

Cesp Falls on Concern Brazil Government to Demand Lower Prices

By Paulo Winterstein

[Cia. Energetica de Sao Paulo](#), the state-controlled utility with operating licenses that begin to expire in 2015, fell to the lowest in two weeks on concern the government will demand lower prices to renew the rights.

Cesp, as the company is known, slid 68 centavos, or 4.5 percent, to 14.40 reais in Sao Paulo trading. The closing price was the [lowest](#) since Dec. 26.

Jerson Kelman, the head of Brazil's electrical power regulator, told Valor Economico newspaper in an interview printed today that the federal government may force companies to lower prices or pay a fee in order to renew concessions.

"Reading the interview brings up the questions of renewals again," said [Vicente Koki](#), analyst at Banif-IXE Securities in Sao Paulo. "Now they're saying that if they're renewed, there will be an onus of lower prices for energy. Companies may be thinking, 'OK, you'll renew the license, but we were better off before.'"

An attempt by the Sao Paulo state government to privatize Cesp, as the utility is known, failed in March because the expiration of 20-year concessions for the Ilha Solteira and Jupia dams in 2015 made it unattractive to investors.

The hydroelectric dams, whose licenses expire in 2015, have total capacity to generate about 17,000 megawatts, including Ilha Solteira, Brazil's third-largest hydroelectric plant.

The Brazilian government will decide whether to renew Cia. Energetica de Sao Paulo's rights to operate two hydroelectric dams in the first quarter of this year, [Marcio Pereira Zimmerman](#), Brazil's deputy energy minister said Dec. 9.

Cesp Falls on Concern Brazil Government to Demand Lower Prices. In: **Bloomberg**, Mídia Online, 9.janeiro.2009.