end of each period a competitive bid process for the sale of a minimum of 51% of the share capital of EDESAL will take place. We can participate in the bidding and will only be required to sell and transfer control of our interest in EDESAL if there is a higher bidder, in which case we will receive the amount bid by the higher bidder. Following the auction, a new ten-year concession will be granted to EDESAL at the end of which the auction process would be held again. EDELAR's concession is divided similarly with an initial period of 15 years (ending in 2010) followed by eight successive ten-year periods with a competitive bidding process at the end of each period which follows the same process as described for EDESAL. EDESA's concession has an initial period of 20 years (ending 2016) followed by two successive 15-year periods with a competitive bidding process at the end of each period which follows the same process as described for EDESAL and EDELAR.

Tariffs for Argentine electricity distribution companies are periodically reviewed by the regulators within the service area that the concession is located. EMDERSA's subsidiaries generally have tariff reviews every five years. EDESAL's tariff is currently under review, and the tariffs for EDESA and EDELAR are expected to be reviewed in 2011 and 2013, respectively. Tariffs are also adjusted every six or 12 months for inflation of controllable costs and to pass-through adjustments to noncontrollable costs.

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