Consolidated Financial Statements

ISA Capital do Brasil S.A.

December 31, 2009 and 2008
with Report of Independent Auditors

ISA Capital do Brasil S.A.

Financial statements

December 31, 2009 and 2008

Contents

A free translation from Portuguese into English of Report of Independent Auditors on financial statements prepared in accordance with accounting practices adopted in Brazil

Report of independent auditors

The Board of Directors and Stockholders
ISA Capital do Brasil S.A.

1. We have audited the accompanying balance sheets (Company and Consolidated) of ISA Capital do Brasil S.A. and its subsidiary as of December 31, 2009, and the related statements of income, changes in stockholders' equity, cash flows and value added for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2. We conducted our audit in accordance with auditing standards applicable in Brazil which comprised: (a) the planning of our work, taking into consideration the materiality of balances, the volume of transactions and the accounting and internal control systems of the Company and its subsidiary; (b) the examination, on a test basis, of the evidence and records supporting the amounts and disclosures in the financial statements; and (c) an assessment of the accounting practices followed and significant estimates made by management of the Company and its subsidiary, as well as an evaluation of the overall financial statement presentation.

3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position (Company and Consolidated) of ISA Capital do Brasil S.A. and its subsidiary at December 31, 2009, and the results of their operations, changes in their stockholders' equity, the cash flows and the value added of the operations for the year then ended, in accordance with accounting practices adopted in Brazil.

4. As mentioned in Note 37, pursuant to a decision of the 49th São Paulo Labor District Court, from September 2005, Fundação CESP started to process the payroll for beneficiaries of the supplementary retirement benefit plan governed by Law No. 4819/58 through funds passed on to such beneficiaries by CTEEP in the form adopted until December 2003. In January 2006, the São Paulo (SP) State General Attorney's Office understood that the SP State Government liability is limited to the state legal limits prescribed for retirement benefit payouts. Since then, the State Government started to disallow part of the funds passed on to the CTEEP for this purpose. The difference between the amount paid to beneficiaries by CTEEP and the SP State partial disallowance is recorded in noncurrent assets, as stated in Note 7. In a decision rendered in October 2008, the Higher Court of Justice (STJ) reaffirmed the Courts of Law as the competent courts of jurisdiction in regard to Civil Class Actions involving the same parties and subject matter, a decision which was subject to requests for rehearing en banc. Grounded on the opinion of its legal advisors, the CTEEP management understands that the State Government is fully liable to the benefit payouts under the said supplementary retirement benefit plan; as a consequence, no obligation or provision for losses on this plan was recorded in the consolidated financial statements.

5. The financial statements (Company and Consolidated) of ISA Capital do Brasil S.A. and its subsidiary, for the year ended December 31, 2008, presented for comparative purposes, were audited by other independent auditors whose unqualified opinion thereon, dated June 10, 2009, contained an emphasis paragraph as to the matter described in paragraph 4, above.

São Paulo, February 5, 2010, except for the matter mentioned in Note 38, dated March 9, 2010.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Luiz Carlos Passetti
Accountant CRC-1SP144343/O-3

(A free translation from the original in Portuguese)

ISA Capital do Brasil S.A.

Management Report
Financial Year 2009

Dear Stockholders,

The management of ISA Capital do Brasil S.A., in accordance with legal and statutory requirements, hereby submits to your appreciation this Management Report and related Financial Statements, accompanied by the respective reports of independent auditors, for the financial year ended December 31,2009.

ISA Capital is a national holding Company controlled by Interconexión Eléctrica S.A. E.S.P. a Colombian mixed ownership corporation under Colombia's government control primarily engaged in the operation and maintenance of electricity transmission networks.

As the parent company of CTEEP – Companhia de Transmissão de Energia Elétrica Paulista since July 26, 2006, ISA Capital holds 56,499,392 common shares of CTEEP issue, which represent 89.40% of the voting capital and 37.50% of total capital. At December 31, 2009, this interest in CTEEP capital is recorded under Investments, in the amount of R$ 2.0 billion, in the accompanying Financial Statements of ISA Capital.

This is the largest ISA Group equity interest held as part of its expansion process, ratifying the Group leadership in Latin America's electricity transmission segment.

ISA Capital and its Parent Company Interconexión Eléctrica S.A. E.S.P. are committed to ensuring, fostering and enhancing the quality of the electric power transmission services offered by its subsidiary CTEEP, and are also aimed at improving its economic and financial results upon adoption of world-class management models and best practices on behalf of all of its stockholders and community.

Luis Fernando Alarcón Mantilla
Chairman of the Board of Directors

(A free translation from the original in Portuguese)

ISA Capital do Brasil S.A.

Management Report
Financial Year 2009

1. Business Profile

ISA Capital do Brasil S/A ("ISA Capital" or "the Company") is a local holding originally organized as a limited liability company on April 28, 2006, having its form of business organization changed into a corporation on September 19, 2006. Later on, on January 4, 2007, the Company was listed as a publicly held company with the Brazilian Securities and Exchange Commission (CVM).

The Company's corporate purpose comprises holding equity capital in other companies or ventures as a member, stockholder, joint venture or consortium member, or under any other form of business arrangement.

ISA Capital is controlled by Interconexión Eléctrica S.A. E.S.P. ("ISA"), a Colombian mixed ownership corporation under Colombia's government control and primarily engaged in the operation and maintenance of electricity transmission networks. The Company may also hold interest in activities associated with the rendering of electric power services.

Since July 26, 2006 ISA Capital is the Parent Company of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista ("Subsidiary" or "CTEEP"), which is the date on which the public auction for sale of CTEEP controlling stock performed by the São Paulo (SP) State Government at the São Paulo Stock Exchange – BOVESPA on June 28, 2006 was financially settled.

The Company paid the SP State Government the amount of R$ 1.2 billion, corresponding to R$ 38.09 per thousand shares, to acquire 31,341,890,064 common shares representing 50.1% of the common shares issued by CTEEP and 21.0% of its total capital. ISA Capital also paid SP State Government the amount of R$ 19.4 million as a markup on the shares purchased at the Auction to make up for the discount extended to CTEEP employees for the acquisition of a certain lot of shares. Such amount paid for the acquisition of CTEEP control may be subject to adjustment, as prescribed in CTEEP stock purchase and sale agreement and to be set based on the amounts effectively paid by CTEEP for the supplementary pension plan benefits applied to former employees pursuant to State Law No. 4819/58.

As part of the destatization process, on September 12, 2006, the Company purchased more 10,021,687 common shares of CTEEP, representing 0.016% of this type of shares for R$ 229 thousand. This purchase corresponds to the common shares which were not acquired by CTEEP employees under the SP state government offering directed to them under the terms of CTEEP Destatization Tender Notice No. SF/001/2006.

On January 9, 2007, by operation of article 254-A of the Brazilian Corporation Law and pursuant to referred to Tender Notice and the CTEEP Stock Purchase and Sale Agreement, ISA Capital conducted at the São Paulo Stock Exchange - BOVESPA a public offering auction ("OPA") of outstanding shares of CTEEP issue for an amount equivalent to 80% of the price paid for CTEEP controlling stock. As a result of this Auction, the Company acquired 24,572,554,070 common shares of CTEEP issue, representing 39.28% of total common shares, at the price of R$ 30.74 per thousand shares, thus totaling R$ 755.4 million.

Accordingly, ISA Capital became the holder, in the aggregate, of 55,924,465,821 common shares of CTEEP, representing 89.40% of the voting capital and 37.46% of the total capital of CTEEP. After CTEEP's reverse split carried out in August 2007, the number of common shares held by the Company corresponded to 55,924,465.
Subsequently, on August 24, 2009, upon CTEEP capital increase, the Company contributed the amount of R$ 26.429 through capitalization of the CTEEP's tax benefit resulting from the partial amortization of the special reserve for merged goodwill in the financial year of 2008, equivalent to 574,927 common shares. At December 31, 2009, the Company held 56,499,392 common shares, which accounts for 37.50% of the total capital and 89.40% of the voting capital of CTEEP.

2. Financing for acquiring CTEEP shares

2.1 Issue of bonds

The CTEEP shares were acquired through a multi-step debt/own-capital financing arrangement.

In January 2007 the Company raised the amount of US$ 554 million from issue of bonds with JP Morgan and ABN AMRO Bank as agents, divided into two tranches of senior notes. The first, in the amount of US$ 200 million, with 5-year term, bearing interest of 7.875% p.a., call option in 2010 and 2011, and maturing in 2012, and the second, of US$ 354 million, with 10-year term, bearing interest of 8.800% p.a., and maturing in 2017 ("Notes"). Of the total issue, 60% were distributed in the United States, 36% in Europe, 2% in Latin America and 2% in Asia. The bonds are listed at Luxembourg Exchange and may be traded at NASDAQ Portal Market.

The Notes are secured by first mortgage on CTEEP shares owned by the Company. Upon the payment of the first tranche of Notes issued by the Company, which mature in 2012, part of CTEEP shares pledged as collateral may be released.

The issue of bonds by then successfully delivered was based on the investors confidence in the operation's financial structure, ISA Group support to its investments in Brazil, and CTEEP positive prospects within the Brazilian energy sector, and it was internationally rated by Standard & Poor's (BB- positive) and Fitch Ratings (BB stable). These ratings were similar to those assigned to the Federative Republic of Brazil and reflected the low risk underlying the energy transmission business and expansion forecasts for the sector. New ratings were subsequently assigned by the same rating agencies. In 2008, Fitch Ratings rate (BB stable) remained unaltered, whereas Standard & Poor´s was BB+ stable. The ratings assigned in 2008 were also applicable to 2009.

2.2 Derivative financial instruments

As a consequence of said issue of bonds, the Company traded certain swap operations involving derivative financial instruments to meet operational needs for reducing currency risk exposure. Management of these risks is premised on setting strategies, implementing control systems and determining exposure limits.

After studies and analyses of the macroeconomic scenario, the Company entered into new swap contracts in 2008, setting new currency, IGP-M and spread rates, and excluded the Recouponing partial payment clause prevailing in previous contracts, thereby eliminating any interim payments due to exchange rate fluctuations. In year 2009 these contracts remained effective bearing the same characteristics existing in their renegotiations in 2008, as detailed in Notes 18 and 33 of the Company's 2009 Financial Statements.

3. Commitments

In the course of CTEEP control acquisition process, the Company assumed several commitments and obligations by operation of Notice No. SF/001/2006, which were or are being performed as applicable. CTEEP stock purchase and sale agreement executed on July 26, 2006 has also imposed on the subsidiary and its parent certain obligations to be fulfilled in regard to CTEEP management concerning, among others, performance of previous agreements, corporate governance rules, protection of CTEEP employee rights, maintenance and continuity of electricity transmission service quality. The Company management is strictly performing all obligations assumed.

As observable in the market, the Companhia took on several commitments and obligations before financing banks and the Notes acquirers, which restrain availability and possibility of committing the Company's equity to other operations. In addition to the obligations, the financing contracts and bonds issue documents also provide for several CTEEP-related clauses, whereby if for any reason whatsoever CTEEP fails to comply with the conditions set forth in referred to documents, the Company lenders may declare it a debtor in arrears and its debt due earlier than expected.

Some of the existing covenants were hindering implementation of certain operational activities at the Company. To overcome this difficulty, in November 2009 the Company successfully completed a Consent Solicitation with the Bondholders, obtaining their consent to make said covenants more flexible. In so doing, the Company could manage its business better while strictly performing all commitments assumed.

Financial commitments and obligations are being strictly performed by the Company. In year 2009, pursuant to its bonds debt contract, ISA Capital paid semiannual interest totaling R$ 98.5 million (equivalent to US$ 46.9 million); paid installments in connection with the said derivatives contracts in the amount of R$ 47.2 million; paid the SP State Government and the stockholders who took part in the OPA, respectively, the amounts of R$ 6.9 million and R$ 4.1 million as auction price adjustment deriving from Law No. 4819/54-related obligations, as provided for in referred to Notice and CTEEP stock purchase and sale agreement; and performed other obligations associated with the Company's operations.

4. Receipts from subsidiary

As a result of its 37.50% interest in CTEEP total capital, ISA Capital received earnings in year 2009 totaling R$ 241,,0 million, of which R$ 147.1 million refer to Dividend and R$ 93,9 million correspond to Interest on Equity Capital.

5. Foreign currency debt restructuring - Bonds

In consonance with ISA Group strategy, which assumption is to expand businesses in Brazil, ISA Capital management, in the course of 2009 and concomitantly with performance of the aforementioned “Consent Solicitation” operation, developed studies to restructure its ‘bonds’ foreign-currency-denominated debt to reduce such debt cost while creating favorable conditions for expanding the Company’s and its subsidiaries’ activities.

On February 8, 2010, the Company started implementing the intended restructuring announcing a public offer abroad for repurchase in cash of any and all bonds issued by it, due 2017, up to the total amount outstanding, corresponding to US$ 354 million. The offer also requested the bondholders’ consent for implementing certain amendments that will, among other consequences, substantially eliminate covenants contained in the indenture of these bonds. ISA Capital management trusts this operation will be successful and that the intended debt restructuring will be fully implemented.

6. Independent auditors

For the purposes set forth in CVM Ruling No. 381 of January 14, 2003, ISA CAPITAL informs that Ernst & Young Auditores Independentes, engaged in April 2009 to provide audit services comprising its Financial Statements for a one-year period, has since then only rendered external audit-related services.

7. Board’s representation

Under the provisions of article 25 of CVM Ruling No. 480, of December 7, 2009/09, the Company’s Board represents that it has discussed, reviewed and agrees with these financial statements, as well as with the opinions thereon expressed in the report of independent auditors.

The Management

ISA Capital do Brasil S.A.

Balance sheets
December 31, 2009 and 2008
(In thousands of reais – R$, unless otherwise stated)

		Company		Consolidated	
	Note	2009	2008	2009	2008
Assets					
Current assets					
Cash and cash equivalents	5	**30,004**	1,593	**72,222**	124,617
Trade accounts receivable	6	**-**	-	**289,536**	299,329
Inventories		**-**	-	**43,328**	31,952
Interest on equity capital and dividends receivable – Subsidiary		**138,113**	85,558	**-**	-
Amounts receivable from State Finance Department	7	**-**	-	**19,439**	19,786
Tax benefit – merged goodwill	8	**-**	-	**28,832**	28,832
Taxes recoverable	9	**32,148**	24,633	**245,465**	27,873
Deferred income and social contribution taxes	10	**-**	-	**31,472**	11,315
Pledges and restricted deposits	11	**40,857**	55,209	**40,857**	55,209
Prepaid expenses	12	**2,871**	2,871	**2,871**	2,871
Other		**22**	65	**19,957**	34,909
		244,015	169,929	**793,979**	636,693
Noncurrent assets					
Long-term receivables					
Trade accounts receivable	6	**-**	-	**62,074**	45,088
Amounts receivable from State Finance Department	7	**-**	-	**557,027**	454,639
Tax benefit – merged goodwill	8	**-**	-	**147,911**	176,743
Deferred income and social contribution taxes	10	**-**	-	**67,078**	76,648
Pledges and restricted deposits	11	**-**	-	**43,946**	51,860
Prepaid expenses	12	**9,881**	12,752	**9,881**	12,752
Loans receivable	13	**41,448**	64,131	**41,448**	64,131
Other		**-**	-	**4,383**	2,407
		51,329	76,883	**933,748**	884,268
Investment	14	**2,041,164**	2,081,308	**-**	-
Property, plant and equipment	15	**46**	52	**4,676,620**	4,234,666
Intangible assets	16	**-**	-	**416,094**	474,326
		2,041,210	2,081,360	**5,092,714**	4,708,992
		2,092,539	2,158,243	**6,026,462**	5,593,260
Total assets		**2,336,554**	**2,328,172**	**6,820,441**	**6,229,953**

Liabilities and stockholders' equity	Note	Company 2009	Company 2008	Consolidated 2009	Consolidated 2008
Current liabilities					
Loans and financing	18	**52,819**	105,777	**643,932**	451,279
Suppliers		**252**	219	**71,043**	36,495
Taxes, charges and contributions	19	**7,350**	8,787	**95,855**	28,263
Taxes in installments - Law No. 11941	20	**-**		**9,853**	-
Regulatory charges	21	**-**	-	**40,018**	36,528
Interest on equity capital and dividends payable		**-**	-	**236,285**	147,714
Provisions	22	**-**	-	**27,688**	34,922
Amounts payable - Law No. 4819/58 - State Finance Department	4	**6,891**	6,153	**6,891**	6,153
Amounts payable – Law No. 4.819/58 - OPA	4	**4,322**	3,840	**4,322**	3,840
Amounts payable – Fundação CESP	23	**-**	-	**6,917**	6,210
Annual revenue adjustment	26 (a) (ii)	**-**	-	**21,277**	-
Other		**-**	-	**29,309**	6,782
		71,634	124,776	**1,193,390**	758,186
Noncurrent liabilities					
Long-term payables					
Loans and financing	18	**964,997**	981,306	**1,422,278**	1,492,592
Regulatory charges	21	**-**	-	**3,269**	2,805
Provisions	22	**-**	-	**167,953**	174,152
Taxes in installments - Law No. 11941	20	**-**	-	**137,885**	-
Amounts payable – Fundação CESP	23	**-**	-	**13,601**	68,503
Amounts payable - Law No. 4819/58 - State Finance Department	4	**210,522**	206,127	**210,522**	206,127
Amounts payable - Law No. 4819/58- OPA	4	**131,999**	129,263	**131,999**	129,263
Annual revenue adjustment	26 (a) (ii)	**-**	-	**21,277**	-
Special obligations – Reversion/ amortization	24	**-**	-	**24,053**	24,053
Negative goodwill	3 (m)	**-**	-	**49,540**	66,525
		1,307,518	1,316,696	**2,182,377**	2,164,020
Non-controlling stockholders' interest		**-**	-	**2,487,272**	2,421,047
Stockholders' equity					
Capital	25	**839,778**	839,778	**839,778**	839,778
Legal reserve	25	**5,881**	2,346	**5,881**	2,346
Income reserve	25	**111,743**	44,576	**111,743**	44,576
		957,402	886,700	**957,402**	886,700
Total liabilities and stockholders' equity		**2,336,554**	2,328,172	**6,820,441**	6,229,953

See accompanying notes.

ISA Capital do Brasil S.A.

Statements of income
Years ended December 31, 2009 and 2008
(In thousands of reais – R$, unless otherwise stated)

	Note	Company 2009	Company 2008	Consolidated 2009	Consolidated 2008
Gross sales and/or service revenues					
Electricity network usage revenues	26(a)	**-**	-	**1,893,481**	1,785,457
Other revenues	26(b)	**-**	-	**19,274**	16,982
		-	-	**1,912,755**	1,802,439
Deductions from operating revenues					
Taxes	27	**-**	-	**(94,499)**	(93,940)
Regulatory charges	27	**-**	-	**(161,778)**	(143,115)
		-	-	**(256,277)**	(237,055)
Net sales and/or service revenues		**-**	-	**1,656,478**	1,565,384
Cost of sales and/or services	28	**-**	-	**(350,991)**	(312,769)
Gross profit		**-**	-	**1,305,487**	1,252,615
Operating (expenses) / income					
General and administrative	28	**(6,465)**	(4,424)	**(156,464)**	(113,771)
Management fees	28	**(1,222)**	(1,237)	**(9,327)**	(7,992)
Financial expenses	29	**(353,616)**	(648,551)	**(684,578)**	(871,182)
Financial income	29	**272,449**	548,727	**332,666**	487,390
Other expenses, net	30	**(55,968)**	(51,304)	**(87,130)**	(57,815)
Equity pickup		**309,457**	302,885	**-**	-
Operating income		**164,635**	146,096	**700,654**	689,245
Income and social contribution taxes					
Current	31	**-**	-	**(278,654)**	(279,328)
Deferred	31	**-**	-	**10,587**	20,581
Income before non-controlling stockholders' and reversal of interest on equity capital		**164,635**	146,096	**432,587**	430,498
Non-controlling stockholders' interest		**-**	-	**(518,562)**	(524,300)
Reversal of interest on equity capital		**(93,933)**	(89,869)	**156,677**	150,029
Net income for the year		**70,702**	56,227	**70,702**	56,227
Net earnings per thousand shares at year end – R$		**84.11**	66.89		

See accompanying notes.

ISA Capital do Brasil S.A.

Statements of changes in stockholders' equity
Years ended December 31, 2009 and 2008
(In thousands of reais – R$, unless otherwise stated)

	Note	Capital	Legal reserve	Retained profits reserve	Retained earnings/ (accumulated losses)	Total
At December 31, 2007		828,267	-	-	(105,411)	722,856
Adjustment to financial instruments – Law No. 11638/07, at January 1, 2008		-	-	-	96,106	96,106
Capital payment, at August 7, 2008		1,575	-	-	-	1,575
Capital payment, at August 27, 2008		4,733	-	-	-	4,733
Capital payment, at October 24, 2008		5,203	-	-	-	5,203
Net income for the year		-	-	-	56,227	56,227
Balance after absorption of accumulated losses		839,778	-	-	46,922	886,700
Income allocation:						
Legal reserve		-	2,346	-	(2,346)	-
Transfer to retained profits reserve		-	-	44,576	(44,576)	-
At December 31, 2008		**839,778**	**2,346**	**44,576**	**-**	**886,700**
Net income for the year	25				**70,702**	**70,702**
Legal reserve	25	**-**	**3,535**	**-**	**(3,535)**	**-**
Transfer to retained profits reserve	25	**-**	**-**	**67,167**	**(67,167)**	**-**
At December 31, 2009		**839,778**	**5,881**	**111,743**	**-**	**957,402**

See accompanying notes.

ISA Capital do Brasil S.A.

Statements of cash flows
Years ended December 31, 2009 and 2008
(In thousands of reais – R$, unless otherwise stated)

	Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Cash flows from operating activities				
Net income for the year	**70,702**	56,227	**70,702**	56,227
Adjustments to reconcile net income to cash provided from (used in) operating activities				
Non-controlling stockholders' interest	**-**	-	**518,562**	524,300
Depreciation and amortization	**2,882**	2,882	**222,664**	183,170
Deferred income and social contribution taxes	**-**	-	**(10,588)**	(20,581)
Provision for contingencies	**-**	-	**3,087**	59,941
Net book value of permanent assets written off	**-**	7	**20,347**	6,597
Equity pickup	**(309,457)**	(302,885)	**-**	-
Amortization of goodwill	**55,968**	51,304	**84,800**	77,734
Amortization of negative goodwill	**-**	-	**(16,985)**	(16,985)
Interest, monetary and exchange variation on assets and liabilities	**150,425**	150,662	**215,951**	218,746
(Increase) decrease in assets				
Trade accounts receivable	**-**	-	**22,811**	(125,597)
Inventories	**-**	-	**(11,376)**	(71)
Amounts receivable from State Finance Department	**10,186**	-	**(92,013)**	(125,605)
Deferred income and social contribution taxes	**-**	-	**-**	1,647
Taxes recoverable	**(14,178)**	3,764	**(224,255)**	58,341
Pledges and restricted deposits	**8,790**	-	**16,733**	(2,097)
Prepaid expenses	**-**	-	**8,585**	5,817
Others	**43**	43	**43**	(4,210)
Increase (decrease) in liabilities				
Trade accounts payable	**33**	26	**36,896**	1,778
Taxes and social charges	**(5,245)**	2,435	**63,785**	(36,959)
Taxes in installments – Law No. 11941	**-**	-	**147,738**	-
Regulatory charges	**-**	-	**3,955**	6,211
Provisions	**-**	-	**(19,095)**	(84,318)
Amounts payable – Fundação CESP	**(11,039)**	(9,992)	**(65,237)**	(78,588)
Others	**-**	-	**61,402**	(2,731)
Net cash flow from (used in) operating activities	**(40,890)**	(45,527)	**1,058,512**	702,767

ISA Capital do Brasil S.A.

Statements of cash flows--Continued
Years ended December 31, 2009 and 2008
(In thousands of reais – R$, unless otherwise stated)

	Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Cash flows from investing activities				
Investments	**-**	-	**-**	(13,605)
IEMG cash upon acquisition	**-**	-	**-**	1,364
Property, plant and equipment	**(5)**	(16)	**(666,194)**	(289,627)
Intangible assets	**-**	-	**(4,342)**	(11,909)
Interest on equity capital and dividends received	**241,078**	252,407	**-**	-
Net cash flow from (used in) investing activities	**241,073**	252,391	**(670,536)**	(313,777)
Cash flows from financing activities				
New loans	**4,050**	40,405	**579,993**	610,363
Loan payments (including interest)	**(175,822)**	(321,440)	**(656,607)**	(680,832)
Dividends paid	**-**	-	**(400,377)**	(461,315)
Capital increase	**-**	11,511	**36,620**	11,511
Net cash flow used in financing activities	**(171,772)**	(269,524)	**(440,371)**	(520,273)
Increase (decrease) in cash and cash equivalents	**28,411**	(62,660)	**(52,395)**	(131,283)
Cash and cash equivalents at end of year	**30,004**	1,593	**72,222**	124,617
Cash and cash equivalents at beginning of year	**1,593**	64,253	**124,617**	255,900
Increase (decrease) in cash and cash equivalents	**28,411**	(62,660)	**(52,395)**	(131,283)

See accompanying notes.

ISA Capital do Brasil S.A.

Statements of value added
Years ended December 31, 2009 and 2008
(In thousands of reais – R$, unless otherwise stated)

	Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Revenues				
Sales of goods and services	**-**	-	**1,912,755**	1,802,439
Other operating revenues (expenses)	**-**	-	**(31,162)**	(6,313)
	-	-	**1,881,593**	1,796,126
Inputs acquired from third parties				
Costs of services rendered	**-**	-	**(12,338)**	(18,827)
Materials, electricity, outsourced services and others	**(2,936)**	(1,110)	**(136,151)**	(104,643)
Asset recovery	**-**	-	**15,807**	-
	(2,936)	(1,110)	**(132,682)**	(123,470)
Gross value added	**(2,936)**	(1,110)	**1,748,911**	1,672,656
Retention				
Depreciation and amortization	**(58,850)**	(54,185)	**(278,632)**	(234,473)
Net value added generated by the entity	**(61,786)**	(55,295)	**1,470,279**	1,438,183
Value added received in transfer				
Financial income	**178,516**	261,462	**332,666**	487,388
Equity pickup	**309,457**	302,885	**-**	-
	487,973	564,347	**332,666**	487,388
Total value added to be distributed	**426,187**	509,052	**1,802,945**	1,925,571
Distribution of value added:				
Taxes and social charges				
Direct compensation	**(933)**	(767)	**(121,142)**	(100,193)
Benefits	**(440)**	(416)	**(28,964)**	(30,404)
Actuarial adjustment	**-**	-	**54,902**	68,390
FGTS	**(5)**	(3)	**(7,922)**	(12,406)
	(1,378)	(1,186)	**(103,126)**	(74,613)
Taxes, charges and compulsory contributions				
Federal	**(22,831)**	(23,216)	**(585,840)**	(557,674)
State	**(48)**	(49)	**(810)**	(243)
Local	**-**	-	**(10,532)**	(11,088)
	(22,879)	(23,265)	**(597,182)**	(569,005)
Remuneration of third party capital				
Rent	**(200)**	(201)	**(9,188)**	(7,557)
Interest, monetary and exchange variation	**(331,028)**	(428,173)	**(504,185)**	(693,869)
	(331,228)	(428,374)	**(513,373)**	(701,426)
Remuneration of stockholders' equity				
Non-controlling stockholders' interest in retained profits	**-**	-	**(518,562)**	(524,300)
Retained profits	**70,702**	56,227	**70,702**	56,227

See accompanying notes.

1. Operations

1.1. Corporate purpose

The corporate purpose of ISA Capital do Brasil S.A. ("ISA Capital" or the "Company") includes holding equity interest in other companies or ventures, as a member or stockholder, partnership in joint ventures, membership in consortiums, or any type of business cooperation.

In a privatization auction held on June 28, 2006 on the São Paulo Stock Exchange (BOVESPA), pursuant to Notice SF/001/2006, the São Paulo State Government, which was the majority stockholder of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista ("CTEEP") up to then, sold 31,341,890,064 of its common shares, which account for 50.10% of the common shares issued by CTEEP. The winner of the auction was Interconexión Eléctrica S.A. E.S.P. ("ISA").

The financial settlement of the transaction took place on July 26, 2006 with the resulting transfer of the ownership of the aforementioned shares to ISA Capital do Brasil S.A. ("ISA Capital"), a Brazilian company controlled by Interconexión Eléctrica S.A., E.S.P., established to operate in Brazil, thus becoming CTEEP's controlling stockholder. This transaction was approved by the National Agency of Electric Energy (ANEEL) on July 25, 2006, pursuant to Authorizing Resolution No. 642/06, published in the Official Gazette on July 26, 2006.

On September 12, 2006 the Company purchased another 10,021,687 common shares issued by CTEEP, held by the Government of the State of São Paulo, and became the holder of 31,351,911,751 common shares.

On January 9, 2007 the Company acquired, through a public offering auction (OPA) for the acquisition of shares held at BOVESPA, 24,572,554,070 common shares issued by CTEEP, corresponding to 39.28% of the total of this type of shares, pursuant to the public offering notice published on December 4, 2006.

As a result of this acquisition the Company became the holder of 89.40% of the voting capital and 37.46% of the total capital of CTEEP. Thus, after the CTEEP's reverse stock split on July 12, 2007, the Company became the holder of 55,924,465 common shares.

1. **Operations**--Continued

1.1. **Corporate purpose**--Continued

In the extraordinary stockholders' meeting of CTEEP held on June 16, 2009, a capital increase of up to R$ 70,551 was approved through the private issue of new shares with a par value of R$ 45.97 each. Of the total value of the capital increase, R$ 26,429, equivalent to 574,927 common shares, apply to the Company and were fully paid-up on August 24, 2009 through capitalization of the CTEEP's tax benefit resulting from the partial amortization of the special reserve for merged goodwill in the financial year of 2008. Under the terms of article 171 of Law No. 6404/76, CTEEP stockholders were given 30 days to exercise right of first refusal. At December 31, 2009, the Company held 56,499,392 common shares, which accounts for 37.50% of the total capital and 89.40% of the voting capital of CTEEP.

CTEEP's shares are traded on BOVESPA, Additionally, CTEEP has a Rule 144 A American Depositary Receipts (ADRs) program in the United States. The depositary bank for the ADRs is the Bank of New York, and the custodian bank is Banco Itaú S.A.

In September 2002 CTEEP joined the Level-1 Corporate Governance Practices of BOVESPA. The commitments assumed in the adoption of these corporate governance practices ensure greater transparency of CTEEP for the market, investors and stockholders, thus facilitating their monitoring of management actions.

CTEEP's preferred shares are included in the BOVESPA Index (IBOVESPA), in the Corporate Governance Index (IGC) and the Electric Energy Index (IEE).

(In thousands of reais – R$, unless otherwise stated)

1. Operations--Continued

1.2. Concessions

The Company is entitled to explore indirectly the following Public Utility Concession Agreements for Electric Power Transmission:

Concessionaire	Agreement	Interest (%)	Term (years)	Maturity	Annual Revenue Allowed - RAP R$ thousand	Base
CTEEP	059/2001	37.5021	20	07/07/15	1,816,005	06/09
CTEEP	143/2001	37.5021	30	13/20/31	13,747	06/09
IEMG	004/2007	22.5175	30	04/19/37	12,339	06/09
IENNE	001/2008	9.4054	30	03/16/38	31,674	06/09
Pinheiros	012/2008	37.5021	30	10/16/38	6,421	06/09
Pinheiros	015/2008	37.5021	30	10/16/38	10,819	06/09
Pinheiros	018/2008	37.5021	30	10/16/38	2,759	06/09
IESul	013/2008	37.5021	30	10/16/38	3,866	06/09
IESul	016/2008	37.5021	30	10/16/38	6,960	06/09
IEMadeira	013/2009	19.1454	30	02/25/39	176,249	11/08
IEMadeira	015/2009	19.1454	30	02/25/39	151,788	11/08
Serra do Japi	026/2009	37.5021	30	11/19/39	21,804	05/09

Due to the acquisition of the shareholding control of CTEEP by ISA Capital do Brasil S.A. on June 28, 2006, an Amendment to Concession Agreement 059/2001 - ANEEL of CTEEP was signed on January 29, 2007, in order to reflect this reality of the new controlling stockholder. In this amendment, the conditions initially negotiated were maintained and a clause was added defining that the goodwill paid in the auction, as well as the special obligations and the amounts arising from the State Law No. 4819/58 determined in the Sale Notice SF/001/2006, will not be considered by ANEEL for evaluation of the financial and economic balance of the concession. Also due to this amendment, ISA Capital do Brasil S.A. and Interconexión Eléctrica S.A. E.S.P. (Colombia) are committed to increasing CTEEP's capital.

On May 8, 2009, through ANEEL auction No. 001/2009, at the Rio de Janeiro Stock Exchange, in public session conducted by the BM&F BOVESPA, CTEEP purchased C, D and E batches through the Porto Velho Consortium with participation from Eletronorte and Abengoa. The batches purchased are as follows:

1. **Operations**--Continued

1.2. **Concessions**--Continued

Batch C - Porto Velho – Jauru Transmission Line

Batch C refers to the third 230 kV transmission line circuit between Jauru (Mato Grosso) and Porto Velho (Rondônia), totaling 987 km. Linha Verde Transmissora de Energia S.A. was incorporated on July 2, 2009 to develop this venture. To date, CTEEP has not paid its equity interest in Linha Verde.

This project involves an investment estimated at R$ 380 million and Annual Revenue Allowed (RAP) of R$ 42.7 million, based on data for May 2009. CTEEP is the holder of a 25.5% interest in the venture, and operations are projected to start in October 2011.

Batch D - Porto Velho – Rio Branco Transmission Line

This batch refers to the second 230 kV transmission line circuit between Porto Velho (Rondônia), Abunã and Rio Branco (Acre), totaling 487 km. Rio Branco Transmissora de Energia S.A. was incorporated on July 2, 2009, to develop this transmission line. To date, CTEEP has not paid its equity interest in Rio Branco.

This project involves an investment estimated at R$ 210 million and Annual Revenue Allowed (RAP) of R$ 24.4 million, based on data for May 2009. CTEEP is the holder of a 25.5% interest in the venture, and operations are projected to start in October 2011.

Batch E – Jauru – Cuiabá Transmission Line and Jauru Substation

This batch refers to the 500 kV transmission line between Jauru and Cuiabá (Mato Grosso), totaling 348 km, and the Jauru 500/230 kV substation. Transmissora Matogrossense de Energia S.A was incorporated on July 2, 2009, to develop these installations. To date, CTEEP has not paid its equity interest in Matogrossense.

This project involves investment estimated at R$ 302 million and Annual Revenue Allowed (RAP) of R$ 27.5 million, based on data for May 2009. CTEEP holds a 5% interest in the venture. Operation start-up is projected for October2011.

1. **Operations**--Continued

1.3. Corporate restructuring

The Board of Directors' meeting held on February 11, 2008 approved the corporate restructuring involving CTEEP, ISA Capital and ISA Participações do Brasil Ltda. ("ISA Participações"). The National Electric Power Agency (ANEEL) authorized this restructuring through ANEEL Resolution No. 1164 of December 18, 2007.

The objective of this corporate restructuring was to improve the capitalization and cash flow conditions resulting from the use of the tax benefit in CTEEP, amounting to R$ 232,005, referring to the goodwill paid by ISA Brasil in the process of acquiring the share control of CTEEP and included the following stages:

(a) Capital subscription of ISA Brasil in a vehicle company, ISA Participações, with the conveyance of shares held in the capital of CTEEP to the capital of ISA Participações.

(b) Recording of a provision amounting to R$ 450,363 in ISA Participações, corresponding to the difference between the goodwill paid of R$ 682,368 and the tax benefit of R$ 232,005.

(c) CTEEP merger of ISA Participações net assets, in the amount of R$ 232,005, represented by the tax benefit amount previously mentioned which, in accordance with the requirements of CVM Instruction 319/99 was recorded as a counterparty entry to the special goodwill on merger reserve, in stockholders' equity.

2. Presentation of financial statements

The financial statement account balances were approved by the Executive Board at January 15, 2010. The financial statements were approved at a Board of Directors' meeting held on March 8, 2010.

2. Presentation of financial statements--Continued

The financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil, which comprise those established by the Brazilian Corporation Law (Law No. 6404/76, amended by Laws No. 9457/97, No. 10303/01, No. 11638/07 and No. 11941/09); rules and regulations issued by the Brazilian Securities and Exchange Commission (CVM); accounting pronouncements from the Brazilian FASB or IASB equivalent (CPC); and specific standards established by ANEEL applicable to electric public concessionaires.

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires that management adopt estimates for recording certain transactions affecting the Company's assets and liabilities, income and expenses, as well as disclose information relating to these financial statements. Actual results of these transactions and information when effectively realized in subsequent periods may differ from these estimates.

Change in the Brazilian Corporation Law

The enactment of Laws No. 11638/07 and 11941/09 (former Executive Order No. 449/08) amended and introduced new provisions to Brazil's Corporation Law. The main purpose of these laws was to update the Brazilian Corporation Law so as to allow convergence of accounting practices adopted in Brazil into those found in international financial reporting standards issued by the International Accounting Standards Board (IASB).

Throughout 2008, CPC issued many accounting pronouncements, approved by CVM, to become effective beginning on or after January 1, 2008. These accounting pronouncements were fully adopted by the Company which, according to CVM Rule No. 565, of December 17, 2008, which approved CPC No. 13, set December 31, 2007 as its transition date for adoption of the new accounting practices.

(In thousands of reais – R$, unless otherwise stated)

2. Presentation of financial statements--Continued

Change in the Brazilian Corporation Law--Continued

In furtherance of this process, in the course of 2009, new accounting pronouncements were issued and approved, including, among others, those which may have greater impact on the financial statements of the Company and its subsidiaries, namely:

CPC	Pronouncement
17	Construction Contracts
20	Borrowing Costs
21	Interim Financial Reporting
22	Segment Information
24	Subsequent Events
25	Provisions, Contingent Liabilities and Contingent Assets
26	Presentation of Financial Statements
27	Property, Plant and Equipment
30	Revenue
32	Income Taxes
33	Employee Benefits
36	Consolidated Financial Statements
37	First-time Adoption of International Financial Reporting Standards
38	Financial Instruments: Recognition and Measurement
39	Financial Instruments: Presentation
40	Financial Instruments: Disclosures
43	First-time Adoption of Accounting Pronouncements CPC 15 to 40
ICP 01	Service Concession Arrangements
ICP 08	Accounting for Proposed Dividend Distribution
ICP 10	Interpretation of First-time Adoption of Technical Pronouncements CPC 27 - Property, Plant and Equipment and CPC 28 – Investment Property

Interpretation ICPC No. 01, which establishes the principles for recognition and measurement of liabilities and assets under service concession arrangements, may substantially change future financial statements of the Company.

Given the extent and complexity of the changes introduced, the Company has been assessing their impact on its financial statements, while keeping up with discussions and debates in the market, more specifically in accounting entities and associations as well as regulators, which will likely pronounce on aspects regarding the adoption of these rules. Until further clarification is obtained on these pronouncements, the Company understands that related effects, if any, on its financial statements cannot be reliably assessed and quantified at the moment.

(In thousands of reais – R$, unless otherwise stated)

2. Presentation of financial statements--Continued

Change in the Brazilian Corporation Law--Continued

As such, according to CVM Rule No. 603, of November 10, 2009, the Company, in preparing its 2009 financial statements, did not elect early adoption of CPC pronouncements, interpretations and guidelines, approved by CVM, and effective for financial years beginning January 1, 2010.

Consolidated financial statements

The consolidated financial statements correspond to the financial statements of the Company and its subsidiaries:

		Interest %	
	Financial statement date	12.31.2009	12.31.2008
Direct			
CTEEP	12/31/09	**37,5021**	37.4615
Indirect			
Interligação Elétrica de Minas Gerais S.A. (IEMG)	12/31/09	**22,5175**	22.4769
Interligação Elétrica Norte e Nordeste S.A. (IENNE)	12/31/09	**9,4054**	9.3654
Interligação Elétrica Pinheiros S.A. (Pinheiros)	12/31/09	**37,5021**	37.4615
Interligação Elétrica do Sul S.A. (IESUL)	12/3109	**37,5021**	37.4615
Interligação Elétrica do Madeira S.A. (IEMADEIRA)	12/31/09	**19,1454**	-
Interligação Elétrica Serra do Japi S.A. (Serra do Japi)	12/31/09	**37,5021**	-

Except for IEMG, authorized to operate commercially in 2009, all subsidiaries were at their pre operating stage on the consolidated financial statement reporting date. Accordingly, consolidated statements of income and of value added for financial year 2008 were not presented.

Linha Verde Transmissora de Energia S.A., Rio Branco Transmissora de Energia S.A. and Transmissora Matogrossense de Energia S.A. are not included on consolidation since CTEEP has not yet paid its interest in these companies' capital.

2. Presentation of financial statements--Continued

Consolidated financial statements--Continued

The consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, consistently with the rules issued by CVM, which include:

a) the elimination of receivables and payables. As well as of the revenues, costs and expenses, arising from transactions between the companies included in the consolidation;

b) the elimination of the parent company's investment against the stockholders' equity of the subsidiaries; and

c) the minority stockholders' interest in the net equity and net income (loss) for the year of the subsidiaries is presented separately in the balance sheet and statement of operations, respectively.

3. Significant accounting practices

a) Determination of profit and loss

Determined on the accrual basis of accounting..

b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and highly liquid short-term investments with an immaterial risk of change, and limits used in overdraft accounts.

c) Financial instruments

(i) *Classification and measurement*

The Company’s financial instruments are cash, short-term investments, trade accounts receivable, other accounts receivable, loans and financing, suppliers and other accounts payable.

3. Significant accounting practices--Continued

c) Financial instruments--Continued

(i) *Classification and measurement*--Continued

The Company classifies its financial instruments under the following categories: a) measured at fair value through profit or loss; and b) loans and receivables, held-to-maturity investments and available for sale. Classification depends on the purpose for which the financial statements were acquired. Management establishes the classification of financial assets at initial recognition.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are financial assets held for active and frequent trading, classified as current assets. Gains or losses arising from variation in their fair value are presented in the statement of income under “financial income (expenses)” in the period in which they occur.

Loans and receivable

This category comprises non-derivative financial instruments with fixed or determinable payments, not traded in an active market. They are included as current assets, except for those with maturity term exceeding 12 months after the balance sheet date (which are classified as noncurrent assets) and accounted for at amortized cost, under the effective interest rate method. Loans and receivables, both of the Company and of CTEEP, comprise loans to the parent company and affiliates, trade accounts receivable, other accounts receivable and cash and cash equivalents, except for short-term investments. Loans and receivables are accounted for at amortized cost using the effective interest rate method.

Held-to-maturity investments

These refer substantially to financial assets that cannot be classified as loans and receivables, as they are traded in an active market. In this case, these financial assets are purchased given the company’s intent and financial capacity to hold them to maturity. They are measured at cost of acquisition, plus interest earned and matched against P&L for the year.

3. Significant accounting practices--Continued

c) Financial instruments--Continued

Fair value

The fair value of investments with a quoted price are based on current purchase prices. For financial assets not traded in active market or without a quoted price, the Company and CTEEP determine their fair value using appropriate valuation techniques. These techniques include use of transactions recently hired with third parties, reference to other substantially similar instruments, discounted cash flow analysis, and option pricing models which use available market information as much as possible and rely the least possible on information from the entity's management.

The Company and its subsidiary assess, on the balance sheet date, if there is any objective evidence that a financial asset or group of financial assets is carried at a value higher than its recoverable amount (impairment). If there is any such evidence regarding financial assets available for sale, the cumulative loss – measured as the difference between cost of acquisition and current fair value, less any impairment loss on this financial asset previously recognized in P&L – is reclassified from equity to the statement of income.

(ii) *Derivative financial instruments and hedge activities*

Initially, the derivatives are recognized at their fair value on the date when the derivatives agreement is signed. Subsequently they are remeasured at their fair value and the changes in fair value are recorded in income (loss), except when the derivatives are designated as a hedge instrument.

In the Company's case, in compliance with CVM Rule No. 566 of December 17, 2008, which approved accounting pronouncement CPC 14, derivatives were deemed as "financial derivative instruments for hedging", whereas foreign-currency-denominated debt contracts (bonds) are designated as "hedged items", and are accounted for at their fair value (Note 33).

3. Significant accounting practices--Continued

d) Trade accounts receivable

Includes the amounts billed by Company and subsidiaries for use of the base network systems and other transmission facilities (DIT) by electric utility concessionaires and companies connected to these systems (Note 6), with average receivables turnover below 60 days, and there is no need for adjustment to present value.

The allowance for doubtful accounts consists of amounts realization of which is not considered probable on the balance sheet date.

e) Inventories

The materials in stock are valued and stated at average cost of acquisition, which does not exceed their replacement cost.

f) Investment

(i) *Cost and/or equity value*

The investment in CTEEP is accounted for under the equity method, based on the financial information as at the same date as the Company's financial information, recognized in income (loss) for the year as operating expense (or revenue).

In the subsidiary, while in the pre-operating stage, investments are accounted for under the cost method. Afterwards, they will be recorded under the equity method of accounting.

(ii) *Goodwill*

The goodwill or negative goodwill determined upon the acquisition of an investment is calculated as the difference between the purchase price and the book value of the net equity of the company acquired. Goodwill is based on: (i) asset appreciation, represented by the difference between the book value of the company acquired and the fair value of the assets and liabilities (recorded under Investments) and (ii) future profitability, represented by the difference between the fair value of the assets and liabilities and the purchase price (recorded under Intangible assets). The goodwill determined upon the acquisition of CTEEP is amortized over the concession period.

3. Significant accounting practices--Continued

g) Property, plant and equipment

Property, plant and equipment items are stated at cost of acquisition and/or construction, plus price-level restatements up to December 31, 1995; interest on equity capital up to December 31, 1998, interest, monetary and exchange variation on loans and financing for property, plant and equipment in progress; net of the accumulated depreciation. Depreciation is computed on the straight-line basis, at the rates disclosed in Note 15, which consider the estimated useful lives of the assets, in compliance with the regulatory agency.

h) Impairment of assets

The Company and its subsidiary understands that there is no indication of impairment of the recoverable amount of its property, plant and equipment and intangible assets. Nevertheless, the recoverability of these assets is tested for impairment on a yearly basis using the net present value method, including the indemnification set forth by the concession agreements for property, plant and equipment at the end of the concession period. The criteria for calculating this indemnification have not yet been defined by the Granting Power. However, in the understanding of management and of its legal advisors, said indemnification amount should approximate the residual value of property, plant and equipment on that date (Note 17).

i) Other current and noncurrent assets

Stated at net realizable value.

j) Current and noncurrent liabilities

Stated at known or estimated amounts including, when applicable, related interest, monetary and/or exchange variation incurred up to the balance sheet date. In the Company the foreign-currency-denominated debt contracts (bonds) is recognized at its fair value (market) and designated as hedged item.

k) Provisions

Provisions are recorded on an assessment of the likelihood of loss on ongoing lawsuits, supported by reports prepared by the legal advisors engaged by CTEEP.

3. Significant accounting practices--Continued

l) Income and social contribution taxes

These are calculated in compliance with the provisions of applicable legislation, based on pretax income, adjusted by inclusion of non-deductible expenses and exclusion of non-taxable revenues as well as inclusion and/or exclusion of temporary differences. In 2009, the Company opted for having its taxable profit computed on its accounting records on a quarterly basis. Up to 2008, its option was to calculate taxable profit on its accounting records on an annual basis.

m) Negative goodwill

Refers to negative goodwill recorded on acquisition of 49% of the common shares of Empresa Paulista de Transmissão de Energia Elétrica S.A. (EPTE). These shares were held by the São Paulo State Finance Department and Companhia Paulista de Administração de Ativos (CPA) and were acquired on March 26, 1999 by Companhia Energética de São Paulo (CESP). Upon the partial spin-off of CESP, these shares and the negative goodwill thereon were transferred to CTEEP. EPTE was merged into Company on November 10, 2001.

This negative goodwill is amortized monthly, on the straight-line basis, over the concession period of EPTE, the maturity of which is December 2012.

n) Employment benefits

CTEEP sponsors pension and health care plans for its employees, which are managed by Fundação CESP. Actuarial liabilities were calculated on the projected unit credit method, as set forth by CVM Rule No. 371, of December 13, 2000.

o) Interest, monetary and exchange variation

Based on the provisions of Accounting Instruction 6,3,10, item 4, of the Accounting Manual for the Electric Energy Public Service. The interest and other financial charges. As well as monetary/foreign exchange variations, relating to financing obtained from third parties, effectively applied in property, plant and equipment in progress, comprise the costs recorded in this subgroup.

4. Obligations assumed on the acquisition of subsidiary CTEEP

Under the share purchase agreement in connection with the privatization auction described in Note 1. The Company agrees to supplement the amount paid on the purchase of CTEEP shares in the event CTEEP is released from encumbrances related to the supplement of payments to the pension plan established in Law No. 4819/58, currently challenged in court. As described in Note 37.

At December 31, 2009, the supplemental purchase price comprises two separate transactions, as follows:

a) The amount of R$ 217,413 (2008 - R$ 212,280), determined on the acquisition of the first equity interest at the privatization auction held on June 28, 2006, recorded under "Amounts payable - Law No. 4819/58 - São Paulo State Finance Department", of which R$ 6,891 (2008 - R$ 6,153) under current liabilities and R$ 210,522 (2008 - R$ 206,127) under noncurrent liabilities, with a corresponding entry at the time in the amount of R$ 188,895 under "Investments - goodwill on acquisition of subsidiary" (Note 14). The difference of R$ 28,518 recognized in the statement of income relates to the monetary adjustment of the obligation, based on the Amplified Consumer Price Index (IPC-A) as from December 31, 2005.

b) The amount of R$ 136,321 (2008 - R$ 133,103), determined on the acquisition of the third equity interest at the Public Offering auction (OPA) held on January 9, 2007, recorded under "Amounts payable - Law No. 4819/59 - OPA", of which R$ 4,322 (2008 – R$ 3,840) under current liabilities and R$ 131,999 (2008 – R$ 129,263) under noncurrent liabilities, with a corresponding entry at the time in the amount of R$ 120,306 under "Investments - goodwill on acquisition of subsidiary" (Note 14). The difference of R$ 16,015 recognized in the statement of income relates to the monetary adjustment of the obligation, based on the Amplified Consumer Price Index (IPC-A) as from December 31, 2005.

(In thousands of reais – R$, unless otherwise stated)

5. Cash and cash equivalents

	Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Cash and banks	**808**	1,593	**202**	8,551
Short-term investments	**29,196**	-	**72,020**	116,066
Total	**30,004**	1,593	**72,222**	124,617

Short-term investments are measured at fair value through profit or loss and refer to Bank Deposit Certificates, whose yield is linked to the Interbank Deposit Certificate (CDI) variation, with daily liquidity.

6. Trade accounts receivable – Consolidated

CTEEP's customers are electric utility concessionaries/permittees and free consumers, connected to CTEEP's facilities.

	2009	**2008**
Base network	**333,703**	324,703
Other transmission facilities - DIT	**17,907**	19,714
	351,610	344,417
Current	**289,536**	299,329
Noncurrent	**62,074**	45,088

The Company has no history of loss in its trade accounts receivable, which are guaranteed by collaterals and/or access to current accounts operated by the National Electric System Operator (ONS) or directly by the Company, and are segregated by maturity as follows:

	2009	**2008**
Falling due	**346,560**	283,541
Past due		
up to 30 days	**1,084**	3,315
from 31 to 60 days	**859**	3,191
over 61 days	**3,107**	54,370
	5,050	60,876
	351,610	344,417

(In thousands of reais – R$, unless otherwise stated)

6. Trade accounts receivable – Consolidated--Continued

On January 13, 2009, CTEEP signed an acknowledgment of debt and payment agreement with delinquent distributors. This agreement requires the balance to be paid in 36 installments. Up to September 2009 all installments were received as scheduled

7. Amounts receivable from State Finance Department – Consolidated

	2009			2008
	Current	**Noncurrent**	**Total**	**Total**
Agreement for acknowledgment and consolidation of debt (i)	**16,094**	**25,482**	**41,576**	55,353
Payroll processing – Law No. 4819/58 (ii)	**-**	**410,127**	**410,127**	309,811
Sale of property (iii)	**3,345**	**5,297**	**8,642**	11,506
Labor claims – Law No. 4819/58 (iv)	**-**	**116,121**	**116,121**	97,755
Family allowance – Law No. 4819/58 (v)	**-**	**2,218**	**2,218**	2,218
Allowance for doubtful accounts	**-**	**(2,218)**	**(2,218)**	(2,218)
	19,439	**557,027**	**576,466**	474,425

(i) Agreement for acknowledgment and consolidation of debt

On May 2, 2002, an Agreement for Acknowledgement and Consolidation of Debt was entered into with the São Paulo State Finance Department, in which the State Government acknowledges and admits that it owes to the Company the amounts corresponding to the disbursements originally made by CESP - Companhia Energética de São Paulo, in the period from 1990 to 1999, for paying supplemental retirement and pension payrolls, arising from benefits under the terms of State Law No. 4819/58. The debt amount acknowledged was adjusted up to January 2002, by the variation of the Fiscal Unit of the São Paulo State Government (UFESP) and, as from February 2002, by the monthly variation of the General Market Price Index (IGP-M), plus 6% per annum. The reimbursement will be made in 120 monthly installments, starting on August 1, 2002 and with final settlement on July 1, 2012.

7. Amounts receivable from State Finance Department – Consolidated --Continued

(ii) *Payroll processing – Law No. 4819/58*

The amount of R$ 410,127 refers to the remaining balance of the payroll processing for the supplemental pension plan regulated by State Law No. 4819/58, R$ 1.426 of which through individual injunctions from January to August 2005 and R$ 408,701 from September 2005 to December 2009, as a result of a court decision by the 49th Labor District Court of São Paulo, whose payments are made by Fundação CESP using part of the funds received from the State Government and passed on by CTEEP (Note 35 (c)). This balance will not be monetarily adjusted and no earnings will be recorded until the State Government approves its actual payment to CTEEP.

(iii) *Sale of property*

On July 31, 2002, a Private Sale Agreement, providing for the intended sale of a property, the recognition of liabilities and commitment to pay, was signed with the State Finance Department, in which the State Government acknowledges and admits that it owes to CTEEP an amount corresponding to the market value of the total area of the property occupied by the State Government and partially used for the construction of prison units.

Therefore, the State Government committed to reimburse CTEEP of said amount in 120 monthly installments, the first of which on August 1, 2002 and final settlement on July 1, 2012, adjusted by the monthly IGP-M variation plus interest of 6% per annum.

(iv) *Labor claims – Law No. 4819/58*

These refer to certain labor claims settled by CTEEP, relating to employees who retired supported by State Law No. 4,819/58, which are the responsibility of the State Government. This balance is not monetarily adjusted and no earnings will be recorded until the State Government approves its actual payment to CTEEP.

(In thousands of reais – R$, unless otherwise stated)

7. Amounts receivable from State Finance Department – Consolidated --Continued

(v) *Family allowance – Law No. 4819/58*

CESP – Companhia Elétrica de São Paulo made advances for payment of monthly expenses with family allowances arising from the benefits of State Law No. 4819/58, which were transferred to CTEEP upon the partial spin-off of CESP. Considering the expectation of loss, CTEEP management recorded an allowance for doubtful accounts, in noncurrent assets, in the amount of R$ 2,218.

8. Tax benefit – merged goodwill

The goodwill paid by the Company on acquisition of CTEEP shareholding control process (Note 14) is economically based on the expected profitability during the concession term, originating from the acquisition of the concession right granted by the Government, under paragraph 2 b of article 14 of CVM Ruling No. 247, of March 27, 1996, as amended by CVM Ruling No. 285 of July 31, 1998.

In order for the amortization of goodwill not to adversely impact the dividend flow to stockholders, a provision for maintaining integrity of its stockholders' equity (PMIPL) was recognized, in accordance with the provisions of CVM Ruling No. 349, of March 6, 2001.

Amortization of goodwill, net of reversal of the provision and of the corresponding tax effect, is neutral with respect to the result for the year and, accordingly, to the mandatory minimum dividend calculation basis.

Goodwill totaled R$ 689,435 at December 31, 2007 and is currently amortized by CTEEP over the remaining concession period, in monthly installments according to the projected annual future profitability and as permitted by ANEEL Resolution No. 1164 of December 18, 2007, as follows:

	Amortization - % p.a.		
	Concession agreement		
Year	059/2001	143/2001	Total
2008 to 2012	12.20	0.10	12.30
2013 to 2015	12.73	0.02	12.75
2016 to 2031	-	0.25	0.25

(In thousands of reais – R$, unless otherwise stated)

8. Tax benefit – merged goodwill--Continued

To better present the Company's financial position in the financial statements, the net amount of R$ 176.743, which essentially represents the merged tax credit, was classified, in the balance sheet, in current assets and in long-term receivables as tax benefit – merged goodwill, based on its expected realization.

Change for the year ended December 31, 2009 is as follows:

	Goodwill	Provision	Net
Balances at 12.31.2008	604,634	(399,059)	205,575
Realization for the year	(84,800)	55,968	(28,832)
Balances at 12.31.2009	**519,834**	**(343,091)**	**176,743**
Current			28,832
Noncurrent			147,911

9. Taxes recoverable

	Company		Consolidated	
	2009	2008	2009	2008
COFINS	**-**	-	**156,718**	798
PIS	**-**	-	**50,016**	249
Income tax	**32,148**	24,633	**35,712**	25,393
Social contribution tax	**-**	-	**863**	486
Other	**-**	-	**2,156**	947
Total	**32,148**	24,633	**245,465**	27,873

Due to completion issues, CTEEP amended its Federal Tax Debt and Credit Returns (DCTFs) for the years 2004-2007, determining tax credits related mostly to PIS and COFINS. These credits will be offset against future tax amounts payable, and the Company estimates to have them fully recovered by July 2010.

(In thousands of reais – R$, unless otherwise stated)

9. **Taxes recoverable**--Continued

Change for the year ended December 31, 2009 is as follows:

Original tax credit recognized	193,139
Monetary restatement	99,403
Tax credit offset from October to December	(88,429)
	204,113

10. Deferred income and social contribution taxes - Consolidated

These refer to tax credits on the temporary differences in the determination of taxable profit, mainly the provisions for contingencies and the Voluntary Termination Program (PDV):

			2009	**2008**
	Income tax	**Social contribution tax**	**Total**	**Total**
Provision for contingencies	41,243	14,848	**56,091**	58,529
Voluntary Termination Program - PDV	1,036	373	**1,409**	6,330
Negative goodwill	12,385	4,459	**16,844**	22,618
Others	17,798	6,408	**24,206**	486
	72,462	26,088	**98,550**	87,963
Current			**31,472**	11,315
Noncurrent			**67,078**	76,648

These credits, both current and long-term, will be realized as the contingencies and other related events are resolved, which are estimated as follows:

2010	**2011**	**2012**	**2013**	**2014**	**As from 2015**
30%	6%	5%	-	-	59%

(In thousands of reais – R$, unless otherwise stated)

11. Pledges and restricted deposits

Company

In January 2007 the Company raised the amount of US$ 554 million from issue of bonds with JP Morgan and ABN AMRO Bank as agents, divided into two tranches: the first, in the amount of US$ 200 million, with 5-year term and call option in 2010 and 2011 and the second, of US$ 354 million, with 10-year term (Note 17).

As established in a contract, the Company made two deposits in Bank of New York worth US$ 7,875 thousand and US$ 15,576 thousand, as a guarantee for interest payable semiannually, in connection with the two aforesaid capital raises, respectively. These deposits on December 31, 2009 recorded in current assets, totaled R$ 40,857 (2008 – R$ 55,209).

Consolidated

In long-term receivables, in view of the uncertainties regarding the outcome of the lawsuits to which the deposits refer, CTEEP's procedure is to maintain these deposits at their nominal value, not recording any type of monetary restatement or interest thereon. The balance is broken down as follows:

	2009	2008
Notices of violation – ANEEL (a)	**6,317**	6,317
Judicial deposits (Note 22 (b))	**37,431**	45,319
Others	**198**	224
	43,946	51,860

a) Refer to two deposits in connection with lawsuits to annul the notices of violation issued by ANEEL for disturbances in the transmission system in March 1999 and January 2002. The first one, deposited on January 17, 2000, in the amount of R$ 3,040, was required in an annulment action filed by CTEEP against ANEEL, related to notice of violation 001/1999-SFE which had fined CTEEP under alleged violations for obstructing the inspection related to disturbances from interrupted electric power transmission and distribution over a large part of the Southeast, South and Middle West regions; noncompliance with the "inspection report" requirements; and noncompliance with the legal duty of rendering proper service. The second deposit, made on June 17, 2003, in the amount of R$ 3,277, relates to notice of violation 005/2002-SFE, dated May 7, 2002, as a consequence of punitive administrative process brought by ANEEL, for the breakage, on January 21, 2002, of one subconductor of a 440 kV transmission line between CTEEP substations in the Power Plant of Ilha Solteira and Araraquara. CTEEP's legal advisors understand that it is not practicable to determine whether its position in both cases will prevails.

(In thousands of reais – R$, unless otherwise stated)

12. Prepaid expenses

During the bond issue process concluded in January 2007 (Notes 18), the Company incurred expenses and commissions. These expenses were fully capitalized and are being amortized over the term of the original agreements. As shown in the table below:

	Amount US$ million	Term	2009	2008
Bond agreement (Tranche 1)	200.0	5 years	**7,713**	7,713
Bond agreement (Tranche 2)	354.0	10 years	**13,653**	13,653
Subtotal			**21,366**	21,366
Accumulated amortization			**(8,614)**	(5,743)
Total			**12,752**	15,623
Current			**2,871**	2,871
Noncurrent			**9,881**	12,752

13. Loans receivable - Company and Consolidated

	2009	2008
Principal	**51,146**	51,146
Interest	**8**	6,845
Exchange variation	**(9,706)**	6,140
	41,448	64,131

This loan refers to the onlending to parent company of the total loan obtained in 2006 from ABN AMRO BANK, denominated in U.S. dollars, in the original amount of US$ 23,800 thousand, payable in a lump sum on July 19, 2007 and bearing interest calculated based on the LIBOR rate plus 3% p.a. The Company maintained the same bases of adjustment for this transaction, with interest thereon received semiannually, but the principal debt maturity was renegotiated for an eight-year period, also in a lump sum.

(In thousands of reais – R$, unless otherwise stated)

14. Investment

a) Information on subsidiary CTEEP

	2009	2008
Number of shares (quantity)		
Common – ON	**63,199,250**	62,558,662
Preferred – PN	**87,457,309**	86,726,372
Total	**150,656,559**	149,285,034
Stockholders' equity		
Capital	**1,063,049**	1,000,000
Capital reserve	**2,054,369**	2,054,369
Special goodwill reserve	**205,576**	232,005
Income reserves	**861,686**	816,256
Advance for future capital contribution	**666**	666
Total	**4,185,346**	4,103,296
Net income for the year	**828,019**	827,065

b) Information on the investment

	2009	2008
Shares held - ON (Common)	**56,499,392**	55,924,465
Interest percentage	**37.5021**	37.4615
Investment	**1,492,498**	1,450,244
Goodwill		
Unamortized goodwill (Note 16)	**343,090**	399,059
Goodwill - Special reserve	**205,576**	232,005
Total goodwill (a)	**548,666**	631,064
Total investment	**2,041,164**	2,081,308

(In thousands of reais – R$, unless otherwise stated)

14. Investment--Continued

c) Investment changes

	CTEEP	ISA Interests	Total
Balance at December 31, 2007	**2,168,717**	**-**	**2,168,717**
Capital payment	(2,168,717)	2,168,717	-
Company merger	1,505,609	(2,187,977)	(682,368)
New goodwill	682,368	-	682,368
Equity pickup	283,625	19,260	302,885
Declared dividends for the year	(249,120)	-	(249,120)
Interest on equity capital declared for the year	(89,870)	-	(89,870)
Amortization of goodwill	(51,304)	-	(51,304)
Balance at December 31, 2008	**2,081,308**	**-**	**2,081,308**
Equity pickup	309,457	**-**	309,457
Declared dividends for the year	(199,700)	**-**	(61,587)
Interest on equity capital declared for the year	(93,933)	**-**	(93,933)
Amortization of goodwill	(55,968)	**-**	(55,968)
Balance at December 31, 2009	**2,041,164**	**-**	**2,179,277**

(a) The total goodwill balance of R$ 548,666 is classified in intangible assets in the consolidated balance sheet, net of CTEEP's special goodwill reserve in the amount of R$ 205,576, as mentioned in Note 16. Studies conducted confirm that this goodwill will be able to be realized within the term of the concession contracts.

(In thousands of reais – R$, unless otherwise stated)

15. Property, plant and equipment – Consolidated

Property, plant and equipment is broken down as follows:

	2009			2008	
	Cost	Accumulated depreciation	Net	Net	Average annual depreciation rates - (%)
In operation					
Land	**44,365**	**-**	**44,365**	44,365	
Buildings, civil works and improvements	**585,105**	**(400,315)**	**184,790**	204,323	3.64
Machinery and equipment	**5,885,534**	**(2,728,240)**	**3,157,294**	3,152,012	2.96
Vehicles	**9,835**	**(9,478)**	**357**	284	20.00
Furniture and fixtures	**26,892**	**(17,972)**	**8,920**	8,245	10.00
	6,551,731	**(3,156,005)**	**3,395,726**	3,409,229	
In progress	**1,309,661**	**-**	**1,309,661**	854,204	
Special obligations (a)	**(28,767)**	**-**	**(28,767)**	(28,767)	
Total - Consolidated	**7,832,625**	**(3,156,005)**	**4,676,620**	4,234,666	

Construction in progress refers, substantially, to the ongoing expansion works of the electric energy transmission systems. Throughout 2009, CTEEP analyzed the projects recorded in Property, plant and equipment in progress and identified projects not yet completed for which a provision for losses in the amount of R$ 18,292 was recorded in other operating expenses.

Special obligations are represented by amounts received from electric utility concessionaires and customers for investments in the concession.

Concession agreements provide for indemnification for property, plant and equipment at the end of the concession period. The criteria for calculating this indemnification have not yet been defined by the Granting Power. However, it is the understanding of Management and of its legal advisors that said indemnification amount should approximate the residual value of property, plant and equipment on that date.

Consequently, CTEEP adopts the annual depreciation rates established by ANEEL, restated in accordance with ANEEL Regulatory Resolution No. 44, of March 17, 1999, and revoked by ANEEL Regulatory Resolution No. 240, of December 5, 2006, for assets with similar use and characteristics in the area of electric power transmission and distribution.

(In thousands of reais – R$, unless otherwise stated)

15. Property, plant and equipment – Consolidated--Continued

In accordance with articles 63 and 64 of Decree No. 41019, of February 26, 1957, assets and installations used in electric power transmission are linked to these services and cannot be retired, sold or assigned or pledged as mortgage guarantees without the prior and express authorization of the regulatory agency. ANEEL Resolution No. 20, of February 3, 1999, regulates the electric power utility concession assets, giving prior authorization for not restricting assets no longer serviceable to the concession, when intended for sale, and also determining that the proceeds from the sale be deposited in a restricted bank account and invested in the concession.

16. Intangible assets – Consolidated

	2009	2008
Goodwill (Note 14 (b))	**343,090**	399,059
Rights-of-way	**60,122**	64,774
ERP – SAP implementation	**12,731**	10,342
Other	**151**	151
	416,094	474,326

Transmission line rights-of-way are associated to distribution in CTEEP's concession area, and in private urban and rural areas, imply indemnification in favor of the real estate owner. As they are permanent items, there is no amortization.

ERP implementation includes all expenditures incurred in the SAP structuring project, except for the training expenses which were charged to income. The project started in April 2008 and its completion is scheduled for February 2009, to be amortized over 5 years.

17. Recoverable amount of assets – Consolidated

Subsidiary CTEEP tested the recoverability of its property, plant and equipment and intangible assets based on the present value of future cash flows and on the assumptions set out below.

(In thousands of reais – R$, unless otherwise stated)

17. Recoverable amount of assets – Consolidated--Continued

The amounts under these assumptions represent management's assessment of future trends in the electric power sector, based both on external sources of information and historical data. Forecast cash flows were based on results of operations and projections of the Company until the end of Concession Agreement No. 059/2001, premised on:

- Organic growth compatible to historical data and Brazilian economy growth prospects;
- Indemnification for property, plant and equipment at the book value of reversible assets at the end of the concession period; and
- Average discount rate reached by a method generally adopted in the market, taking into account weighted average capital cost (WACC).

The recoverable amount of these assets exceeds their book value and therefore, there are no impairment losses to be recognized.

18. Loans and financing

The breakdown of loans and financing is as follows:

	Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Foreign currency				
Bonds (a)	**1,017,816**	1,045,746	**1,017,816**	1,045,746
Local currency				
BNDES				
CTEEP (b)	**-**	-	**514,117**	606,169
IEMG (c)	**-**	-	**40,680**	-
Promissory notes (d)				
1st issue	**-**	-	**-**	199,068
2nd issue	**-**	-	**213,696**	-
3rd issue	**-**	-	**208,029**	-
Banco Bradesco	**-**	-	**-**	-
IEMG (e)	**-**	-	**-**	51,010
IENNE (f)	**-**	-	**45,700**	-
ABN Amro Real (g)	**-**	41,337	**-**	41,337
Eletrobrás	**-**	-	**491**	541
Citibank (h)	**-**	-	**23,538**	-
Finance lease	**-**	-	**2,143**	-
	1,017,816	1,087,083	**2,066,210**	1,943,871
Current	**52,819**	105,777	**643,932**	451,279
Noncurrent	**964,997**	981,306	**1,422,278**	1,492,592

18. Loans and financings--Continued

(a) Issue of bonds on January 29, 2007 in the amount of US$ 554 million. The issue had as agents J.P. Morgan S.A. and ABN Amro Real S.A., and was divided into two tranches: one in the amount of US$ 200 million, with 5-year term maturing in 2012, interest rate of 7.875% p.a., and call option in 2010 and 2011; and the other tranche in the amount of US$ 354 million, with 10-year term maturing in 2017 and interest rate of 8,8% p.a. Of the total bonds issued, 60% were distributed in the United States, 36% in Europe, 2% in Latin America and 2% in Asia.

At the time, the Company's management signed specific swap contracts to hedge against exchange rate risks in connection with the issue of the bonds described above. This swap transaction was segregated in two parts, as follows:

(i) Hedge of principal - Swap contracts with ABN Amro Real S, A, and JP Morgan S.A. relating to the hedge of the two tranches. The first tranche, in the amount of US$ 200 million and with a five-year term maturing in 2012, was contracted at the exchange rate of R$ 2.1170, bearing General Market Price Index (IGP-M) plus 2.12% p.a. The second tranche in the amount of US$ 354 million, with a ten-year term maturing in 2017, was also contracted at the exchange rate of R$ 2.1170, bearing General Market Price Index (IGP-M) plus 1.68% p.a.. Both contracts had a Recouponing partial payment clause, with maturity on February 12, 2008. Accordingly, on the maturity date, the Company paid to the referred banks the total amount of R$ 155 million. As a result of the Recouponing payment and in accordance with the rules established for the derivative transactions, these contracts were replaced by new ones containing new rates and conditions, as follows:

- *ABN Amro Real S.A.* **-** on February 12, 2008. The hedge of 50% of the two tranches was contracted. The first tranche, in the amount of US$ 100 million and maturing in 2012, was contracted at the exchange rate of R$ 1.7573, bearing General Market Price Index (IGP-M) plus 5.0709% per annum. The second tranche, in the amount of US$ 177 million and maturing in 2017, was also contracted at the exchange rate of R$ 1.7573, bearing General Market Price Index (IGP-M) plus 3.0203% per annum. The recouponing partial payment clause was excluded.

18. Loans and financing--Continued

(i) Hedge of principal--Continued

- *JP Morgan S.A.* - on February 12, 2008. The hedge of 50% of the two tranches was contracted. The first tranche, in the amount of US$ 100 million and maturing in 2012, was contracted at the exchange rate of R$ 1.7573, bearing General Market Price Index (IGP-M) plus 4.8709% per annum. The second tranche, in the amount of US$ 177 million and maturing in 2017, was also contracted at the exchange rate of R$ 1.7573, bearing General Market Price Index (IGP-M) plus 2.7003% per annum. The Recouponing partial payment clause was maintained under the same conditions of the previous contract. Because of the Company's wish to exclude the Recouponing clause from the contract, on July 28, 2008 the Company made a partial payment of R$ 62 million. As a result of such payment, a new contract was signed on the same date, under new conditions. The hedge that until then was 50% of the two tranches changed to 50% of the first tranche only, corresponding to US$ 100 million and maturing in 2012. This new contract was established at the exchange rate of R$ 1,5745, bearing General Market Price Index (IGP-M) plus 5.052% p.a. The Recouponing partial payment clause was excluded.

- *Deutsche Bank S.A.:* on July 28, 2008, the other part of the hedge, related to 50% of the second tranche in the amount of US$ 177 million, maturing in 2017, was contracted by the Company with Deutsche Bank, at the exchange rate of R$ 1.5745, bearing General Market Price Index (IGP-M) plus 3.99% p.a. This contract does not include the Recouponing partial payment clause.

(ii) Hedge of interest - a non-deliverable currency forward with JP Morgan related to the hedge of semiannual interest, with maturities in July 2007 and January 2008, corresponding to the two tranches. This hedge was contracted at the exchange rate of R$ 2.1190 for payment in July 2007 and R$ 2.1765 for payment in January 2008. Since then, the Company's management decided not to contract any hedge for the next semiannual interest. This situation has been constantly assessed within defined strategies and taking into consideration the economic and financial aspects and exposure limits.

(In thousands of reais – R$, unless otherwise stated)

18. Loans and financing--Continued

(ii) Hedge of interest--Continued

As provided by CVM Rule 566, which approved accounting pronouncement CPC 14. As from July 31, 2008 the Company, recognized its derivative financial instruments (swap) and its above-mentioned foreign-currency-denominated debt contracts (bonds) under the fair value hedge accounting method.

Under this methodology. the impacts of changes in the fair value of derivatives used as hedge are recognized in income, based on the recognition of foreign-currency-denominated debt contracts (bonds) which are hedged items.

The fair values are calculated by projecting the future flows of the operations (assets and liabilities) using BM&F curves and discounting these flows to present value using the BM&F future DI rate.

Balances for each transaction are as follows:

	2009	2008
Current liabilities		
Issue of bonds - semiannual interest	**34,027**	45,670
Hedge transaction - principal currency risk	**18,792**	18,770
	52,819	64,440
Noncurrent liabilities		
Issue of bonds – principal	**875,687**	1,032,084
Hedge transaction - principal currency risk	**89,310**	(50,778)
	964,997	981,306
Total liabilities	**1,017,816**	1,045,746

(b) On September 17, 2007, CTEEP signed a loan agreement with the National Bank for Economic and Social Development (BNDES), in the amount of R$ 764.2 million, reduced to R$ 602.2 million in December 2008. This amount accounts for 70% of the total investment, which includes system improvements, reinforcements, modernization of the current transmission system and new projects, and is part of the 2006/2008 Pluriannual Investment Plan. On October 25, 2007, R$ 400.0 million were released, on February 25, 2008, R$ 120.0 million, and on May 29, 2008, R$ 82.2 million. This loan bears monthly interest of 2.3% p.a. above the Long-term Interest Rate (TJLP).

18. Loans and financing--Continued

(ii) Hedge of interest--Continued

Repayment will be in 78 monthly installments from January 2009. As guarantee, CTEEP has given bank sureties contracted effective up to December 15, 2015, from the banks Bradesco, Santander and Banco do Brasil, at the cost of 0.7% p.a., with quarterly maturities.

On November 18, 2008, CTEEP entered into a loan agreement with BNDES in the amount of R$ 329.1 million, the first drawdowns being expected for the first quarter of 2010. This amount will be used to cover investments in reinforcements, modernization of the current system and new connections to be carried out between January 2009 and December 2010. Interest thereon corresponds to TJLP plus 1.8% p.a. Repayment will be in 54 monthly installments as from January 2011 and up to the beginning of repayment, interest will be paid on a quarterly basis. Bank guarantees will be contracted.

(c) On January 14, 2009 CTEEP's subsidiary IEMG entered into a loan agreement with BNDES in the amount of R$ 70.6 million, drawn down on March 27, 2009. This amount is aimed to finance approximately 50% of the Transmission Line (LT) between Neves 1 and Mesquita substations. This loan bears monthly interest of 2.4% p.a. above the Long Term Interest Rate – TJLP.

This loan will be amortized in 168 monthly installments due from May 15, 2009. An HSBC bank guarantee effective through March 18, 2010 was pledged as collateral for the loan.

(d) 1st Issue – issued on December 9, 2008, amounting to R$ 200 million, maturing on June 17, 2009. Nominal charges correspond to 120.0% of the Bank Deposit Certificate (CDI). The promissory notes issue costs totaled R$ 1,908.

2nd Issue – issued on April 24, 2009, amounting to R$ 200 million, maturing on April 19, 2010. Nominal charges correspond to 119.5% of the CDI. The promissory notes issue costs totaled R$ 1,692.

3rd Issue – issued on July 17, 2009, amounting to R$ 200 million, maturing on January 13, 2010. Nominal charges correspond to 106.5% of the CDI. The promissory notes issue costs totaled R$ 1,295.

Pursuant to CPC 08, the promissory notes issue costs were recorded as a deduction of the funds raised and are charged to P&L over the transaction period.

(In thousands of reais – R$, unless otherwise stated)

18. Loans and financing--Continued

(e) Refers to working capital contract signed by CTEEP's subsidiary IEMG on February 25, 2008, drawn down on the contract execution date and on August 28, 2008, both repaid in a lump sum on February 25, 2009. Interest on this transaction was paid semiannually, corresponding to CDI + 0.8581% p.a. The transaction was guaranteed by a guarantee letter.

(f) On July 13, 2009, subsidiary IENNE entered into a bill if credit with Banco Bradesco S.A. limited to R$ 180 million, maturing on February, 14, 2010. Interest on this transaction will be paid on maturity, corresponding to CDI + 2.5% p.a. The transaction was guaranteed by a "Standby Letter of Credit" (SBLC).

(g) Bill of credit – overdraft facility with ABN Amro Real S.A., limited to US$ 25 million, with revolving maturity date every six months and interest corresponding to 100% CDI + 6.50% p.a.

(h) On July 27, 2009, subsidiary IESUL entered into a bill of credit with Citibank S.A. limited to R$ 40 million, maturing on April, 15, 2010. Interest on this transaction will be paid on maturity, corresponding to CDI + 3% p.a.

Maturities of long-term portions are set out as follows:

	Company		Consolidated	
	2009	**2008**	**2009**	**2008**
2011	**-**	-	**96,989**	92,940
2012	**348,364**	354,262	**444,448**	447,202
2013	**-**	-	**96,071**	92,940
After 2013	**616,633**	627,044	**784,770**	859,510
Total	**964,997**	981,306	**1,422,278**	1,492,592

(In thousands of reais – R$, unless otherwise stated)

19. Taxes and social charges

	Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Income tax	**4,902**	6,546	**57,191**	7,306
Social contribution tax	**-**	-	**15,923**	338
COFINS	**2,131**	2,069	**5,740**	8,196
Scholarship program (a)	**-**	-	**2,195**	2,786
INSS	**18**	18	**4,557**	2,514
PIS	**-**	-	**782**	1,329
FGTS	**-**	-	**976**	875
Other	**299**	154	**8,491**	4,919
Total	**7,350**	8,787	**95,855**	28,263

(a) Refers to obligations assumed by CTEEP under an agreement with the labor unions for reimbursing its employees for costs of elementary, high school and college education.

20. Taxes in installments – Law No.11941 – Consolidated

Due to completion issues, CTEEP amended its Federal Tax Debt and Credit Returns (DCTFs) for the years 2004-2007, determining tax credits related mostly to PIS and COFINS. With a view to settling its tax debt, the Company opted to participate in the special tax installment payment program instituted by Law No. 11941, of May 27, 2009, and paid R$ 141,162 on November 30, 2009, using the benefit of reduced fine and interest rate, totaling R$ 42,257.

The remainder will be paid over 180 months beginning November 2009. Upon approval of the tax installment payment arrangement by Brazil's IRS, the Company will recognize revenue from the reduced fine and interest rate on the tax debt paid in installments amounting to R$ 19,677.

Change for the year ended December 31, 2009 is as follows:

Original debt	212,097
Fine and interest	119,054
Fine and interest rate reduction (benefit under the Law)	(42,257)
Payments	(141,156)
	147,738
Current	**9,853**
Noncurrent	**137,885**

(In thousands of reais – R$, unless otherwise stated)

21. Regulatory charges – Consolidated

	2009	2008
Research and Development - R&D	**30,709**	20,363
Energy Development Account - CDE	**2,561**	3,041
Fuel Consumption Bill - CCC	**2,167**	2,804
Global Reversion Reserve - RGR	**6,630**	10,732
Alternative Energy Source Program - PROINFA	**1,180**	1,774
Inspection fee - ANEEL	**40**	619
	43,287	39,333
Current	**40,018**	36,528
Noncurrent	**3,269**	2,805

22. Provisions – Consolidated

	2009	2008
Vacation pay and social charges	**15,806**	12,067
Profit sharing - PLR	**8,035**	7,991
Voluntary termination program - PDV (a)	**3,649**	18,304
Sundry indemnities	**309**	313
Contingencies (b)	**167,842**	170,399
	195,641	209,074
Current	**27,688**	34,922
Noncurrent	**167,953**	174,152

(a) Voluntary termination program - PDV

CTEEP, which had 2,737 employees as of October 31, 2006, approved a Voluntary Termination Program (PDV), with an adhesion period from November 21 to November 30, 2006, obtaining participation of 1,534 employees. On December 31, 2009, the remaining balance substantially refers to 1 employee whose severance has not yet been processed, as well as the provision for medical and dental assistance that the terminated employees have the right to receive 36 months after the termination of their contracts.

(In thousands of reais – R$, unless otherwise stated)

22. Provisions – Consolidated--Continued

(b) Provision for contingencies--Consolidated

On a quarterly basis, contingencies are assessed and classified as regards the probability of an unfavorable outcome for the CTEEP, as follows:

	2009			2008		
Type	**Provision**	**Judicial deposits**	**Net**	**Provision**	**Judicial deposits**	**Net**
Labor (i)	**147,344**	**(23,520)**	**123,824**	139,917	(19,728)	120,189
Civil	**3,994**	**-**	**3,994**	2,741	-	2,741
Tax – IPTU (ii)	**8,239**	**-**	**8,239**	16,677	-	16,677
Tax – COFINS (iii)	**-**	**(5,668)**	**(5,668)**	-	(17,348)	(17,348)
Social security – INSS (iv)	**5,398**	**(8,243)**	**(2,845)**	8,197	(8,243)	(46)
ANEEL (v)	**2,867**	**-**	**2,867**	2,867	-	2,867
	167,842	**(37,431)**	**130,411**	170,399	(45,319)	125,080

Judicial deposits are recorded in noncurrent assets under "Pledges and restricted deposits".

CTEEP is a party to tax, labor and civil lawsuits, whose unfavorable outcomes are rated as possible by management, based on the assessment of its legal advisors, in the estimated amount of R$ 83,392 (2008 - R$ 64,029), mainly labor claims, for which no provisions have been recorded.

(i) *Labor*

CTEEP assumed responsibility for certain lawsuits at different courts, mainly arising from CESP's partial spin-off and the merger of EPTE - Empresa Paulista de Transmissão de Energia Elétrica S.A.

(ii) *Tax – Municipal Real Estate Tax (IPTU)*

CTEEP recognizes a provision to cover debts with the municipal government of São Paulo, related to administrative proceedings for rectification of areas, in the amount of R$ 8,239 (2008 – R$ 16,677).

22. Provisions – Consolidated--Continued

(b) Provision for contingencies--Consolidated

(iii) *COFINS*

CTEEP is challenging in court the constitutionality of the increase in the COFINS rate and calculation basis, in the amounts of R$ 27,392 and R$ 11,132, respectively. CTEEP obtained a favorable outcome regarding the increase in the calculation basis, and an unfavorable one in relation to the tax rate increase. In October 2009, CTEEP identified the amount originally deposited, and begun assessing the portion related to its restatement.

(iv) *Social security – INSS*

On August 10, 2001, CTEEP received from the National Institute of Social Security (INSS) a delinquency notice for nonpayment of social security tax on compensation paid to its employees in the form of meal tickets, morning snack and basket of food staples for the period from April 1999 to July 2001. Accordingly, management decided to establish a provision and made a judicial deposit in the amount of R$ 8,243, recorded in noncurrent assets, under "Pledges and restricted deposits".

(v) *ANEEL*

CTEEP was notified by ANEEL for not meeting the deadline for installation of the 3rd bank of transformers 345/88 kV of substation (SE) Baixada Santista, authorized by ANEEL Resolution No. 197 of May 4, 2004, with a fine in the amount of R$ 1,981, and for the noncompliance with the deadline for the start-up of the 345 kV Guarulhos – Anhanguera Transmission Line, authorized by ANEEL Resolution No. 064/2005 of December 31, 2005, with a fine in the amount of R$ 886, totaling R$ 2,867 as of December 31, 2009.

23. Amounts payable – Fundação CESP

Based on an appraisal prepared by independent actuaries to calculate the actuarial liability, CTEEP recorded in its income for the year the amount of R$ 54,902 (2008 – R$ 68,390). Accordingly, the liability balance presented represents the current liability of CTEEP related to the supplementary pension and health assistance plans maintained with Fundação CESP.

a) Plan “A” - supplementary pension plans

Regulated by State Law 4819/58, applied to employees hired up to May 13, 1974, establishes supplementary pension plan benefits, additional leave entitlements and family allowance. The reserves necessary to cover the liabilities assumed in this plan are total responsibility of the applicable authorities of the State of São Paulo Government and therefore, with no risk and additional cost to CTEEP (Note 37).

b) Plans “B” and “B1” - supplementary pension plans

Plans "B" and "B1", regulated by Law No. 6435/77 and managed by Fundação CESP, are sponsored by CTEEP, providing supplementary pension plan benefits, the reserves of which are established under the fully-funded system.

The Plan "B" refers to the Vested Supplementary Benefit Payout - BSPS, calculated on December 31, 1997 (CTEEP) and March 31, 1998 (EPTE), in accordance with current regulations, and its asset-liability matching was duly adjusted at the time. CTEEP is fully liable for the annual actuarial result of this plan (deficit or surplus).

On January 1, 1998 (CTEEP) and on April 1, 1998 (EPTE), CTEEP implemented Plan "B1", which defines contributions and related matching responsibilities between CTEEP and the participants, to ensure the plan’s appropriate asset-liability management. This plan provides pension benefits to CTEEP’s employees, former employees and related beneficiaries, in order to supplement the benefits provided by the official Social Security system.

The main characteristic is the mixed model, composed of 70% as Defined Benefit (DB) and 30% as Defined Contribution (DC). At the date of retirement the Benefit Plan of Defined Contribution (DC) becomes Defined Benefit (DB).

(In thousands of reais – R$, unless otherwise stated)

23. Amounts payable – Fundação CESP--Continued

c) Plan PSAP – Transmissão Paulista

On January 1, 2004, the plans sponsored by CTEEP, as well as those of the extinguished EPTE, were merged financially, and the individual characteristics of the related plans maintained, thus forming the PSAP Plan - Transmissão Paulista.

d) Pension Plan Statement –CVM Rule No. 371/00

In compliance with CVM Rule No. 371, of December 13, 2000, and based on the actuarial opinions, the main economic and financial information of PSAP-Transmissão Paulista-DB plan (CTEEP/EPTE) are as follows:

(i) *Reconciliation of assets and liabilities*

	2009	2008
Asset fair value	**2,001,707**	1,790,191
Total actuarial liabilities	**(1,628,613)**	(1,517,603)
Deferred gains	**(386,695)**	(341,091)
Net liabilities	**(13,601)**	(68,503)

(ii) *Change in the plan assets*

	2009	2008
Asset fair value at beginning of year	**1,790,191**	1,774,274
Employer contributions	**1,782**	1,697
Employee contributions	**2,658**	2,651
Return on investments	**304,884**	113,516
Benefit payouts	**(97,808)**	(101,947)
Asset fair value at end of year	**2,001,707**	1,790,191

(iii) *Change in actuarial liabilities*

	2009	2008
Present value of net actuarial liabilities at beginning of year	**1,517,603**	1,506,892
Cost of current services	**2,177**	7,233
Cost of interest	**162,154**	154,306
Actuarial gain/loss	**44,487**	(48,881)
Benefit payouts	**(97,808)**	(101,947)
Present value of net actuarial liabilities at end of year	**1,628,613**	1,517,603

(In thousands of reais – R$, unless otherwise stated)

23. Amounts payable – Fundação CESP--Continued

d) Pension Plan Statement – CVM Rule No. 371/00--Continued

(iv) *Plan participants*

	2009	2008
Active	**1,458**	1,403
Inactive		
Retired	**1,774**	1,719
Retired by disability	**34**	31
Beneficiaries	**79**	74
	1,887	1,824
	3,345	3,227

(v) *Actuarial assumptions*

	2009	2008
Actuarial liability discount-to-present value rate	**11.25%**	11.00%
Expected rate of return on the plan assets	**12.00%**	11.50%
Future salary growth rate	**7.64%**	7.12%
Annuity benefit payouts adjustment index	**4.50%**	4.00%
Actuarial table	**AT-83**	AT-83
Disability table	**Light-Average**	Light-Average
Actuarial table for the disabled	**AT-49**	AT-49

24. Special obligations – Reversion/Amortization – Consolidated

Refers to funds arising from the reversion reserve, amortization and portion held at the CTEEP, of the monthly shares of the Global Reversion Reserve (RGR), related to investments of funds for expansion of the electric public utility and amortization of loans obtained for the same purpose, occurred up to December 31, 1971. The manner for the settlement of these liabilities has not been defined by the Granting Authority.

(In thousands of reais – R$, unless otherwise stated)

25. Stockholders' equity

At December 31, 2009 capital comprises R$ 839,778 (12.31.2009 - 840,625) common shares with no par value, distributed as follows:

Stockholder	Number of shares	
	2009	2008
Interconexión Eléctrica S.A. E S P	**840,624,995**	840,624,995
Luís Fernando Alarcón Mantilla	**1**	1
Fernando Augusto Rojas Pinto	**1**	1
Guido Alberto Nule Amin	**1**	1
Ana Mercedes Villegas Mejía	**1**	-
César Augusto Ramirez Rojas	**-**	1
Alfonso Camilo Barco Muñoz	**1**	1
Total	**840,625,000**	840,625,000

Based on the Company's articles of incorporation, stockholders are entitled to annual dividends calculated at 25% of net income, after deduction of 5% for transfer to legal reserve, until it reaches 20% of capital as required by Brazilian Corporation Law.

Allocation of net income for the year	2009
Net income for the year	**70,702**
Legal reserve	**(3,535)**
Basis for calculation of dividends	**67,167**
Retained profits reserve proposed	**(67,167)**
Net income to be distributed	**-**

The retained profits reserve proposed by management, amounting to R$ 67,167, is based on the Company's cash requirements forecast for the following years, considering semiannual interest payments and the principal debt repayment in a lump sum in 2012 and 2017 for foreign-currency-denominated debt contracts (bonds) (Note 18 a).

(In thousands of reais – R$, unless otherwise stated)

26. Operating revenues – Consolidated

a) Revenues from electricity network usage

Revenues from usage of the electricity network of CTEEP, accumulated for the year ended December 31, 2009, summed up to R$ 1,893,481 (2008 - R$ 1,785,457) as follows:

	2009	2008
Base network		
Existing assets	**1,239,947**	1,037,491
New investments	**362,396**	484,048
Bidded	**21,591**	12,742
Surplus	**10,023**	19,198
Revenue adjustment	**19,812**	16,320
Variable deduction	**(3,684)**	(782)
	1,650,085	1,569,017
Other transmission facilities - DIT		
Existing assets	**104,694**	92,845
New investments	**40,822**	31,295
Revenue adjustment	**3,394**	6,623
	148,910	130,763
Charges		
Fuel Consumption Bill – CCC	**34,797**	35,539
Energy Development Account – CDE	**39,004**	38,801
Alternative Energy Source Program – PROINFA	**20,685**	11,337
	94,486	85,677
	1,893,481	1,785,457

(i) *Annual Revenue Allowed (RAP) of Miguel Reale Substation*

In December 2002 ANEEL authorized CTEEP to implement the Miguel Reale Substation Expansion project, whose investment value, which is used to calculate the RAP, was R$ 323,236.

In September 2004, ANEEL performed an inspection in order to validate the investments made in said project and concluded that the investment amounts should be reduced, for purposes of setting a new RAP amount, retroactively to July 2004, by R$ 232,164.

26. Operating revenues – Consolidated--Continued

a) Revenues from electricity network usage--Continued

(i) *Annual Revenue Allowed (RAP) of Miguel Reale Substation*--Continued

Due to the reduction in the investments in said project, the related annual amount of the RAP beginning July 2005 was then reduced by R$ 32,251. CTEEP considers this reduction invalid and filed with ANEEL Official Circular OF/F No. 2828, of July 8, 2005, requesting its recomposition.

On March 2, 2006, through Official Circular No. 321/2006 – ANEEL's Economic and Financial Oversight Authority (SFF/ANEEL) issued its Inspection Monitoring Report (RAF) that assessed CTEEP's claim and upheld the SFF's original position.

On March 23, 2006, through Official Circular OF/F/1372/2006, CTEEP presented an appeal to ANEEL requesting a review of the position taken by the SFF, that up to December 31, 2009, was not disclosed.

(ii) *Periodic review of Annual Revenue Allowed (RAP)*

In accordance with Concession Agreement No. 59, executed with the Federal Government on June 20, 2001 as intermediated by ANEEL, every four years from the execution date, ANEEL will periodically review the Annual Revenue Allowed (RAP) of electric transmission related to the installations of authorized projects whose business operations commenced after December 31, 1999, for the purpose of promoting efficiency and reasonable rates, in accordance with the methodology approved by Regulatory Resolution No. 257, of March 6, 2007.

The review comprises revenue repositioning by determining:

a) the basis for regulatory remuneration to the Base Network - New Facilities (RBNI);
b) efficient operating costs;
c) the optimal capital structure and the transmission companies' remuneration;
d) the amount to be deemed as tariff reducing component – Other Revenues.

26. Operating revenues – Consolidated--Continued

a) Revenues from electricity network usage--Continued

(ii) *Periodic review of Annual Revenue Allowed (RAP)*--Continued

First periodic tariff review cycle

Through Resolution No. 488 of June 26, 2007, the result of the first periodic rate review of Companhia de Transmissão de Energia Elétrica Paulista - CTEEP was approved, reducing the new Annual Revenue Allowed (RAP) by 26.15%, to be applied to the Base Network - New Facilities (RBNI) and Other Facilities - New Investments (RCDM) portions effective on July 1, 2005.

The effects of this rate recomposition were backdated to July 1, 2005. The difference in the amounts collected from July 2005 to June 30, 2007, amounting to R$ 66,688, is being offset in 24 (twenty-four) months by means of the contractual instrument of an adjustment portion.

Second periodic tariff review cycle

The periodic rate review as contractually provided for in July 2009 was postponed to July 2010. On December 21, 2009 ANEEL published Regulatory Resolution No. 386, which establishes overall concepts, related methodologies and procedures applicable to the Second Periodic Tariff Review Cycle – RTP of electric transmission public utility.

As set forth by article 6 of Regulatory Resolution No. 386/09, the tariff review results will be effective from July 1, 2009 onwards. Taking into consideration this retroactive review and the capital cost reduction from 9.18% to 7.24% in this second cycle, the financial statements recognize a reduction in revenues by R$ 42,554 for the period from July through December/09, matched against accounts receivable.

(In thousands of reais – R$, unless otherwise stated)

26. Operating revenues – Consolidated--Continued

a) Revenues from electricity network usage--Continued

(iii) *Variable Deduction - PV*

The Variable Deduction - PV consists in the application of a penalty arising from operating inefficiency. The Annual Revenue Allowed (RAP) of CTEEP is subject to a PV, calculated in accordance with the unavailability of facilities and disconnections in the period. It is set forth in the Concession Agreements and regulated by Regulatory Resolution No. 270 of July 09, 2007.

(iv) *Annual revenue adjustment*

On June 25, 2009, Authorizing Resolution No. 843 was issued and established CTEEP's annual revenue allowed from the provision of base network as well as other transmission facilities, for the 12 month cycle, comprising the period from July 1, 2009 to June 30, 2010.

In accordance with this Resolution, CTEEP's annual revenue allowed (RAP) that was R$ 1,869,134 on July 1, 2008, fell to R$ 1,829,752 on July 1, 2009, a reduction of R$ 39,382, or 2.1%.

The breakdown of the revenue effective from July 1, 2009 to June 30, 2010 is as follows:

	Concession agreement		
	059	**143**	**Total**
Base network			
Existing assets	1,087,132	-	1,087,132
New investments	337,656	-	337,656
Bidded		13,925	13,925
Annual revenue adjustment	20,937	(178)	20,759
	1,445,725	13,747	1,459,472
Other transmission facilities – DIT			
Existing assets	312,757	-	312,757
New investments	56,483	-	56,483
Annual revenue adjustment	1,040	-	1,040
	370,280	-	370,280
	1,816,005	**13,747**	**1,829,752**

(In thousands of reais – R$, unless otherwise stated)

26. Operating revenues – Consolidated--Continued

b) Other operating revenues

	2009	2008
Rental	**12,340**	10,877
Services	**6,934**	6,105
	19,274	16,982

27. Deductions from operating revenues – Consolidated

	2009	2008
Taxes on revenues		
COFINS	**(77,356)**	(77,887)
PIS	**(16,775)**	(15,747)
ISS	**(368)**	(306)
	(94,499)	(93,940)
Regulatory charges		
Fuel Consumption Bill – CCC	**(31,578)**	(32,306)
Energy Development Account – CDE	**(35,396)**	(35,272)
Global Reversion Reserve – RGR	**(48,312)**	(50,314)
Research and Development – R&D	**(27,720)**	(14,934)
Alternative Energy Source Program - PROINFA	**(18,772)**	(10,289)
	(161,778)	(143,115)
	(256,277)	(237,055)

28. Costs of operation services and G&A expenses

	Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Personnel	**(1,562)**	(1,282)	**(177,127)**	(163,604)
CVM Rule No. 371	**-**	-	**54,902**	68,390
Services	**(2,868)**	(1,404)	**(96,346)**	(80,001)
Materials	**-**	-	**(12,874)**	(9,912)
Depreciation and amortization	**(11)**	(11)	**(219,793)**	(180,299)
Amortization of expenses - bonds	**(2,871)**	(2,871)	**(2,871)**	(2,871)
Contingencies	**-**	-	**(24,878)**	(35,266)
Leases and rental	**(200)**	(201)	**(9,188)**	(7,557)
Other	**(175)**	108	**(28,607)**	(23,412)
	(7,687)	(5,661)	**(516,782)**	(434,532)

(In thousands of reais – R$, unless otherwise stated)

29. Financial income (expenses), net

	Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Income				
Short-term investment income	**549**	848	**14,078**	18,049
Monetary and exchange variation	**-**	-	**36,832**	6,610
Hedge transactions	**-**	190,176	**-**	190,176
Adjustment to market value – debt (swap)	**173,676**	-	**173,676**	-
Adjustment to market value – debt (bonds)	**-**	262,613	**-**	262,613
Interest receivable	**4,291**	3,787	**107,293**	7,904
Interest on equity capital	**93,933**	89,869	**-**	-
Other	**-**	1,434	**787**	2,038
	272,449	548,727	**332,666**	487,390
Expenses				
Interest payable	**(93,835)**	(92,036)	**(226,906)**	(158,297)
Monetary and exchange variation	**(34,735)**	(336,080)	**(34,735)**	(336,080)
Hedge transactions	**(21,384)**	-	**(21,384)**	-
Adjustment to market value – debt (bonds)	**(173,676)**	-	**(173,676)**	-
Adjustment to market value – debt (swap)	**-**	(197,395)	**-**	(197,395)
Interest on equity capital	**-**	-	**(156,677)**	(150,029)
IRRF on remittance of interest	**(12,571)**	(12,928)	**(12,571)**	(12,928)
PIS on interest on equity capital	**(1,550)**	(1,483)	**(1,550)**	(1,483)
COFINS on interest on equity capita	**(7,139)**	(6,830)	**(7,139)**	(6,830)
Charges on promissory notes	**-**	-	**(34,496)**	(127)
Consent Solicitation – Bonds premium	**(7,390)**	-	**(7,390)**	-
Other	**(1,336)**	(1,799)	**(8,054)**	(8,013)
	(353,616)	(648,551)	**(684,578)**	(871,182)
Financial expenses, net	**(81,167)**	(99,824)	**(351,912)**	(383,792)

(In thousands of reais – R$, unless otherwise stated)

30. Other operating revenues (expenses)

	Company		Consolidated	
	2009	**2008**	**2009**	**2008**
Revenues				
Realization of negative goodwill	**-**	-	**16,985**	16,985
Other	**-**	-	**281**	15,895
	-	-	**17,266**	32,880
Expenses				
Amortization of goodwill	**(55,968)**	(51,304)	**(84,800)**	(77,734)
Other	**-**	-	**(19,596)**	(12,961)
	(55,968)	(51,304)	**(104,396)**	(90,695)
	(55,968)	(51,304)	**(87,130)**	(57,815)

31. Income and social contribution taxes on net income

Company

The Company has determined tax losses and has not recognized deferred income tax and social contribution on such losses.

Consolidated

CTEEP records monthly provisions for income and social contribution taxes on an accrual basis, calculated based on monthly trial balances (for tax suspension and reduction purposes).

	2009	**2008**
Income before income and social contribution taxes - Consolidated	**700,654**	689,245
Tax rates	**34%**	34%
Expected expenses on income and social contribution taxes	**(238,222)**	(234,343)
Income and social contribution taxes on permanent differences:		
Company loss	**(49,240)**	(53,267)
CTEEP permanent differences	**19,395**	28,863
Effective expenses on income and social contribution taxes	**(268,067)**	(258,747)
Income and social contribution taxes		
Current	**(278,654)**	(279,328)
Deferred	**10,587**	20,581
	(268,067)	(258,747)

(In thousands of reais – R$, unless otherwise stated)

32. Transactions with related parties

		2009			2008		
	Type of operation	**Assets**	**Liabilities**	**Income/ (expense)**	**Assets**	**Liabilities**	**Income/ (expense)**
Company							
Management key personnel	Short-term benefits	**-**	**-**	**(1,222)**	-	-	(1,237)
CTEEP	Sublease	**-**	**(15)**	**(200)**	-	(15)	(201)
	Provision of services	**-**	**-**	**(83)**	-	(7)	(67)
ISA	Loan (Note 13)	**41,448**	**-**	**12,421**	64,131	-	12,985
Consolidated							
Management key personnel	Short-term benefits	**-**	**-**	**(9,327)**	-	-	(7,992)
ISA	Loan (Note 13)	**41,448**	**-**	**12,421**	64,131	-	12,985

The Company's compensation policy does not provide for any post-employment benefits, other long-term benefits, employment termination benefits or share-based payments.

The sublease agreement comprises the area occupied by the Company at CTEEP's main building, as well as the apportionment of condominium and maintenance expenses, among others.

In 2008, a service agreement was signed including, among others, delivery of bookkeeping, tax calculation and payroll processing services.

These operations were carried out on an arm's length basis.

33. Financial instruments

a) Identification and measurement of financial instruments

Company

The Company has derivative financial instruments (swap) such as; accounts receivable related to a foreign currency loan to its parent company; foreign currency denominated debt contracts (bonds), and bank bill of credit, in local currency, named overdraft facility.

Derivative financial instruments (swap) are used solely and exclusively to hedge against exchange rate risks in connection with the issue of bonds and have no speculative purpose. As described in Note 18 (a). Accordingly they are regarded as protection (hedge) instruments, under the fair value hedge accounting method, and are accounted for at their fair value.

Likewise, foreign-currency-denominated debt contracts (bonds) are deemed to be hedged items, consistently with the Company and ISA Group financial policy and according to the fair value hedge accounting method, and are accounted for at their fair value.

Fair values are calculated by projecting the future flows of the operations (assets and liabilities) using the BM&F curves and discounting these flows to present value using the BM&F future DI rate.

(In thousands of reais – R$)

33. Financial instruments--Continued

a) Identification and measurement of financial instruments--Continued

Derivative financial instruments effective at December 31, 2009 and 2008 are as follows:

					Notional values						
					Foreign currency		Local currency		Fair value		
Description	**Counterparty**	**Agreement date**	**Maturity date**	**Position**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**Amount receivable / Recei Payable/Paid (Note 18 a**
Swap	ABN Amro Real	Feb/12/07	Jan/30/12							R$ 197.814	
Asset				USD + 0%	-	USD 100,000	-	R$ 175,730		R$ 177.370	
Liability				IGP-M + 2.12%					-	**R$ 20.444**	**R$ 20.444**
Swap	ABN Amro Real	Feb/12/07	Jan/30/17							R$ 213.160	
Asset				USD + 0%	-	USD 177,000	-	R$ 311,042		R$ 240.905	
Liability				IGP-M + 1.68%					-	**(R$ 27.745)**	**(R$ 27.745)**
Swap	JP Morgan	Feb/12/07	Jan/30/12								
Asset				USD + 0%	-	USD 100,000	-	R$ 157,450		R$ 197.814	
Liability				IGP-M + 2.12%						R$ 150.299	
									-	**R$ 47.515**	**R$ 47.515**
Swap	JP Morgan	Feb/12/07	Jan/30/17	USD + 0%	-	USD 177,000	-	R$ 278,687		R$ 213.160	
Asset				IGP-M + 1.68%						R$ 221.366	
Liability									-	**(R$ 8.206)**	**(R$ 8.206)**
TOTAL										**R$ 32.008**	**R$ 32.008**
Swap	ABN Amro Real	Feb/12/08	Jan/30/12	USD + 0%	USD 100,000		R$ 175,730		R$ 163.897		
Asset				IGP-M + 5.07%					R$ 188.544		
Liability								-	**(R$ 24.647)**	-	**(R$ 24.647)**
Swap	ABN Amro Real	Feb/12/08	Jan/30/17								
Asset				USD + 0%	USD 177,000		R$ 311,042		R$ 218.153		
Liability				IGP-M + 3.02%					R$ 274.535		
								-	**(R$ 56.382)**	-	**(R$ 56.382)**
Swap	JP Morgan	Jul/28/08	Jan/30/12								
Asset				USD + 0%	USD 100,000		R$ 157,450		R$ 163.897		
Liability				IGP-M + 5.05%					R$ 159.795		
								-	**R$ 4.102**	-	**R$ 4.102**
Swap	Deutsche Bank	Jul/28/08	Jan/30/17								
Asset				USD + 0%	USD 177,000		R$ 278,687		R$ 218.153		
Liability				IGP-M + 3.99%					R$ 249.328		
								-	**(R$ 31.175)**	-	**(R$ 31.875)**
Total					-	-	-	-	**R$ 108.102**	-	**R$ 108.102**

33. Financial instruments--Continued

a) Identification and measurement of financial instruments--Continued

As permitted by CVM Rule 566, which approved Accounting Pronouncement CPC 14, the Company recorded the derivative financial instruments (swap) in accordance with the hedge accounting methodology. Based on this methodology, the impacts on the changes in fair value of the derivatives used are recognized in the results in line with the recognition of the foreign-currency-denominated debt contract (bonds). The Company hedge was assessed as 100% effective.

Consolidated

CTEEP operates with several financial instruments, especially cash and cash equivalents, including financial investments, trade accounts receivable, trade accounts payable and loans and financing.

CTEEP's main source of revenues is the use of its electric power transmission system by other concessionaires and agents. Its annual revenue related to the base network and other transmission facilities – DIT is defined by ANEEL, pursuant to prevailing legislation.

The carrying amounts of asset and liability financial instruments, compared with the amounts that might be obtained in active market trading, or in the absence thereof, with the net present value adjusted at the prevailing market interest rate, approximate their market values.

CTEEP does not have a policy on the use of derivative financial instruments and, in the financial year, it did not enter into agreements that may be considered derivative financial instruments.

b) Cash and cash equivalents, short-term investments, accounts receivable, other current assets and accounts payable

The amounts recorded approximate their realizable values.

c) Investment

The Company's investment consists in its interest in CTEEP's capital and is accounted for by the equity method.

CTEEP has holdings in companies in which it has strategic interest. These holdings, after the pre-operating stage, will be recorded under the equity method.

Considerations on the market value of the shares held are not applicable.

33. Financial instruments--Continued

d) Financing

The Company recognizes foreign-currency-denominated debt contracts (bonds) at its fair (market) value.

Loans and financing in reais are linked to the CDI variation and approximate their market values.

e) Risk management

The main risk factors inherent in the operations of the Company and CTEEP may be identified as follows:

Credit risk - CTEEP has agreements with the National Electric System Operator (ONS), concessionaires and other agents for regulating the provision of services related to the base network for 216 users, with a bank guarantee clause. Likewise, the Company has agreements regulating the provision of services in other transmission facilities – DIT with 30 concessionaires and other agents, with a bank guarantee clause.

Price risk - pursuant to the concession agreement, CTEEP's revenues are annually adjusted by ANEEL based on the variation of the General Market Price Index (IGP-M), and part of the revenues is subject to periodic review every four years (Note 26 (a) (iii)).

Interest rate risk – The Company has a bill of credit/overdraft facility with ABN Amro Real S.A., limited to US$ 25 million, with revolving maturity date every six months and interest corresponding to 100% CDI + 6.50% p.a. At the end of December 2009, as the Company did not use this available credit facility, there is no balance payable. Furthermore, subsidiary CTEEP's financing agreements are restated on the variation in Long-term Interest Rate (TJLP) and Interbank Deposit Certificate (CDI) (Note 18 (b)).

Currency risk – CTEEP does not have financing, accounts receivable and assets in foreign currency. Its exposure to currency fluctuations is irrelevant, and corresponds to possible import of equipment.

At the Company this risk arises from the possibility of loss caused by the increase in exchange rates that would increase the liability balances of foreign currency loans and financing related to the issue of bonds in the foreign market in January 2007 in the amount of US$ 554 million (Note 18 (a)). To ensure that significant currency rate fluctuations to which its foreign exchange liability is subject do not affect cash flow, the Company has derivative financial instruments (swap) - currency hedge - representing 100% of the principal of this debt.

(In thousands of reais – R$, unless otherwise stated)

33. Financial instruments--Continued

e) Risk management--Continued

To identify the probable scenario for the exchange rate risk sensitivity analysis. The same assumptions established for the long-term economic and financial plan of the Company are used. These assumptions are based, among other aspects, on the Brazilian macroeconomic scenario and on the opinion of market specialists.

Accordingly, to evaluate the effects of variation in the Company's cash flows. The sensitivity analysis shown below considers as probable scenario the exchange rate prevailing on March 31, 2010 of R$ 1.852, considering the effects of the rate appreciation and depreciation by 25% and 50%.

Currency Risk – Cash Flow Effects
Table 1 – with rate appreciation

				R$ thousand
Operation	**Risk**	**Probable Scenario**	**Scenario (II)**	**Scenario (III)**
Financial Assets and Liabilities				
Foreign debt contract - Bonds	USD	(1,026,008)	(1,282,510)	(1,539,012)
Swap asset - Foreign debt contract- Bonds	USD	1,026,008	1,282,510	1,539,012
Variation		-	-	-
Reference to Financial Assets and Liabilities		**Rate appreciation by**	**25%**	**50%**
USD/R$ exchange rate		1.852	2.315	2.778

Table 2 – with rate depreciation

				R$ thousand
Operation	**Risk**	**Probable Scenario**	**Scenario (II)**	**Scenario (III)**
Financial Assets and Liabilities				
Foreign debt contract - Bonds	USD	(1,026,008)	(769,506)	(513,004)
Swap asset - Foreign debt contract- Bonds	USD	1,026,008	769,506	513,004
Variation		-	-	-
Reference to Financial Assets and Liabilities		**Rate depreciation by**	**-25%**	**-50%**
USD/R$ exchange rate		1.852	1.389	0.926

IGP-M Variation Risk - The liability position of derivative financial instruments (swap) is indexed to the IGP-M variation. This index is used because the Company's main source of income, CTEEP's revenues, are also subject to the IGP-M variation. As provided in CTEEP's Concession Agreement, its revenues are adjusted annually based on the IGP-M variation. Accordingly, the Company's risks related to the IGP-M variation are basically neutralized. In this case there is only a timing difference between the receipt of the revenues and the annual payments of the swap agreements.

(In thousands of reais – R$, unless otherwise stated)

33. Financial instruments--Continued

e) Risk management--Continued

As with the currency risk scenarios showing the related effects on the Company's cash flows, a probable scenario of the sensitivity analysis of the IGP-M variation risk was based on the same assumptions established for the long-term economic and financial planning of the Company. Thus, below is the sensitivity analysis of the effects on the Company's cash flows, considering a probable scenario for the IGP-M variation in the first quarter of 2009, with accumulated percentage of 0.458%, and considering the effects of the rate appreciation and depreciation by 25% and 50%.

IGP-M Variation Risk – Cash Flow Effects

Table 1 – with rate appreciation

R$ thousand

Operation	**Risk**	**Probable Scenario**	**Scenario (II)**	**Scenario (III)**
Derivative financial instruments				
Swap liability	IGP-M	1,002,323	1,003,189	1,004,068
Variation		-	866	1,745

Reference for liabilities - Derivative financial instruments	**Rate appreciation by**	**25%**	**50%**
ICP-M variation - first quarter 2010	0.351%	0.438%	0.526%

Table 2 – with rate depreciation

R$ thousand

Operation	**Risk**	**Probable scenario**	**Scenario (II)**	**Scenario (III)**
Derivative financial instruments				
Swap liability	IGP-M	1,002,323	1,001,441	1,000,562
Variation		-	(866)	(1,745)

Reference for liabilities - Derivative financial instruments	**Rate depreciation by**	**-25%**	**-50%**

ICP-M variation - first quarter 2010	0.351%	0.263%	0.175%

(In thousands of reais – R$, unless otherwise stated)

34. Operating leases - Consolidated

Minimum future payments of operating vehicle and IT equipment leases of subsidiary CTEEP, in total and for each one of the periods, are as follows:

	2009	2008
Up to one year	**3,876**	5,500
Over one year and up to five years	**1,243**	7,066
	5,119	12,566

35. Insurance coverage - Consolidated

The specification by type of risk of CTEEP's insurance is as follows:

Type	Coverage	Amount insured - R$ thousand	Premium - R$ thousand
Assets	09/01/09 to 09/01/10	2,067,000	3,784
Civil liability	09/01/09 to 09/01/10	15,000	242
National transport	09/30/09 to 09/3010	61,397	6,7
Collective personal accidents	05/01/09 to 05/01/10	27,479	1,3
Vehicles	03/02/09 to 03/02/10	Market value	33
			4,067

a) Assets

Coverage against fire and electrical damage for equipment installed in the transmission substations, buildings and their related contents, warehouses and facilities.

b) Civil liability

Coverage of the repairs for involuntary damage, personal and/or material damage to third parties, as a consequence of CTEEP's operations.

c) National transport

Coverage of damage caused to CTEEP's assets and equipment, transported within Brazil.

d) Collective personal accidents

Coverage against personal accidents to executives, interns and trainees.

35. Insurance coverage – Consolidated--Continued

e) Vehicles

Coverage against collision, fire, theft and third parties.

The assumptions adopted for taking out insurance cover, given their nature, do not form part of the financial statement audit scope. Consequently, these were not reviewed by our independent auditors.

36. Collection Lawsuit by ELETROBRÁS against Eletropaulo and EPTE

In 1989, Centrais Elétricas Brasileiras S.A. - ELETROBRÁS filed a collection lawsuit against Eletropaulo - Eletricidade de São Paulo S.A. (currently Eletropaulo Metropolitana Eletricidade de São Paulo S.A. - "Eletropaulo") referring to the balance of a certain financing agreement. Eletropaulo did not agree with the criteria for monetarily adjusting said financing agreement and made escrow deposits for the amounts it understood to be due to ELETROBRÁS. In 1999 a judgment was issued on the aforementioned lawsuit, ordering Eletropaulo to pay the balance determined by ELETROBRÁS.

Under the partial spin-off explanatory record of Eletropaulo, made on December 31, 1997 and that resulted in the establishment of EPTE - Empresa Paulista de Transmissão de Energia Elétrica S.A. and other companies, Eletropaulo is solely liable for obligations of any kind referring to acts until the spin-off date, except for contingent liabilities whose provisions had been allocated to the acquirors.

In the case in question, at the time of the spin-off, there was no allocation to EPTE of any provision for such purpose, leaving it clear to CTEEP management and its legal advisors that Eletropaulo was exclusively liable for said contingency. At the time of the spin-off there was only the transfer to EPTE assets of an escrow deposit in the historical amount of R$ 4.00, made in 1988 by Eletropaulo, corresponding to the amount that it understood to be owed to ELETROBRÁS regarding the balance of the aforementioned financing agreement, and allocation to EPTE's liabilities of the same amount referring to this debt.

Therefore, under the partial spin-off explanatory record of Eletropaulo, EPTE would be responsible for the transferred asset and Eletropaulo would be liable for the contingent liabilities referring to the difference between the amount demanded in court by ELETROBRÁS. In October 2001, ELETROBRÁS executed the sentence referring to the financing agreement, charging R$ 429 million to Eletropaulo and R$ 49 million to

EPTE, on the understanding that EPTE would pay its part with the adjusted amounts of the escrow deposit. CTEEP merged EPTE on November 10, 2001, succeeding it in its rights and obligations.

36. Collection Lawsuit by ELETROBRÁS against Eletropaulo and EPTE--Continued

On September 26, 2003 a decision of the Court of Justice of the State of Rio de Janeiro was published, excluding Eletropaulo from the execution of the aforementioned sentence. Due to these facts, ELETROBRÁS filed, on December 16, 2003, an Appeal to the Higher Court of Justice (STJ) and another one to the Federal Supreme Court (STF) to maintain the collection regarding Eletropaulo. Appeals similar to those of ELETROBRÁS were lodged by CTEEP.

On June 29, 2006, the STJ accepted the appeal filed by CTEEP, with respect to reversing the decision of the Court of Justice of the State of Rio de Janeiro that had excluded Eletropaulo from the execution action filed by ELETROBRÁS.

Due to said acceptance by the STJ, on December 4, 2006 Eletropaulo filed a request for amendment of judgment, which was rejected, according to the decision published on April 16, 2007, as well as the Appeals to the STJ and the STF, which sustained the decision of the Higher Court of Justice, and which final and unappealable sentence was rendered on October 30, 2008. In view of these decisions, the execution of the decision filed by ELETROBRÁS follows its normal course as proposed.

With a view to requiring probative continuance to evidence the effective liability under said partial spin-off explanatory record , CTEEP proposed a declaratory judgment action in view of the other parties concerned in the collection lawsuit.

With respect to that debt and in view of the formal documents of the partial spin-off of Eletropaulo, CTEEP, according to the understanding of its management and legal advisors, holds only the escrow deposit which was received as an asset from 1988 to pay for a portion of the debt, and intends to proceed in the defense of such right. On the other hand, the Company has not recognized a reserve for the remaining contingency, which it understands to be the responsibility of Eletropaulo, to which the debt is being charged by ELETROBRÁS.

37. Supplementary pension plan regulated by Law No. 4819/58

a) Material fact notices

(i) *July 19, 2005*

“In compliance with CVM Instruction No. 358/02, CTEEP - Companhia de Transmissão de Energia Elétrica Paulista clarifies aspects related to the supplementary pension plan regulated by State Law no. 4819/58. This plan applies to employees hired through May 13, 1974, as mentioned in Note 22 (1) to the financial statements of the Company as of December 31, 2004.

37. Supplementary pension plan regulated by state Law No. 4819/58--Continued

a) Material fact notices--Continued

(i) *July 19, 2005*--Continued

The necessary funds to cover the charges of the plan are the responsibility of the applicable agencies of the Government of the State of São Paulo. This was implemented according to an agreement made on December 10, 1999 between the São Paulo State Finance Department and the Company, effective until December 31, 2003. Such procedure was regularly performed until December 2003 by Fundação CESP, with funds from the State Finance Department, transferred by CTEEP. From January 2004 onwards, the State Finance Department began to directly process those payments, without the participation of CTEEP and Fundação CESP.

An interim relief decision awarded by the 49th Labor Court of São Paulo was communicated to CTEEP on July 11, 2005 (lawsuit no. 1339/2005-1), authorizing Fundação CESP to resume processing the payment of benefits established by State Law no. 4819/58, according to the respective regulation, in the same manner that had been made until December 2003, with funds transferred by CTEEP. On July 13, 2005, the 49th Labor Court of São Paulo gave 60 days for enforcement of this decision. There is also on the website of the Regional Labor Court of São Paulo a summary of a similar decision (lawsuit SDC No. 20058200400002000) of June 30, 2005, determining that Fundação CESP, using the funds transferred by CTEEP, may process again the beneficiaries' retirement and pension payments established by State Law no. 4819/58.

To comply with said court decisions, CTEEP must require on a monthly basis the necessary funds from the São Paulo State Finance Department, to be transferred to Fundação CESP, which must process the payments to the beneficiaries. Said decisions apply to about 6,500 beneficiaries, with a monthly expense in the amount of R$ 23 million, which, in the understanding of CTEEP, is the responsibility of the State of São Paulo, as it was through December 2003. Consequently, CTEEP will object to said judicial decisions since it understands that the responsibility for the payment of the above-mentioned benefits befalls, under applicable legislation, the State of São Paulo”.

37. Supplementary pension plan regulated by state Law No. 4819/58--Continued

a) Material fact notices--Continued

(ii) *January 27, 2006*

“CTEEP - Companhia de Transmissão de Energia Elétrica Paulista, in accordance with CVM Ruling No. 358/02, announces a change in procedure by the State Finance Department, due to a recent understanding of the State Attorney General regarding the transfer of funds to CTEEP for compliance with the decision of the 49th Labor Court of São Paulo, which authorized Fundação CESP to resume processing of pension plan benefit payments established by State Law No. 4819/58 using funds received from the State of São Paulo and transferred by CTEEP. This matter has been previously addressed in Note 21 of the quarterly information of CTEEP as of September 30, 2005.

The State Finance Department transferred to CTEEP, on January 27, 2006, an amount lower than necessary to comply with the decision of the 49th Labor Court. The effective expenditure of CTEEP this month for purposes of said court decision was R$ 19,725, transferred to Fundação CESP, having received R$ 14,976 from the State Finance Department for this purpose. As informed by the State Finance Department, certain expenses were disallowed in that month due to the recent understanding by the State Attorney General regarding the State's responsibility in this case.

The decision of the 49th Labor Court currently applies to 5,528 beneficiaries. The State Finance Department continues directly paying 794 benefits established by State Law no. 4819/58. CTEEP is still endeavoring to overturn the decision rendered by the 49th Labor Court so as to transfer the responsibility for the pension plan benefit payments established by State Law No. 4819/58 back to the State Finance Department. CTEEP confirms its legal advisors' understanding that expenses derived from State Law No. 4819/58 and respective regulation are the full responsibility of the State Finance Department, and is analyzing the applicable remedies to protect the Company's interests”.

(iii) *February 24, 2006*

“CTEEP - Companhia de Transmissão de Energia Elétrica Paulista, in accordance with CVM Instruction no. 358/2002, announces, in furtherance of the information included in the Material Fact Notice of January 27, 2006, that the State Finance Department transferred to CTEEP in February 2006 the amount of R$ 12,802 to comply with the decision of the 49th Labor Court of São Paulo, which ruled that Fundação CESP must process the pension plan benefit payments established by State Law No. 4819/58 using the funds received from the State of São Paulo and transferred by CTEEP. In February, CTEEP's total expenditure to comply with said court decision was R$ 19,652.

37. Supplementary pension plan regulated by state Law No. 4819/58--Continued

a) Material fact notices--Continued

(iii) *February 24, 2006*--Continued

CTEEP continues its efforts to change the decision of the 49th Labor Court so as to transfer responsibility for the pension plan benefit payments established by State Law No. 4819/58 back to the State Finance Department, and to adopt other actions to protect the Company's interests".

b) Decision awarded by the 49th Labor Court of São Paulo

On May 2, 2006, the 49th Labor Court of São Paulo rendered a decision on the above-mentioned lawsuit, considering the claim at issue partially founded and maintaining the effects of the interim relief previously granted (Material Fact Notice of July 19, 2005), in addition to ordering the payment of amounts due. On May 8, 2006, CTEEP filed a request for clarifications and amendment of judgment in regard to the said decision.

The decision from the Higher Court of Justice (STJ) handed down on June 19, 2006, declaring that the State Court System has authority to judge the labor claims filed with the Labor Court directly seeking the amounts established by State Law No. 4819/58, annulled the decision of the 49th Labor Court of São Paulo and ordered that the case be submitted to an administrative court of the State Finance Department. As a result of the STJ decision, the amounts established by State Law No. 4819/58 will once again be paid directly by the São Paulo State Finance Department and no longer by Fundação CESP through transfer from CTEEP as occurred in accordance with the decision of the 49th Labor Court of São Paulo, thus made null and void.

On June 28, 2006, the STJ granted an injunction to suspend the effects of the decision rendered by the same court on the conflict of jurisdiction on June 19, 2006. According to the notification received by CTEEP on June 30, 2006, the decision of the 49th Labor Court of São Paulo, which ordered the payment of pension plan benefits as per State Law No. 4819/58 by Fundação CESP, using cash funds from the State of São Paulo transferred by CTEEP, shall prevail.

37. Supplementary pension plan regulated by state Law No. 4819/58--Continued

c) Current situation

As a result of the aforementioned facts and by force of said decision of the 49th Labor Court of São Paulo, as well as the decision of the STJ, CTEEP passed on to Fundação CESP, in the period of September 2005 to December 2009, the amount of R$ 1,258,920 for payment of benefits under State Law No. 4819/58, having received from the State Finance Department the amount of R$ 850,219 for that purpose. The difference between the amount passed on to Fundação CESP and the amount reimbursed by the State Finance Department, of R$ 408,701, is currently claimed by the Company at the administrative level (Note 7).

On October 20, 2005, CTEEP received from the State Attorney General Office (PGE) a copy of that agency's statement, dated October 6, 2005, regarding the consultation by the State Finance Department on the scope of said court decisions. In this statement, the PGE concludes that the decision of the 49th Labor Court of São Paulo applies subjectively to the State Finance Department, which is the defendant in the claim. Accordingly, the State Attorney General concluded that "in the current scenario, the State Finance Department is liable for the full reimbursement of the amounts disbursed by CTEEP for compliance with the court decision regarding labor claim No. 1145/2005-6, currently in progress at the 49th Labor Court of São Paulo". On the other hand, in the same statement, the PGE concludes that the decision issued by the Regional Labor Court, whose effects are suspended by the injunction obtained as a result of the Claim for Correction, does not fully apply to the State Finance Department, which was removed from the lawsuit at the plaintiff union's request. In this case, the State Finance Department should, according to the PGE, reimburse CTEEP, observing the strict limits of State Law No. 4819/58, excluding possible benefits established by the related regulation, that surpass or that are in conflict with the specific legislation.

In view of the aforementioned, it is clear that the PGE understanding of the issue, formally stated through its PGE/SF Official Letter No. 01, dated February 10, 2006, and respective PGE/SF Technical Note No. 01/06, changed the prior understanding, which was in effect through December 2005 for purposes of transfer of funds to CTEEP to comply with the decision of the 49th Labor Court of São Paulo. According to PGE current understanding, the State Finance Department must disallow certain transfers to CTEEP for purposes of transfer to Fundação CESP to comply with said court decision.

In October 2008, the STJ decided again for the jurisdiction of the Ordinary Courts in a Civil Class Action involving the same parties and matter, the sentence of which was subject to requests for amendment.

Except if this sentence is changed by the requests thus lodged, which Management does not consider probable, the decision of the 49th Labor Court of São Paulo will be void and the issue will be defined by the State Justice.

37. Supplementary pension plan regulated by state Law No. 4819/58--Continued

c) Current situation--Continued

According to the Material Fact Notices mentioned above, CTEEP continues its efforts to make the decision awarded by the 49th Labor Court of São Paulo null and void so as to transfer the responsibility for the pension plan benefit payment established by State Law No. 4819/58 back to the State Finance Department. CTEEP also confirms its legal advisors' understanding that the expenses arising from State Law No. 4819/58 and respective regulation are the full responsibility of the State Finance Department and is analyzing additional actions to protect the Company's interests. The Company records these disallowances as "Accounts receivable from São Paulo State Finance Department" (Note 7).

38. Subsequent events

(i) CTEEP Notice to stockholders - January 12, 2010

At the extraordinary meeting held on January 11, 2010, the Board of Directors of CTEEP approved payment of dividends on year 2009 profit as from January 22, 2010, in the amount of R$ 161,000, corresponding to R$ 1.068656 per share. As a result of this approval, the Company received dividends amounting to R$ 60.3 million.

(ii) Company Statement to the Market – February 8, 2010

On February 8, 2010, the Company released a Statement to the Market informing that on the same date it announced a public offer abroad for repurchase in cash of any and all bonds issued by it, due 2017, up to the total amount outstanding corresponding to US$ 354 million. The offer also requested the bondholders' consent for implementing certain amendments that will, among other consequences, substantially eliminate covenants contained in the indenture of these bonds maturing in 2017. Both the amendments and the public repurchase offer are subject to certain conditions and are part of a foreign currency debt restructuring process intended to be implemented by the Company.

(In thousands of reais – R$, unless otherwise stated)

38. Subsequent events--Continued

(iii) Debentures

CTEEP issue in two series of 54,860 debentures was financially settled in January 2010 in the total amount of R$ 548,600, as set by Bookbuilding:

				Amortization	
	Number of debentures	R$	Remuneration	Term	Dates
1st series	49,100	491,000	CDI + 1.3% p.a.	5 years	12/15/2012 12/15/2013 12/15/2014
2nd series	5,760	57,600	IPCA + 8.1% p.a.	8 years	6/15/2014 12/15/2015 12/15/2016 12/15/2017

The remuneration on both debenture series is payable semiannually, every December 15 and June 15, first maturing on June 15, 2010.

(iv) Supplementary pension plan governed by Law No. 4819/58

On February 22, 2010 the requests for amendment of the decision whereby jurisdiction of the Ordinary Courts over a Civil Class Action was confirmed were deemed unfounded since no conflict of jurisdiction was determined. For this reason, the action will continue under examination by the State Court.

(v) Collection suit brought by Eletrobrás against Eletropaulo and EPTE

A court order issued on February 25, 2010 in regard to the collection enforcement suit filed by Eletrobrás against Eletropaulo and EPTE ruled on settlement by arbitration, so that the liability for the debt may be assigned by means of an expert examination, in view of the provisions set forth in the partial spin-off explanatory record and attachments thereto. On the same date the court acknowledged the declaratory action connection to the enforcement suit.

(vi) Capital increase

At the CTEEP Board of Directors' Meeting held on March 8, 2010, a capital increase was approved in an amount capped at R$ 76,881, upon private issue of new shares at the price of R$ 48.50 per share. Out of this capital increase, R$ 28,832, equivalent to 594,477 shares are assignable to the controlling stockholder and will be paid up through capitalization of capital reserves (special goodwill on merger reserve) corresponding to the tax benefit represented by goodwill merged into the Company.

38. Subsequent events--Continued

(vi) Capital increase--Continued

Pursuant to article 171 of Law No. 6404/76, stockholders will be granted a 30-day term to exercise their preemptive rights.

(vii) Material fact notice of the Company – March 9, 2010

The Company, on March 9, 2010, released to the market a material fact notice informing that:

- "in furtherance to the Statement to the Market released by the Company on February 8, 2010, the public offer for repurchase in cash of any and all bonds due 2017 issued by the Company abroad was closed on March 8, 2010, in the amount of US$354.0 million (*8,800% Senior Notes due 2017*) ("Bonds 2017"). Out of this total, 91.06% were redeemed, corresponding to US$322.3 million;

- pursuant to the terms of the Board of Directors' proposal dated March 8, 2010, the Extraordinary Stockholders' Meeting held on March 9, 2010 approved: (i) a capital increase of R$840,000,017.43 (eight hundred forty million, seventeen reais and forty-three cents), R$420,000.01 (four hundred twenty thousand reais and one cent) of which will be earmarked for capital and R$839,580,017.42 (eight hundred thirty-nine million, five hundred eighty thousand, seventeen reais and forty-two cents) will be allocated to the Company's capital reserve account, through creation and issue of 415,691,162 (four hundred fifteen million, six hundred ninety-one thousand, one hundred sixty-two) redeemable preferred shares, whose holders will be entitled to cumulative fixed dividends, these shares having been subscribed for and paid up as of that date, thereby increasing the Company's capital from R$839,778,000.00 (eight hundred thirty-nine million, seven hundred seventy-eight thousand reais) to R$840,198,000.01 (eight hundred forty million, one hundred ninety-eight thousand reais and one cent), represented by 1,256,316,162 (one billion, two hundred fifty-six million, three hundred sixteen thousand, one hundred sixty-two) shares; (ii) mandatory dividend reduction; and (iii) amendment to the Company's Articles of Incorporation consistent with the above changes, among others; and

- a stockholders' agreement was executed between the Company's preferred stockholders and common stockholders ".

EXECUTIVE BOARD

FERNANDO AUGUSTO ROJAS PINTO
Executive Chairman

CRISTIAN RESTREPO HERNANDEZ
Chief Financial Officer and Investor Relations Officer

BOARD OF DIRECTORS

LUÍS FERNANDO ALARCÓN MANTILLA
Chairman

FERNANDO AUGUSTO ROJAS PINTO
Vice-Chairman

GUIDO ALBERTO NULE AMIN

ALFONSO CAMILO BARCO MUÑOZ

ANA MERCEDES VILLEGAS MEJIA

ACCOUNTANT

CLAUDIO LUIZ PINTO DE BARROS
CRC 1SP195071/O-4