

## **ANNEX C**

### **TO THE TREATY OF ITAIPU**

**(Brasília, 04.26.1973)**

#### **Financial Bases and of Rendering the Services of Electricity of the ITAIPU.**

##### **I - Definitions**

For the effect of the present Annex it will be understood for:

I.1 - Entities: the ELETROBRÁS, the ANDE or the Brazilian or Paraguayan companies or entities for indicated them, as Article XIV of the Treaty signed by Brazil and Paraguay in 26 to April of 1973.

I.2 - Installed power: the addition of the normal rated powers of plate, express in kilowatts, of the alternators installed in the electric center.

I.3 - Contracted power: the power in kilowatts that the ITAIPU will place, permanently, to the disposal of the entity purchaser, in the periods of time and the conditions of respective contracts of buy-and-sell of the electricity services.

I.4 - Financial incumbencies: all the pertinent interests, taxes and commissions to the contracted loans.

I.5 - Expenditures of exploration: all the expenses imputable to render of the services of electricity, enclosed the expenses maintenance and operation right-handers, also the replacements caused for the normal consuming, expenses of administration and generalities, beyond the insurance against the risks of the goods and installations of the ITAIPU.

I.6 - Period of operation and invoicing: the month calendar.

I.7 - Account of exploration: the annual statement between the prescription and the cost of the service.

##### **II - Conditions of Supply**

II.1 - The division of the energy in equal parts established in Article XIII of the Treaty, shall be effected by dividing the installed power of the electric power plant.

II.2 - Each entity, in the exercise of its right to the utilization of the installed power, shall contract with the ITAIPU, for periods of twenty years, fractions of the power installed in the electric power plant, as a result of a utilization schedule that shall cover this period which will indicate each year, the power to be utilized.

II.3 - Each of the entities shall deliver to ITAIPU the above-mentioned schedule, two years in advance of the date forecast for the entry into commercial operation of the first generating unit of the electric power plant and two years prior to the term of the first, and of the subsequent twenty year contract.

II.4 - Each entity has the right to utilize the energy capable of being produced by the power it has contracted up to the limit, that shall be fixed by ITAIPU, for each period of operation. It is understood that each entity can utilize the power it has contracted, during the time it suits it, within each period of operation, on condition that the energy it is using, in all this period, does not surpass the above-mentioned limit.

II.5 - When an entity decides not to utilize part of the contracted power or part of the energy corresponding to it, within the limit fixed, it may authorize ITAIPU to cede the other entities the part that becomes available in this manner, both in power and in energy, during the period referred to in II.4, under the conditions established in IV.3.

II.6 - The energy produced by ITAIPU shall be delivered to the entities at the bus-bar system of the electric power plant, in the conditions established in the purchase and sale contracts.

### **III- Cost of the Service of Electricity**

The cost of the electricity service shall be composed of the following annual parcels:

III.1 - The amount necessary for the payment, to the parties that constitute the ITAIPU, of the returns of twelve percent per annum for their participation in the integrated capital, in accordance with Paragraph 1st of Article III of the Treaty and with the Article VI of the Statute (Annex A).

III.2 - The amount necessary for the payment of the financial charges on the loans received.

III.3 - The amount necessary for the payment of the amortization of the loans received.

III.4 - The amount necessary for payment of the "royalties" to the High Contracting Parties, calculated as the equivalent of six hundred and fifty dollars of the United States of America per gigawatt-hour, generated and metered in the electric power plant. This amount cannot be inferior, annually, to eighteen million dollars of the United States of America, at the rate of half to each High Contracting Party. The Payment of the "royalties" is to be effected monthly by ITAIPU, in the currency available.

III.5 - The amount necessary for the payment to ELETROBRÁS and to ANDE, in equal parts, as compensation for the charges of administration and supervision related to the ITAIPU, calculated as the equivalent to fifty dollars of the United States of America per gigawatt-hour generated and metered at the power plant.

III.6 - The amount necessary to cover the exploitation expenditures.

III.7 - The amount of the balance, positive or negative, of the exploitation account pertaining to the previous exercise.

III.8 - The amount necessary for the remuneration to one of the High Contracting Parties, equivalent to three hundred dollars of the United States of America, per gigawatt-hour ceded to the other High Contracting Party. This remuneration shall be effected monthly by ITAIPU, in the currency available.

### **IV - Revenues**

IV.1 - The annual income, resulting of contracts of the rendering of the electricity services, will have to be equal, in each year, to the cost of the service established in this Annex.

IV.2 - This cost will be distributed proportionally to the powers contracted for the supplied entities.

IV.3 - When to verify the hypothesis foreseen in previous II.5, the invoicing to the contracting entities will be made in function of the power effectively used.

IV.4 - When not to verify the hypothesis foreseen in II.5, and having in sight the made use one in Article XIII of the Treaty and in IV.2 above, the responsibility of the entity that contracted the purchase will be of the totality of the contracted power.

## **V - Other Disposals**

V.1 – The Council of Administration, with previous seeming of the ELETROBRÁS and of the ANDE, will regulate the norms of the present Annex, having had as objective the biggest efficiency of the ITAIPU.

V.2 - The value of the incomes on the capital, of "royalties" of the compensation of the mentioned refundable and of the remuneration, respectively, in III.1, III.4, III.5 and III.8, previous, will be kept constant in accordance with established in § 4th of the Article XV of the Treaty.

## **VI – Review**

The disposals of the present Annex shall be reviewed, after the continuation of a stated period of fifty years from the entrance in vigor of the Treaty, having in account, among others aspects, the degree of amortization of the degree of amortization contracted by the ITAIPU for the construction of the exploitation and the relation enters the powers contracted for the entities of both countries.

**(Published in "Official Gazette" of 08.30.1973, p. 8,645.)**

## **INTERPRETATION OF THE ANNEX C TO THE TREATY OF ITAIPU**

**(Asuncion, 02.11.1974)**

Interpretative Notes about Annex C of the Treaty for the Hydroelectric Exploitation of the Hydraulics Resources of the River Paraná, pertaining in Condominium to the two Countries, since and also the Salto Grande de Sete Quedas or Salto de Guaíra until the Estuary of the River Iguazu, of 26 of April of 1973.

To the eleven days of February of 1974 had been concluded in Asuncion, by the Gentlemen Mário Gibson Barboza, Minister of State of the Foreign Affairs of Brazil, and Raúl Sapena Pastor, Minister of the Foreign Affairs of Paraguay, Interpretative Notes about Annex C of the Treaty for the Hydroelectric Exploitation of the Hydraulics Resources of the River Paraná, pertaining in Condominium to the two Countries, since and also the Salto Grande de Sete Quedas or Salto de Guaíra until the Estuary of the River Iguazu, of 26 of April of 1973.

### **The Brazilian Note is of the following text:**

Asuncion, in 11 of February of 1974.

Sir Minister:

I have the honor to advise of receiving the Note of Your honor, of this date, whose text in Portuguese is the following one:

"Sir

With reference to Annex C of the Treaty of Itaipu, signed the 26 of April of 1973 between the

Minister,

Government of the Republic of Paraguay and the Government of the Federative Republic of Brazil, I have the honor to lead to the knowledge of Your honor who the agreement of the Government of the Republic of Paraguay is the following one :

**A)** the values established in cited the Annex C, items III.4, III.5 and III.8, will be brought up to date in accordance with the foreseen one in Article XV of the related one Treaty, having, moreover, to have relation with: a) the real adjustments of cost that occurs in the works of the hydroelectric of Itaipu, being overcome as initial base the budget established in the "Preliminary Report" submitted by the Mixing Commission Technique Paraguayan-Brazilian to the Governments of the Paraguay and of the Brazil in 12 of January of 1973, cited in the Annex B to the Treaty one to 26 of April of 1973, and b) the cost of the electric energy to be produced in Itaipu; and

**B)** the period of twenty years mentioned in item II.2 of cited the Annex C will be able to be divided in two sub periods of ten years, to which will apply made use in paragraph 2 of the Revertive Note n° 5, of 26 of April of 1973.

In consequence, at the moment of the entrance in service of the first generating unit - as for the interpolated proposition A) - and for occasion of the first contract between Itaipu and ANDE or companies or entities for this indicated - as for interpolated proposition B) - will be adopted, by means of agreement of the two Governments or in agreement the foreseen one in cited the Annex C, V.1 item, the pertinent measures that if to make necessary, in accordance with its respective disposals constitutional.

In case that the Government of concordant Brazil with what it precedes, this Note and of Your honor, in reply to the this note, constitutes agreement between the two Governments.

I use to advantage the chance to renew Your honor the protests of my higher consideration. - Raúl Sapena Pastor".

2. In reply, Its me grateful to inform to Your honor of the agreement of the Brazilian Government with the text of the above transcribing Note that starts to constitute, with the present moment, agreement between the two Governments.

I use to advantage the chance to renew Your honor the protests of my higher consideration.

a) Mário Gibson Barboza

PARAGUAY - NOTE REVERTIVE N° 1, of 2.11.74.

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