



Notice to the Market – IR 12/16

Result of the 4th Tariff Review Cycle - Copel Distribuição

Companhia Paranaense de Energia – COPEL, a company that generates, transmits, distributes and sells power, with shares listed on the BM&FBovespa (CPLE3, CPLE5, CPLE6), NYSE (ELPVY, ELP) and LATIBEX (XCOP), hereby informs its shareholders and the market in general that, at its 22nd Ordinary Public Meeting held today, the Brazilian Electricity Regulatory Agency (ANEEL) ratified the result of the 4th Tariff Review Cycle of Copel Distribuição, corresponding to an average impact on costumers of -12.87% due to (i) the repositioning of the Portion A and B cost items, corresponding to 1.91%, (ii) the inclusion of the financial components calculated in the current tariff revision process to be offset in the 12 subsequent months, with an effect of -1.73%, and (iii) the removal of the financial components established in the last tariff revision process, which contributed to an effect of -13.05% on the Company's current tariff revision process. For residential consumers, tariff will reduce by 14.3%. The main items of the process are presented below:

Portion A, which includes charges, transport and power costs, totaled R\$7,786.8 million, of which (i) R\$2,549.3 million refers to sector charges, (ii) R\$405.7 million to transmission costs, and (iii) R\$4,831.8 million to energy purchase costs.

Portion B, which includes operating costs, annual fees, remuneration, depreciation, non-recoverable revenue and others, totaled R\$2,222.4 million, and basically reflects the increase in the remuneration of the net asset base, which totaled R\$4,920.4 million (versus the R\$2,552.3 million registered in the 3rd Tariff Revision Cycle), reflecting the robust investment program carried out by Copel Distribuição in the last four years.

Factor X, defined based on potential productivity gains, compatible with market growth and the number of consumer units, service quality, and the transition of efficient operating costs, will be composed of a productivity component (Pd) of +1.12% and a cost trajectory component (T) of -1.99%, which will increase Portion B throughout the cycle.

The reference for **regulatory losses** was set at 6.22% of the energy injected for technical losses and 4.70% of the low-voltage market for non-technical losses for the entire cycle, without a reduction target.

The new tariffs will become effective for Copel Distribuição's customers as of June 24, 2016.

Curitiba, June 21, 2016.

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Chief Financial and Investor Relations Officer

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