



2009

ANNUAL REPORT AND  
SUSTAINABILITY REPORT

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# MESSAGE FROM THE BOARD

The year of 2009 will be reminded as a period of excellence in CTEEP's path. Upon completing ten years of history, the Company advanced in the consolidation of its management model, and recorded major accomplishments towards the achievement of our Vision.

During the year, we followed our strategic planning, which enabled establishment of sound bases for the growth of our business in the coming years.

The financial results recorded in this period reflect this positioning. Gross Operating Revenues totaled R\$1,904.8 million in 2009, up by 5.7% against 2008. Ebitda amounted to R\$1,361.4 million, 3.4% above the figures reported in the previous year, maintaining an average growth rate (CAGR) of 9.8% since 2007.

In 2009, investments amounted to R\$557.3 million, of which R\$211.6 million went to projects focused on production capacity expansion, building of new transmission lines and installation of equipment in substations.

Overall, we provided energy to 54 projects and installed 492 km of new lines. Our challenges will continue in 2010, and we foresee investments of R\$311.8 million in 198 works, of which 96 include provision of energy.

Among the year's standouts, we highlight the good acceptance by the market of CTEEP's debentures issue. Proceeds amounted to R\$548.6 million and were allocated to cash recovery, investments in our subsidiaries and strengthening of our transmission assets.

Another strong point in the period was our high operating efficiency. Our performance exceeded the indices reported by key market indicators: the non-supplied energy index was  $0.94 \times 10^{-5}$  and the availability of assets surpassed 99.91%.



# MESSAGE FROM THE BOARD

We have no doubt that the participation of our employees was essential for achievement of these results. More integrated and aware of the Company's strategic positioning, as well as of the importance of their participation in our growth, our 1,400 employees made the difference with their knowledge and capacity to overcome challenges.

For this reason, we intend to concentrate our efforts in the development of CTEEP's human potential. In this sense, the *Gestão do Conhecimento* (Knowledge Management) project will provide for easy exchange of information and good practices among the employees, disseminating knowledge and guaranteeing business competitiveness.

CTEEP's performance in 2009 encloses a virtuous cycle of growth that will continue in 2010. In addition to consolidating our achievements for the year, we will maintain the same growth pace as in the past decade.

We plan to grow with quality, trustworthiness and efficiency, guaranteeing the level of services offered to our clients. These are the differentials that make CTEEP a reference in the electricity sector and transmission area and which we will build on to continue working to overcome future challenges.

In 2010 we believe that our Company will consolidate a path marked by excellence. In this context, we will continue to focus on the search for sustainable results and the quality of our services. **GRI 1.1, 1.2**

**Luis Fernando  
Alarcón Mantilla**  
Chairman of the Board



**César Augusto  
Ramírez Rojas**  
CEO



# INTRODUCTION

PRESENT IN 12 BRAZILIAN STATES, CTEEP IS THE PRINCIPAL PRIVATE CONCESSIONARY IN THE ELECTRICITY TRANSMISSION SECTOR IN BRAZIL.

# ABOUT THE REPORT



For the second consecutive year, CTEEP – Companhia de Transmissão de Energia Elétrica Paulista – discloses its Annual Report and Sustainability Report in compliance with the international guidelines provided for in the Global Reporting Initiative (GRI), application level C. This edition also complies with the recommendations of the new model for the preparation of the Annual Social and Environmental Responsibility Reports for Companies of the Electricity Sector, issued by the *Agência Nacional de Energia Elétrica* – ANEEL (Brazilian Electricity Regulatory Agency). The Company's results are disclosed on an annual basis, and the latest edition of this Report was published in March 2009. GRI 3.2, 3.3

The information herein encompasses the economic and financial, social and environmental results of CTEEP in Brazil for the period from January 1, 2009 to December 31, 2009. GRI 3.1, 3.6

Operating and financial data, as well as comparisons against the same periods in 2008 – except as otherwise indicated –, are based on consolidated figures and stated in Brazilian reais, pursuant to the corporate laws in effect, and were audited by PriceWaterhouseCoopers Auditores Independentes. Social and environmental data were verified internally and were not submitted to external auditors. GRI 3.7, 3.9, 3.13

Data related to the Company's operating performance, its capital expenditures and Permitted Annual Revenue (RAP) refer only to CTEEP, and do not include the interest of partner companies in the following concessions: IENNE (Interligação Elétrica Norte e Nordeste), Pinheiros (Interligação Elétrica Pinheiros), Serra do Japi (Interligação Elétrica Serra do Japi), IESul (Interligação Elétrica Sul), IEMadeira (Interligação Elétrica do Madeira) and IEMG (Interligação Elétrica de Minas Gerais), the operations of which were initiated in December 2009. GRI 3.8, 3.10, 3.11

The preparation and definition of the contents of this report is coordinated by the areas of Communication, Strategic Management and Finance and Investor Relations, and involves the cooperation of employees from various areas and levels in the Company. The final validation of the information includes the CEO, executive officers and managers. By applying the GRI model, CTEEP expects to strengthen its relationship with its stakeholders: employees, clients, suppliers, shareholders and investors, and the government and society. GRI 3.5

For further information and clarification about this Report, the following communication channels are available: GRI 3.4

GRI Information:  
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# CORPORATE PROFILE

WITH 105 SUBSTATIONS AND 12,271 KM OF TRANSMISSION LINES, THE COMPANY TRANSMITS 30% OF THE ELECTRICITY PRODUCED IN BRAZIL.

CTEEP – Companhia de Transmissão de Energia Elétrica Paulista is the principal private electricity transmission concessionary in Brazil. With an installed capacity of 43,223 MVA (Mega Volt Ampere), CTEEP transmits 30% of the electricity produced in Brazil and 60% of the electricity consumed in the Southeastern region, which corresponds to almost 100% of the consumption of the State of São Paulo. The Company's principal clients are other public electricity concessionaries.

GRI 2.1, 2.2, 2.5, 2.6, 2.7

Operating with own assets or through subsidiaries or equity interests, CTEEP is present in 12 Brazilian states: Rio Grande do Sul, Santa Catarina, Paraná, São Paulo, Minas Gerais, Rondônia, Mato Grosso, Mato Grosso do Sul, Goiás, Tocantins, Maranhão and Piauí. With its head office in the city of São Paulo, CTEEP has five regional offices in the State of São Paulo (Bauru, Cabreúva, Jupiá, São Paulo and Taubaté), in addition to the Transmission Operations Center (COT) in Jundiaí (State of São Paulo), and the Backup Operations Center in Cabreúva (State of São Paulo). The Company's infrastructure is formed by a network of 12,271 km of transmission lines, 18,698 km of circuits, 2,488 km of optical fiber cables and 105 substations with power of up to 550 kV.

GRI 2.2, 2.3, 2.4, 2.8

In 2009, Gross Operating Revenues totaled R\$1,904.8 million, with net operating revenues of

R\$1,649.2 million and net income of R\$828 million.

Taking into account the subsidiaries and equity interests, CTEEP's total assets amounted to R\$6,320.1 million in the end of 2009, and shareholders' equity totaled R\$4,185.3 million. GRI 2.8

Since June 2006, CTEEP has been controlled by ISA, one of the largest electricity transmission groups in Latin America, which holds 89.40% of its voting shares, equivalent to 37.5% of the Company's capital. As the first electricity company in São Paulo to adhere to Level 1 of the São Paulo Stock Exchange (Bovespa) Corporate Governance, CTEEP's market value reached R\$7,796.5 million in 2009, up by 24.3% against 2008 (R\$6,463.3 million). GRI 2.6, 2.8

440KV  
Transmission  
Line



In 2009, the Company was granted the concession of the Serra do Japi – SE Jandira and Salto allotment auctioned by the ANEEL. Together with other companies, CTEEP also holds interest in undertakings acquired at auctions held by ANEEL in 2006, 2007 and 2008. The Company's interest in these subsidiaries organized for purposes of offering public electricity transmission services is as follows: 100% of Pinheiros (Interligação Elétrica Pinheiros), 100% of IESul (Interligação Elétrica Sul), 51% of IEMadeira (Interligação Elétrica Madeira), 25% of IENNE (Interligação Elétrica Norte e Nordeste) and 60% of IEMG (Interligação Elétrica de Minas Gerais), which started to operate in 2009. **GRI 2.3, 2.9**

The sustainability of our business is guaranteed by the adoption of best corporate governance practices and ethical and transparent positions maintained between CTEEP and its stakeholders: 1,400 employees, clients, suppliers, shareholders and investors, the government and society.

#### MISSION **GRI 4.8**

To expand, operate and maintain electricity transmission systems with excellence in the provision of services, satisfaction of clients, environmental sustainability, adequate return to shareholders, and contribution to the economic and social development of the community.

#### VISION **GRI 4.8**

CTEEP will become the principal non-government owned company of the Brazilian electricity transmission sector in 2016, with revenues of R\$3.5 billion, of which 25% derives from operations conducted outside the State of São Paulo.

#### VALUES **GRI 4.8**

- ETHICS
- SOCIAL RESPONSIBILITY
- INNOVATION
- EXCELLENCE



# ISA GROUP

WITH 38,551 KM OF HIGH-VOLTAGE GRIDS,  
ISA IS THE LARGEST INTERNATIONAL POWER  
TRANSPORTER IN LATIN AMERICA.

Through its affiliates and subsidiaries, ISA operates important transmission line infrastructure systems which have been driving the continent's development. The Company's activities are focused on Electricity Transportation, Market Operation and Management, Telecommunications Transportation, Construction of Infrastructure Projects and Road Concessions.

ISA's transmission lines infrastructure stretch out across cities, countries, and from one spot to another, contributing to the development of the populations living in Colombia, Brazil, Peru, Chile, Bolivia, Ecuador, Panama and Central America.

In the end of 2009, the Company's revenues amounted to US\$1.6 billion, and assets exceeded US\$8.3 billion. Its strategy focuses on the search for new opportunities in the region, and is supported by the diversification of markets, sectors and currencies, as well as by growing profit margins from efficient operations, sound capital structure and positive relationships with regulatory bodies.

## POWER TRANSPORTATION

ISA expands, operates and maintains high-voltage electricity transmission systems through the following companies: ISA and TRANSELCA, in Colombia; ISA Perú, Red de Energía del Perú – REP and Consórcio TransMantaro, in Peru; ISA Bolivia, in Bolivia; and, in Brazil, it owns the subsidiaries Companhia de Transmissão de Energia Elétrica Paulista – CTEEP (purchased through the Company's investment arm, ISA Capital do Brasil), in addition to other companies and interest owned through CTEEP.

Additionally, it holds an 11.11% interest in the Empresa Proprietária de Rede – ERP, which is responsible for the construction of SIEPAC (Central American Electrical Interconnection System) and shares with Empresa de Transmissão Elétrica S.A. – ETESA ownership in the company Interconexão Elétrica Colômbia-Panamá – ICP.

*ISA Head  
Office in  
Medellin*



Thanks to the 38,551 high-voltage grids used by its companies, ISA is currently the largest international power transporter in Latin America.

#### MARKET OPERATION AND MANAGEMENT

Through its affiliate XM – Compañía de Expertos en Mercados, ISA is responsible for the operation of the SIN (the Brazilian Interconnected System), the management of MEM (Wholesale Energy Market) in Colombia, and for International Electricity Transactions (TIE) with Ecuador.

XM uses the experience acquired in other markets, such as gas and financial derivatives markets, and counts on a portfolio that specializes in advisory and training services offered to Latin American companies.

#### TELECOMMUNICATIONS TRANSPORT

Through its affiliate, Internexa, ISA transports signals by means of a telecommunications connectivity infrastructure that links two or more spots, thanks to the support provided by optical fibers, satellite transmission and micro-waves. Internexa serves telecommunications and power companies, and holds investments in Ecuador through Transnexa. In Peru, it operates with Internexa.

As a carrier of carries, Internexa has access to a 10,848 km optical fiber network linking Colombia, Ecuador, Peru and Venezuela. In 2010, this network will be supplemented by 1,815 km in Peru and Chile, so as to complete a telecommunications connectivity infrastructure of 12,663 km.

#### CONSTRUCTION OF INFRASTRUCTURE PROJECTS

ISA offers to its affiliates, subsidiaries and third parties full solutions for the development of projects of power transmission lines and substations, and assembly of optical fiber cables, in accordance with its needs. This business is developed through ISA in Colombia and PDI (Proyectos de Infraestructura del Peru) in Peru.

#### ROAD CONCESSIONS

Late in 2009, ISA formalized its entry into the road concessions business after closing an agreement with the company Cintra Infraestructuras de España for the acquisition of a 60% interest held by the later in Cintra Chile, the largest road sector operator in Chile, with 907 km of roads. This deal was coupled with the execution of an administrative agreement with Colombia's National Concession Institute (INCO) for the development of the Mountain Roads Project, which includes four road stretches totaling approximately 1,251 km.

# KEY INDICATORS – CTEEP

Results (R\$ millions)	2007	2008	2009
Gross Revenues	1,563.29	1,802.44	1,904.8
Net Revenues	1,315.41	1,564.07	1,649.2
Gross Profit	1,002.26	1,252.62	1,301.44
Ebitda	1,128.90	1,316.70	1,361.4
Net Income	855.5	827.1	828.0
Net Added Value	1,408.10	1,522.01	1,681.00

Margins (%)			
Gross Margin	64.1	69.5	68.3
Ebitda Margin	85.8	84.2	82.5
Net Margin	65.0	52.9	50.2

Financial Indicators (R\$ millions)			
Total Assets	5,130.10	5,669.60	6,320.08
Shareholders' Equity	3,948.80	4,103.3	4,185.3
Net Debt	341.3	733.8	1,006.2
Net Debt/Ebitda (ratio)	0.3	0.7	0.8

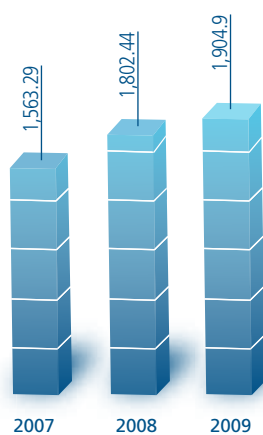
Market indicators			
Number of shares traded (thousands)	97,314	161,173	197,794
Financial volume traded (R\$ thousands)	2,177,821	3,164,810	2,486,032
Closing price PN (preferred shares) (R\$)	38.7	42	51.7
Net earnings per share (R\$/thousand shares)	5.73	5.54	5.49
Market value (R\$ thousands)	5,568,382	6,463,297	7,796,477
Earnings (Dividends and Interest on Shareholders' Equity) (R\$ thousands)	822.495	734,900	705.87*

\* earnings referring to 2009 and distributed until April 20, 2010

## KEY CTEEP INDICATORS

## GROSS REVENUES

(R\$ million)



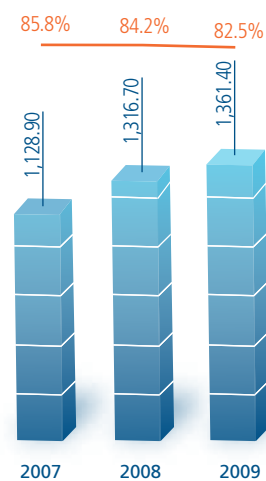
## NET INCOME

(R\$ million)



## EBITDA AND EBITDA MARGIN

(R\$ million)

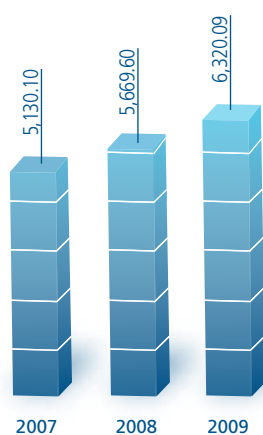


■ EBITDA margin

■ EBITDA

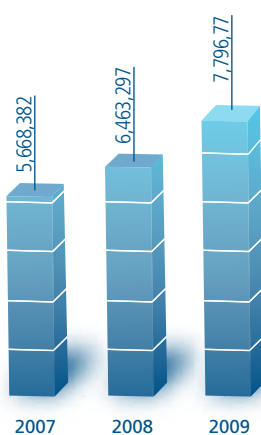
## TOTAL ASSETS

(R\$ million)



## MARKET VALUE

(R\$ million)





# CORPORATE GOVERNANCE

CTEEP WAS THE FIRST POWER COMPANY IN THE STATE OF SÃO PAULO TO ADHERE TO LEVEL 1 OF BOVESPA CORPORATE GOVERNANCE PROGRAM.

CTEEP's performance is guided by ongoing organizational improvements expressed through the adoption of transparency and safety criteria regarding information disclosure, in addition to our commitment to ethics before the market, shareholders and investors.

CTEEP was the first power company in the State of São Paulo to adhere to Level 1 of Bovespa Corporate Governance program, and its shares integrate the Corporate Governance Index (IGC), which puts together companies with differentiated corporate governance actions. CTEEP is the only power transmission company included in the BOVESPA index, the most important indicator of average performance of shares in the Brazilian stock market.

Since 2002, the Company has adopted the Policy of Disclosure of Relevant Act or Fact approved by the Board of Directors. The policy establishes rules regarding the disclosure and secrecy of relevant information. In 2009, CTEEP started to prepare its Corporate Governance Code, which will comprise disclosure and negotiation policies in addition to the Code of Ethics, whose development is already underway to regulate employees' conduct in relation to the Company and other stakeholders.

GRI 4.6

As a recognition for CTEEP's efforts to keep high corporate governance levels, the Company was granted the 2009 Abrasca Award – Creation of Value, which stressed the Company's share liquidity, profit distribution, and investor relations service. GRI 2.10

## INVESTOR RELATIONS

In order to provide ongoing business information to its shareholders, investors and the market, CTEEP receives the support of its Finance and Investor Relations department, which coordinates the development of various communication channels. In addition to a website exclusively intended to provide information to investors and analysts, three domestic non-deal roadshows were organized in 2009, as well as 190 meetings at the Company's head office, three conference calls on quarterly results and more than 2,000 contacts by e-mail and phone. The highlight was the 1<sup>st</sup> Meeting with Analysts, during which the details of Aneel Ratifying Resolution No. 843 establishing the 2009/2010 RAP were discussed.

### BOARD OF DIRECTORS

The Board of Directors is the central forum for decision and definition about CTEEP's general business direction, and is focused on the creation of value for the shareholders. It is formed by ten members: one chairperson, one deputy chairperson and eight advisors, of which one is independent. **GRI 4.1, 4.2, 4.3**

It is incumbent on the body to appoint the members of the Executive Board, to monitor business management; analyze the Management Report, the Financial Statements and the Executive Board's accounts; approve the economic and financial plans and budgets prepared by the Executive Board, including those directed to the execution of works; and appoint or dismiss the Independent Accountants.

In compliance with the best Corporate Governance practices, the chairman of the Board of Directors does not integrate the Executive Board. The shareholders meetings are held as provided for in the annual schedule approved during the first meeting each year or specially, at the request of the chairman or the majority of the Board's members. Fifteen meetings were held in 2009, of which six were on site and nine through conference calls. **GRI 4.1, 4.2**

### FISCAL COUNCIL

This permanent body is formed by five permanent members and five alternates appointed for a one year term, and permits participation of minority shareholders' representatives.

It is incumbent on the Fiscal Council to monitor management's actions and verify the performance of their legal and statutory duties; issue opinions about the Annual Management Report; analyze the balance sheet and other financial statements regularly issued by the Company; and review and comment on the financial statements. In 2009, the Fiscal Council met 12 times: five on site and seven through conference calls. **GRI 4.1**

### EXECUTIVE BOARD

This is composed of five members: a chief executive officer and four executive officers, all of them appointed by the Board of Directors for a period of three years. Besides acting as an important advisory channel to the Board of Directors, it is also incumbent on the Executive Board to manage the Company business and operating routines, focusing on results, in line with the guidelines established by the Board of Directors; and take all the actions needed for the regular operation of the corporation. **GRI 4.1, 4.4**

## COMMITTEES

CTEEP maintains two committees, the purpose of which is to support the Board of Directors with subjects related to their respective operation areas.

GRI 4.1, 4.4

### INTERNAL AUDIT COMMITTEE

Comprising five members – one ISA Group corporate auditor and four Board of Directors representatives –, the committee is responsible for strengthening Internal Control Systems, Risk Management and corporate governance practices; increasing the effectiveness of the internal audit functions and assessing performance thereof; approving the Annual Internal Audit Plan and supervising its fulfillment; evaluating the performance of the internal auditors and independent accountants, and ensuring the implementation of improvements resulting from internal and external auditors' reports. CTEEP's CEO and internal audit manager participate in the meetings as permanent guest and technical secretary, respectively. The Audit Committee met seven times in 2009.

### COMPENSATION COMMITTEE

This committee is made up of three members appointed by the Board of Directors, and is responsible for: monitoring, analyzing and proposing to the Board of Directors issues related to the compensation of officers and directors; appointing the members of the Executive Board; positions and salaries; wage policies; variable compensation; profit and results sharing (PLR); and labor agreements.

*Jose Eduardo  
de Souza,  
Taquaruçu  
Substation*



# ECONOMIC PERFORMANCE

■ CTEEP'S FINANCIAL RESULTS  
REFLECT THE STRATEGIC  
AND OPERATING ADVANCES  
ACHIEVED IN 2009.





# STRATEGIC MANAGEMENT

CTEEP'S PERFORMANCE IS SUPPORTED BY STRATEGIC INITIATIVES THAT PROVIDE FOR THE COMPANY TO ACHIEVE ITS VISION AND BUSINESS PURPOSES.

CTEEP's performance is guided by a strategic management model that integrates the Group's companies. For this reason, the Company maintains a strategy focused on soundness of its financial, efficiency and competitiveness aspects, as well as on business growth, based on the optimization of existing assets, participation in auctions for new transmission lines and ongoing assessment of acquisition opportunities existing on the market.

The Company's positioning is based on a set of actions and tools that includes the Strategic Map, conceived through the Balanced ScoreCard (BSC) methodology. In addition to enabling understanding of the strategic goals and their cause and effect relationship, the BSC provides for a balanced follow-up on the Company's strategic evolution through Strategic Initiatives (IEs) divided into four perspectives: Financial, Clients and Market, Productivity and Efficiency and Learning and Development.

The Strategic Initiatives concept has been applied in the past three years, and became an important tool for the achievement of CTEEP's strategic goals and Vision. Of the 32 initiatives established for 2009, 98% were accomplished. This performance resulted from a better understanding of this concept by employees, improvements in the IE management process, and the active and close participation of the Executive Board in the results achieved.

In face of the future scenario expected for the electricity sector in 2009, CTEEP developed the strategic planning cycle for the three-year period from 2010 to 2012, which resulted in the update of the strategic map and definition of three action fronts for the coming years:

- Ensure financial funds and develop alliances that add value for the Company to grow with a focus on acquisitions, reinforcement and connections articulated with the ISA strategy;
- Maintain excellence levels regarding system performance and maintenance by using best management practices, keeping the effectiveness of costs, and providing technical subsidies for concession renewal; and
- Act proactively within the sector and regulatory scopes, and advance in the fulfillment of commitments undertaken before other stakeholders in the context of Business and Social Responsibility.

The definition of Strategic Initiatives for 2010 recorded the active participation of the employees. The Company organized meetings with representatives of all areas in 2009 in order to define the strategic priorities for the coming years.

# INVESTMENTS AND PROSPECTS

INVESTMENTS ARE PRIMARILY DIRECTED TO INCREASING CAPACITY, BUILDING NEW TRANSMISSION LINES AND INSTALLING EQUIPMENT AT THE SUBSTATIONS.

In 2009, CTEEP's investment in existing assets, corporate area, workforce training and capital contributions in the subsidiaries totaled R\$557.3 million.

## INVESTMENTS IN 2009

(R\$ millions)	2009
Corporate	16.7
Type 1 Reinforcement	151.6
Type 2 Reinforcement	31.2
New connections	28.8
PMT	38.6
PMIS	11.3
Workforce training	7.3
Telecom project	40.5
Capital contributions in the subsidiaries	231.3
<b>Total</b>	<b>557.3</b>

The projects implemented by the Company are part of the Transmission Expansion Plan (PET), which comprises a set of undertakings to be implemented within the next five years. These undertakings are divided into:

- Type 1 (reinforcement to be implemented through specific authorization by Aneel, with pre-defined RAP);
- Type 2 (reinforcement authorized by Aneel. In this case, RAP will be incorporated in the next tariff review);
- Connection (reinforcement linking free consumers to biomass plants).

By means of Authorizing Resolutions issued by Aneel or Transmission System Connection Agreements (CCTs) entered into with free clients, CTEEP provided energy to 54 undertakings in 2009, of which 14 belong to the Basic Grid and 40 to DITs, which together correspond to 492 km of new lines (including reenabling, reconductoring and rebuilding), 217.5 MVA of transformers, 410 MVAR of capacitors and 200 MVAR of reactors.

The year's highlights were the conclusion of the works in Vale do Paraíba (State of São Paulo) and the works relating to the closing of Jupiá hub. In 2009, other two biomass connection undertakings were also concluded (Gasa and Cerradinho).

These undertakings – which totaled investments of R\$214.4 million, disbursed over the past three years – provide for greater trustworthiness and efficiency to the Brazilian interconnected system. These projects correspond to R\$30 million of permitted annual revenue.

#### INCREASE IN TRANSFORMATION CAPACITY

Substation	Voltage (kV)	Increase in Transformation Capacity (MVA)
Cerquilha	88-13.8	12.00
Mogi Mirim II	138-13.8	18.75
Botucatu	230-138	150.00
Scharlau	230-138	63.00
<b>Total</b>		<b>243.75</b>

#### INCREASE IN TRANSMISSION LINES

Transmission Line	Voltage (kV)	No. of Grids	Increase in Transmission Lines
S.L. Campos – Taubaté	230	1	34.7
Ilha Solteira – Jales	138	2	111.0
Taubaté – Aparecida	230	2	41.5
Jupiá – Valparaíso	138	2	47.0
Mogi (F) – S. J. Campos C1	230	1	49.4
Pres. Prudente – Capivara	138	2	53.0
Aparecida – S. Cabeça	230	1	41.5
Andradina – Valparaíso	138	2	63.2
Mogi (F) – S. J. Campos C2	230	1	50.0
<b>Total</b>			<b>491.3</b>

Another essential factor for CTEEP's performance in 2009 was the early execution of many undertakings. In the first half of 2009, the delivery of most undertakings foreseen for the period was anticipated in one, two or even four months.

The undertakings delivered in advance resulted in positive consequences for the Company's performance, since delivering an undertaking in advance means to anticipate RAP, and for society, which benefits from increased capacity.

## WORKS DELIVERED IN ADVANCE

Work	Description	Energization Date	Time ahead of schedule
SE Assis	Installation of a 440 kV circuit breaker to maneuver Reactor 2,440 kV (LT 440 kV Capivara – Assis) and transfer bar for automatic insertion of reserve phase.	Feb. 3, 2009	2 months
SE Água Vermelha	Installation of 500 kV bar reactors, 200 MVar, respective reserve phase of 66.67 MVar and associated bays.	May 3, 2009	1 month
SE Sumaré	Installation of two 138 kV capacitors, with 50 MVar each, and associated bays	Apr. 26, 2009	1 month
SE Scharlau	Installation of a 230/138 kV transformer, 63 MVA and corresponding connections for CEEE – Rio Grande do Sul	Mar. 4, 2009	2 months
SE Mogi Mirim III	Installation of two 138 kV bays for LT 138 kV Mogi Mirim III – Jaguariúna	Jun. 28, 2009	1.5 month
SE Cabreúva	Replacement of a 440 kV circuit breaker and associated TCs	Feb. 26, 2009	1 month
	Installation of 138 kV capacitors, 50 MVar, and associated bays	Feb. 1, 2009	4 months
SE Bom Jardim	Installation of 88 kV capacitors, 50 MVar, and associated bays	Mar. 8, 2009	2 months
	Replacement of two 88 kV circuit breakers, and associated TCs and sectioners	Apr. 26, 2009	2 months

\* All works were authorized by Aneel.

In order to proceed with its growth strategy, in addition to the investments in the existing grid, CTEEP also invests in the acquisition of lots of new transmission lines auctioned by Aneel, strengthening its presence in the State of São Paulo and expanding its operations to other regions of Brazil. During the auction held by Aneel in May 2009, the Company acquired four lots, including the substations of Jandira and Salto, in the State of São Paulo.

## PROSPECTS

Early in 2009, there was a small retraction in electricity consumption, as a direct consequence of the impacts on the Brazilian economy of the global crisis set in motion in the middle of 2008. However, the following months saw recovery in consumption, as shown by a record-breaking demand from the Brazilian Interconnected System (SIN). Consumption jumped 2.83% against the previous record, which occurred in 2008.



The perspectives for the Brazilian electricity transmission sector are promising. According to a study published in 2009 by the Energy Research Agency (EPE), power generation capacity will jump 51.5% from 2007 to 2017, so as to meet Brazil's ongoing growth demand. In order to market the energy produced, EPE predicts an increase of 36,387 km of transmission lines and 71,357 MVA of transformation in this period. In face of such estimates, the study foresees investments of R\$50.7 billion in new transmission lines and substations.

In 2010, Aneel is expected to build ten new substations and four transmission lines, which together will total approximately 800 km of lines and 1,700 MVA of transformation.

CTEEP will remain attentive to opportunities that may offer synergies, complementation and competitive advantages to its business. Aware of the importance of its operations for the development of the Country, the Company will foster sustainable development with the least possible impact on the environment, always respecting the communities where it operates.

CTEEP's investment plan for the period from 2010 to 2012 totals R\$1,910.6 million. These funds are intended to seek financial support from different sources in order to make its investments feasible. These investments will be directed to supporting projects, new connections, PMT and PMIS upkeep, and Telecom, as well as to capital contributions in subsidiaries. Acquisitions at future auctions are not being considered.

#### MULTI-ANNUAL INVESTMENT PLAN FOR THE THREE-YEAR PERIOD FROM 2010 TO 2012 (IN R\$ MILLION)

Own investments	2010	2011	2012
Corporate	7.3	7.2	6.2
Type 1 Support	218.4	243.7	206.9
Type 2 Support	47.5	68.3	47.8
New connections	45.9	2.4	23.3
PMT	36.9	41.1	37.4
PMIS	37.9	47.2	37.9
Telecom project	35.0	0	0
Workforce training	12.7	13.3	13.9
<b>Subtotal of own investments (A)</b>	<b>441.7</b>	<b>423.2</b>	<b>373.4</b>
Capital contributions in Subsidiaries	2010	2011	2012
IEMG	2.7	0	0
IENNE	39.9	0	0
Pinheiros	105.6	0	0
IESul	37.2	9.4	0
IEMadeira	129.7	204.3	47.9
Serra do Japi	37	58.6	0
<b>Subtotal subsidiaries (B)</b>	<b>352.1</b>	<b>272.3</b>	<b>47.9</b>
<b>TOTAL (A + B)</b>	<b>793.8</b>	<b>695.5</b>	<b>421.3</b>



*Transmission  
Line on  
Paraná River*

The 2010/2012 Investment Plan follows CTEEP's Transmission Expansion Plan, or PET/CTEEP, which comprises a set of works to be implemented within the next five years. PET, alone, will consume R\$348 million in 2010. Among the 96 undertakings to be concluded in 2010, we highlight:

- Conclusion of SE Água Vermelha, energized in January 2010;
- Works for installation of SE Araras, an undertaking carried out by the Interligação Elétrica Pinheiros subsidiary acquired in June 2008;
- Works for installation of SE Atibaia, an undertaking carried out by the Interligação Elétrica Pinheiros subsidiary, acquired in June 2008;
- Reenabling of Poços de Caldas – São João da Boa Vista II and Mogi Guaçu I – São João da Boa Vista II LTs, which will allow greater energy flow;
- Power supply to the company Solvay (SE Solvay);
- Various reinforcement actions directed to the power system, such as the installation of protection and control equipment in order to prevent failure (power transformers, current transformers, relays and circuit breakers).

In order to expand and strengthen the transmission system capacity, these works seek to meet the growth of the electricity consumer market, the need to take the energy produced to consumer centers and enable the exchange of energy between the subsystems of the Brazilian Interconnected System (SIN).

# OPERATING PERFORMANCE

CTEEP MAINTAINED A HIGH OPERATING EFFICIENCY LEVEL BY REDUCING COSTS AND INCREASING QUALITY INDICES.

A main challenge for CTEEP in 2009 was to guarantee the full operation of the transmission system during atypical periods, marked by adverse events such as the Country growth decline as result of the world crisis, the system disturbance on November 10, and high volumes of rain and atmospheric discharges.

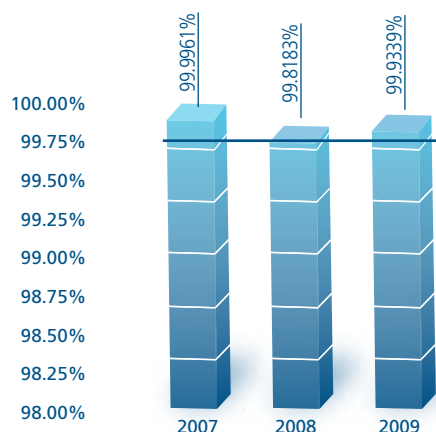
Despite this outlook, CTEEP recorded significant performance levels, with high operating efficiency, lower costs and improved quality indices. These achievements derive from the improvements made in operating and maintenance systems, which provided for CTEEP's positive figures in the period:

- Asset availability exceeded 99.95%;
- Interruption Duration Equivalence (DREQ) declined from 5.5444 to 4.0294 minutes between 2008 and 2009, as power charge remained practically stable in the State of São Paulo, despite heavier atmospheric conditions.

In addition to these achievements, the Non-Supplied Power Index (IENS), which measures the ratio between non-supplied energy and the total amount supplied, a major indicator applied to assess the performance of electricity transmission companies, CTEEP's market supply level closed 2009 at  $0.94 \times 10^{-5}$  or 41% lower than 2008.

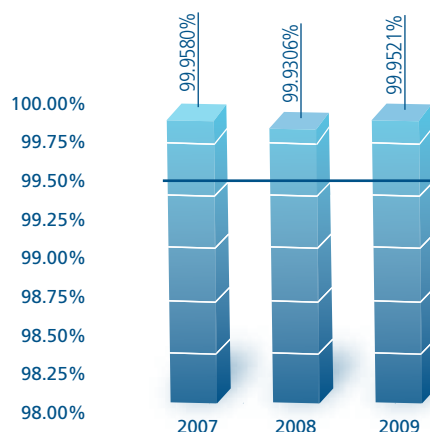
## TRANSMISSION LINES

18,698 km of grids  
Target: 99.75%



## TRANSFORMERS

516 in operation  
Target: 99.50%



In July 2009, the Company was granted a bonus of R\$2.8 million by Aneel, due to the low variable portion index, which measures equipment unavailability (0.13% for the Company, against the sector average of 0.53%).

Over the year, CTEEP organized various operating and maintenance activities relating to improvements in the system's trustworthiness, such as:

#### *SICAR*

The implementation of the Integrated Automatic Record Collection System (SICAR) was concluded in 2009. This digital system swiftly provides information to the Bom Jardim Operation Center about any occurrence in the Electricity System. Based on this information, the operators are able to analyze the event and fix the equipment affected as soon as possible.

#### *UNIFIED OPERATION AND MAINTENANCE HANDBOOK AND TECHNICAL EXCELLENCE PROGRAM*

The Unified Safe Operation and Maintenance Handbook was developed and published in 2009. It establishes basic safety principles to be complied with maintenance and operating activities carried out in the electricity transmission system. Together, the Handbook and the Technical Excellence Program ensure maximum safety conditions in operating and maintenance activities.

#### *TELECOMMUNICATIONS SYSTEM UPDATE*

With a total investment of R\$65 million, CTEEP is now deploying a digital telecommunications system, which replaces analogical machines with digital equipment and, after being fully operational in the first half of 2010, will provide for greater trustworthiness and speed in monitoring of the Company's transmission assets.

#### *DIGITAL SUBSTATIONS*

Given the conclusion of the digital project at the SE Mongaguá, a new initiative based on the concepts provided for in the IEC 61850 standard, the substation received new protection, measurement, command, control and supervision systems supported by international standards relating to the open communication protocol, which enables safer and more reliable operations. The digitalization of the Mairiporã, Porto Ferreira and Jaguari substations also started in 2009. With a total investment of R\$8 million, these projects are expected to be concluded in 2010.



*Marcos Antonio Searlini, of OC, performing maintenance activities*

#### *SCHEDULED MAINTENANCE*

The concept of centralized maintenance scheduling for the performance of services at the substations was implemented in the beginning of 2009. One of the differentials of the scheduled maintenance is that it is performed in the whole bay (a set of equipment responsible for the connection between the transmission line and the substation), rather than performing maintenance activities in accordance with the frequency of intervention in each equipment composing the bay, as before. The new process, which is fully integrated to SAP, also provides for greater maintenance control, workforce optimization and improved management of disconnections resulting from the variable portion. The principal goal is to ensure that the services scheduled are concluded as established, with due regard for the particularities of each area and guaranteeing total safety to the employees and facilities.

#### *CENTRALIZATION OF STOREHOUSES*

In 2009, CTEEP outsourced the services of storage and distribution of materials coming from its 15 storehouses. The outsourcing of this service is part of a strategic initiative that foresees the centralization, within two years, of all storehouses into one single, newly renewed Distribution Center occupying a 12,000-square meter area in Bauru, State of São Paulo.

By transferring storehouse management to a specialized firm, the Company benefits from: cost reduction, rationalization of inventories and quick delivery. Additionally, outsourcing will enable the Operations area – which, until then, was responsible for this activity – to focus more intensively on its core business.



# ECONOMIC AND FINANCIAL PERFORMANCE ANALYSIS (MD&A)

GROSS OPERATING REVENUES AMOUNTED TO R\$1,904.8 MILLION IN 2009, WITH NET OPERATING REVENUES OF R\$1,649.2 MILLION AND NET INCOME OF R\$828 MILLION.

Management's comments on the Company's economic and financial performance, as well its operating results, should be read in conjunction with the Audited Financial Statements. The changes in the accounting practices provided for in Law No. 11638/07 and 11941/09, and in the Pronouncements issued by the *Comissão de Valores Mobiliários* (Brazilian Securities Commission – CVM) and the *Comitê de Pronunciamentos Contábeis* (Accounting Pronouncements Committee – CPC) did not impact the comparability of the results included herein.

## GROSS OPERATING REVENUES

Gross operating revenues increased by 5.7% to R\$1,904.8 million in 2009 (R\$1,802.4 in 2008), mostly as a result of the 5.6% growth recorded in the use of the power grid, which reflects the annual adjustment on the 2008/2009 cycle by the IGP-M index.

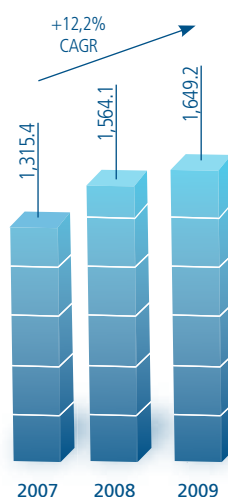
## DEDUCTIONS FROM REVENUES

Deductions from operating revenues rose 7.8% to R\$255.6 million in 2009, against R\$237.1 million in 2008, due to the 12.9% increase in regulatory charges, deriving from the higher balance to be invested in Research and Development projects. The growth in regulatory charges was concomitant with the 0.1% increase in income taxes, as a result of the adjustment on regulatory assets recorded in 2008.

## NET OPERATING REVENUES

CTEEP's net operating revenues amounted to R\$1,649.2 million in 2009, up by 5.4% against the same period in 2008. The Company's Compound Annual Growth Rate – CAGR has been 12.2% since 2007.

## NET OPERATING REVENUES (R\$ million)





*Jupia Substation,  
western region  
of the State of  
São Paulo*

### COST OF SERVICES AND OPERATING EXPENSES

The cost of services and general and administrative expenses increased by 17.8% to R\$505.5 million in 2009 against R\$429.0 million in 2008. This performance derives primarily from the 8.1% increase in personnel expenses and the 19.7% reduction in actuarial gains from pension and social security plans, in addition to the 17.1% hike in third parties' services.

The increase in personnel expenses is primarily due to the 6.2% increased under the collective bargaining agreement approved in August 2009 and retroactive to June 2009.

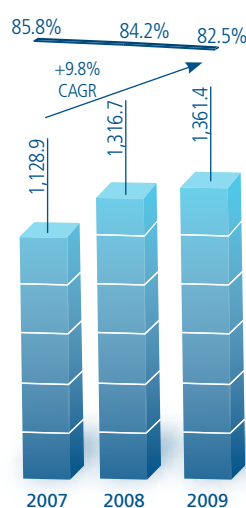
The decline in actuarial gains of pension and social security plans derives from the difference in actuarial gains recorded in 2009.

The increase in third parties' services resulted from higher maintenance costs with transmission lines and substations, cleaning services and tax advisory services.

### EBITDA

Ebitda totaled R\$1,361.4 million in 2009, and the Ebitda margin was 82.5%, remaining practically stable against 2008 (Ebitda of R\$1,316.7 million and Ebitda margin of 84.2%).

### EBITDA (R\$ MILLION) AND EBITDA MARGIN (%)



### FINANCIAL INCOME

Financial income included expenses of R\$266.8 million in 2009, down by 6.0% against 2008 (R\$284.0 million), due to the increase in interest on shareholders' equity and debt service charges (promissory notes and payment of taxes in installments), which was partially offset by an increase in active interest arising from tax credits restatement.

### INCOME AND SOCIAL CONTRIBUTION TAXES

Income and Social Contribution Tax expenses rose 3.6% to R\$268.1 million in 2009 against R\$258.7 million in 2008. The actual Income and Social Contribution Tax rate was 31.7% in 2009, compared with 30.6% in 2008.

### NET INCOME

As result of the foregoing, the Company's net income was practically stable against 2008, totaling R\$828.0 million.

### CAPITAL STRUCTURE

In line with the optimization of its capital structure, CTEEP obtained funds from competitive market sources to finance its growth.

In the end of 2009, the Company's total consolidated debt was R\$1,048.4 million and the net debt totaled R\$1,006.2 million, which corresponds to a 0.76 net debt/Ebitda ratio.

Of the total debt, 52.9% corresponds to loans taken from the *Banco Nacional de Desenvolvimento Econômico e Social* (National Economic and Social Development Bank, or

BNDES), and 46.8% derives from the issue of short-term promissory notes and private financial institutions, both attached to the CDI, the remainder balance coming from other sources.

In spite of having exceeded current assets totaling R\$688.1 million, the Company's current liabilities of R\$1,259.8 million were offset by its strong cash generation. Also as a part of the strategy lengthen its debt profile, the Company carried out a successful issue of debentures in December 2009.

### CASH FLOW

This information is available on page 17 of the Financial Statements' exhibit.

*Renata and  
Evanete,  
employees at  
the head office*



**ADDED VALUE DISTRIBUTION – DVA** GRI EC1

In 2009, CTEEP's added value totaled R\$1,681 million, up by 10.4% against 2008. Of this total, R\$783 million corresponds to earnings paid to shareholders as dividends and interest on shareholders' equity; R\$573 million went to payments to the government, such as taxes, charges and federal, state and municipal contribution taxes; and R\$102 million were directed to payroll and employees' benefits.

Further information is available on page 19 of the Financial Statements' exhibit.



*Oziel Cordeiro da Silva, CTEEP employee at the Operations Backroom Center*



## ECONOMIC INDICATORS

Other indicators	2009 R\$ thousands	%	2008 R\$ thousands
Investments			
"Distribution/Transmission Expansion (strengthen expansion)"			327,200
Other indicators			
Gross Operating Revenues (R\$)	1,904,795	5.68	1,802,439
Deductions from Revenues (R\$ thousands)	-255,558	7.81	-237,055
Net Operating Revenues (R\$ thousands)	1,649,237	5.36	1,565,384
"Service Costs and Operating Expenses (R\$ thousands)"	-505,484	17.83	-428,991
Service Income (R\$ thousands)	1,143,753	0.65	1,136,393
Financial Income(R\$ thousands)	-266,853	-6.03	-283,968
Other expenses, net	-31,162	378.61	-6,511
Equity pick-up	-262	0.00	0
IRPJ/CSSL taxes (R\$ thousands)	-268,067	3.60	-258,747
Reversal of interest on shareholders' equity	250,610	4.47	239,898
Net income (R\$ thousands)	828,019	0.12	827,065
Interest on shareholders' equity (R\$ thousands)	250,610	4.47	239,898
Distribution of Dividends (R\$ thousands)	532,569	7.59	495,002
"Wealth (net added value) per Employee (R\$ thousands)"	1,084	-3.64	1,125
"Wealth (to be distributed) per Operating Revenues (%)"	88.3%	4.51	84.4%
Ebitda (R\$ thousands)	1,361,443	3.40	1,316,680
Ebitda margin (%)	82.5%	-2.02	84.2%
Current Liquidity	0.57	-25.97	0.77
Total Liquidity	0.78	-10.34	0.87
"Gross margin (net income/gross operating revenues) (%)"	0.43	-6.52	0.46
"Net margin (net income/net operating revenues) (%)"	0.50	-5.66	0.53
"Return on Shareholders' Equity (net income/shareholders' equity) (%)"	0.20	0.00	0.20
Capital Structure		0.00	
Own capital (%)	81.7%	-2.27	83.6%
Interest-bearing third-party capital (%) (loans and financing)	18.3%	11.59	16.4%

## OTHER FINANCIAL INFORMATION

In 2009, Aneel issued an assessment notice against the Company, as described below:

- Assessment notice No. 035/2009. Inspection of disturbance characterized by partial disconnection of the transmission system due to failure at Bandeirantes substation, causing a partial interruption in power supply in the city of São Paulo. The corresponding fine amounted to R\$1,785,457.35.

- Assessment notice No. 076/2009 – Non-compliance with the term for start-up of commercial operations provided for in Resolution No. 352/05, regarding completion of rebuilding and reenabling works in 230 kV transmission lines of Vale do Paraíba. The corresponding fine amounted to R\$930,419.08. **GRI PR9**
- In 2009, CTEEP received no financial support from the Brazilian government. **GRI EC4**



# MANAGEMENT AND COMPETITIVENESS

CTEEP STANDS OUT FOR ITS INTEGRATED MANAGEMENT MODEL, QUALITY MANAGEMENT SYSTEM, RESEARCH AND DEVELOPMENT PROGRAM AND INVESTMENTS IN INFORMATION TECHNOLOGY.

In order to guarantee fulfillment of its growth strategy, CTEEP invests in quality management, innovation of processes and best corporate practices. These intangible assets allow for the Company to create values that can be perceived by all its stakeholders.

## MANAGEMENT TOOLS AND PRACTICES

### CTEEP'S INTEGRATED MANAGEMENT MODEL



In order to ensure consistency of and compliance with its growth targets, CTEEP adopts an integrated management model that seeks excellence regarding operations and management (Day-to-Day Management), strategy (Strategic Direction) and human resources (Cultural Transformation). This model is supported by the use of the following management methodologies:

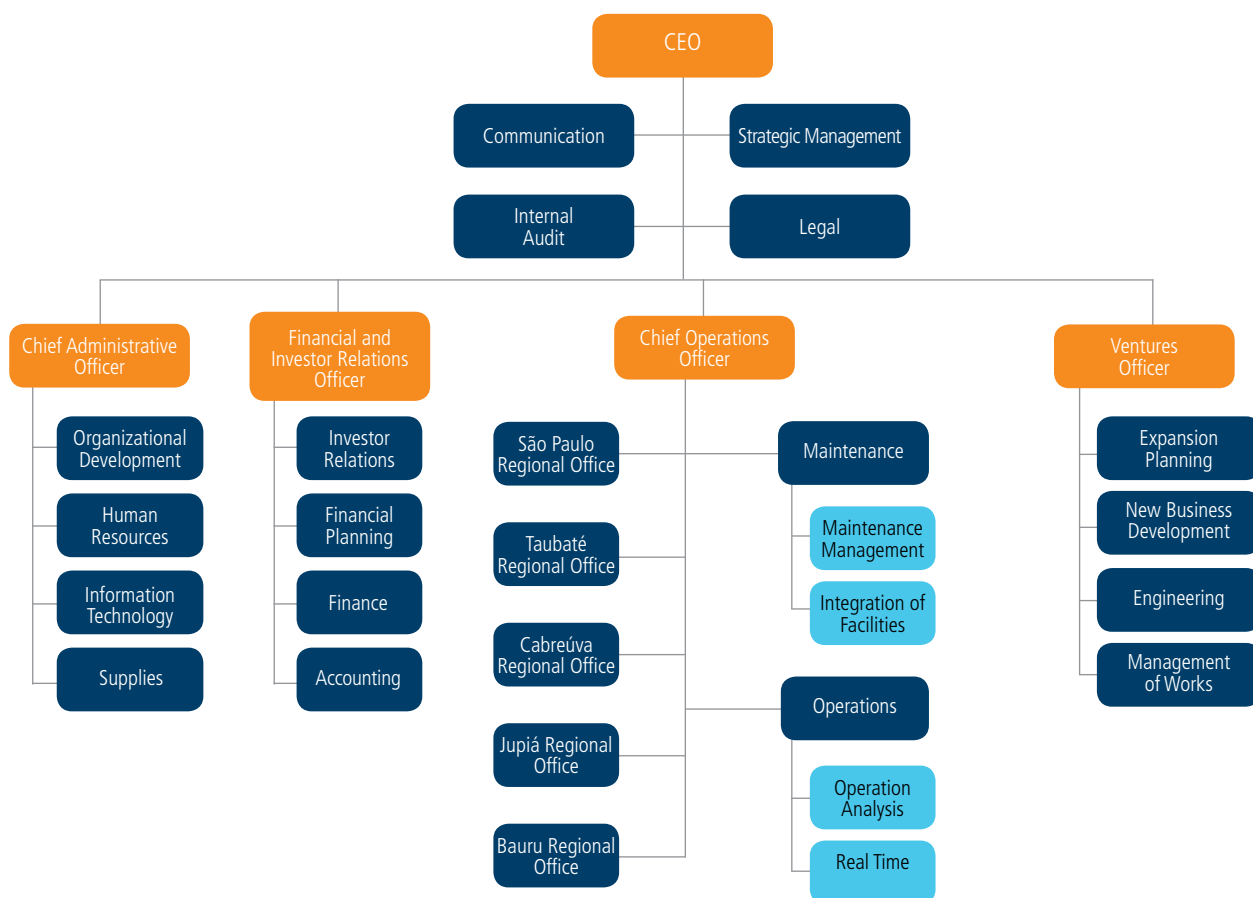
- *Balanced ScoreCard* (BSC) – guides the process of definition of the strategic initiatives developed by the Company;
- Plan, Develop, Control and Adjust (PDCA) – this set of concepts is applied in the Day-to-Day Management structure in order to improve daily processes so as to achieve results and consolidate a culture that seeks ongoing improvements.

Among the various initiatives developed throughout the year to improve the management of processes and corporate organization, we highlight the following:

**New organizational structure** – in 2009, CTEEP made some changes in its organizational structure. One of them, involved some reporting relationships: the Legal department's report was transferred from the Administrative Officer to the CEO. In turn, the Organizational Development department's report was transferred from the CEO to the Chief Administrative Officer. Thus, CTEEP's organizational structure became aligned with ISA's

management model, in which the administrative area is focused on three operation areas: people, technology and organizational management.

In line with the business growth strategy, the New Business Development department – EN was created. This area is attached to the Ventures department, a new area responsible for planning, management and identification of new business opportunities such as acquisitions, participation in auctions, development of new companies, strategic partnerships and mergers, offering the necessary support to these new business decision-making processes.



**Corporate programs portfolio** – throughout the year, CTEEP implemented the first phase of its corporate programs portfolio. The initiative aims to sort out and assign priorities to the projects developed by the areas, in addition to the Strategic Initiatives. In order to do so, the Company uses an analysis mechanism to evaluate and define the projects having priority for the business and which should receive investments for their actual implementation. The mechanisms are defined at the corporate level, and each area is responsible for the qualification of its respective projects. This initiative is expected to reduce the Company's budget, foster risk integration and focus the actions so as to tune them with the strategic position for 2010.

## QUALITY MANAGEMENT

In 2009, CTEEP continued expanding its Quality Management System – SGQ, with the certification of 100% of the processes carried out by the Ventures Officer, and 100% of the processes carried out by the Maintenance Department of the Chief Operations Officer.

With regard to the Maintenance area, the development of the certification's scope – Maintenance of CTEEP's Electricity System – engaged various employees, who contributed to the creation of documents and records. The certification process started in March, and internal auditing actions were performed for seven months with the purpose of correcting and aligning the Company's records and documents in face of a more comprehensive scope, as well as identifying the overall system's compliance with maintenance processes.

The Ventures area sought certification for the "Managing Power Transmission System Ventures" scope Documents and records were created for compliance with this Standard, including process

flows. After the implementation of the SGQ, internal auditing actions were taken aiming at verifying the system's adhesion to the standard's requirements.

Other initiatives seeking standardization of procedures and excellence in the development of activities were also performed in 2009, such as: diagnosis of the impact of the implementation of the OHSAS 18000 standard (Health and Safety); mapping of the processes carried out by the Chief Financial Officer for purposes of the ISO 9000 certification; and analysis of the implementation of an Integrated Management System (ISO 27000).

*Antonio Del Santos Junior, employee at Jupia Regional Department, performing tower maintenance activities*



## RESEARCH AND DEVELOPMENT (R&D)

The strategic relevance of R&D programs and the launch, in 2008, of the new Technological Research and Development Program Handbook for the Electricity Sector by Aneel generated significant changes in the process of definition of research subjects to be developed in the coming years, providing for an enhanced alignment with CTEEP's strategic goals.

Implemented in 2001, CTEEP's R&D program totals more than 70 completed projects that resulted in the application for four patents and one software registration. Since then, over R\$23 million have been invested in projects that have either been concluded or are in progress.

In January 2009, 10 new projects belonging to the 2006/2007 cycle and approved by Aneel in November 2008 were implemented. Among these projects, the highlights are those seeking innovations regarding the equipment used in upkeep of lines and substations. Two new projects complying with Aneel's new handbook were also implemented in September 2009.

The R&D Program allows for uncountable benefits; providing for an environment that favors the search for innovative solutions; and the opportunity for CTEEP's employees to develop their projects in partnership with the best researchers from the best institutions in the Country, creating growth and professional qualification opportunities through ongoing knowledge acquisition.

### INVESTMENTS IN R&D PROJECTS

Period	(R\$ millions)
2001/2002	3.21
2002/2003	3.56
2003/2004	2.21
2004/2005	4.43
2005/2006	5.11
2006/2007 (initiated in January 2009)	4.78
<b>Projects Subtotal (concluded or underway)</b>	<b>23.30</b>

In order to stimulate the submission of proposals for the next cycles, in 2009 the R&D Workshop gathered over 140 participants, including employees, university representatives, research centers and labs, suppliers and industry companies. On aggregate, 12 research projects for the 2004/2005 and 2005/2006 cycles were discussed at the meeting, the highlights being:

- The quality of the research projects presented and their innovative character;
- The projects were presented at exhibition booths instead of conferences, promoting the exchange of experiences and information between authors and visitors;
- The innovative format, which included discussion forums around the issues proposed for the next R&D program, enabled the participants to receive information and clarifications about the themes published, providing for the preparation of proposals that are more adequate to CTEEP's needs and expectations; and
- Among the proposals received during the discussion forums, 16 projects focused on Corporate Social Responsibility (RSE), as a result of which the Company included two of these projects in the next R&D cycle.

## INFORMATION TECHNOLOGY

The mission of CTEEP's Information Technology area is to contribute to the business' strategic goals by using technology. In line with this principle, various actions were performed in 2009.

One of the standouts was the implementation of the SAP system, which went live in January 2009. After almost one year of activities, CTEEP concluded the implementation of this tool, which will streamline and improve the quality and safety of the Company's internal procedures.

SAP offers a general view of the Company's processes, contributing to the integration among the areas and allowing for the optimization of duties and improved organization of the employees' routines.

Aligned with SAP (through the use of the database), the BI (Business Intelligence) tool was also implemented in the Operational and Maintenance areas in 2009. This tool allows for the issue of real-time reports that meet the needs related to decision-making information analysis.

The year of 2009 saw the restructuring of Transnet, which, according to the results of an internal communication means survey carried out in 2009, is the top communication means among the Company's employees. In the beginning of 2010, the new Transnet went live with new layout and functionalities, including optimized operation, customized contents for each regional office, integration of systems, a new employees' portal and real-time contents.

The Company also invested in the construction of a new data center in Bom Jardim (State of São Paulo), which offers greater safety and data processing capacity, in addition to reduced costs.

CTEEP's commitment to innovation was worth the second position in the "Public Services" category of the "100 + Innovative in 2009" award, granted by *Information Week* magazine. 



# OUR SHARES AS AN INVESTMENT

IN ITS FIRST DEBENTURES ISSUE, CTEEP RAISED R\$548.6 MILLION USED FOR INVESTMENT IN ITS SUBSIDIARIES; TO REORGANIZE ITS CASH AND TO REINFORCE TRANSMISSION ASSETS.

With its preferred shares listed on the *Bolsa de Valores de São Paulo* – BM&FBovespa (São Paulo Stock Exchange), CTEEP integrates the IBrX – Brazil Index, which measures the return on a portfolio consisting of 100 shares selected among those most traded on the Bovespa; and the IVBX2, which measures the return on a portfolio consisting of securities issued by companies with the best reputation among investors.

## CAPITAL MARKET

After the end of the global economic crisis, the market's caution and risk aversion reported in 2008 slowed down. This scenario reversal in 2009 had a positive impact on the Ibovespa (an index that measures performance of a theoretical portfolio comprising shares representing 80% of the volume traded on the Stock Exchange), which increased by 82.66% in the year.

Despite this scenario, the shares of companies of the electricity sector recorded significant performance, as demonstrated by the Electrical Energy Index (IEE), which rose 59.09%. CTEEP's common shares (TRPL3) appreciated 19.76%, and preferred shares (TRLP4), 23.21%, closing the year at R\$54.00 and R\$51.75 respectively.

During the year, CTEEP's preferred shares were traded through 197,794 transactions, up by 22.9% against 2008. Total trading volume was R\$2,486 million. The shares were traded on 100% of Bovespa's trading sessions, with a free float of 27%. CTEEP's market value amounted to R\$7.8 billion in the end of 2009.



*Eduardo da Silva  
Oliveira, employee  
of the Maintenance  
Management  
Division, performing  
maintenance  
activities*

#### ADRS

CTEEP also participates in the sponsored Level 1 of the American Depositary Receipts (ADRs) program, which is backed-up by common and preferred shares. The Company's depository institution in the United States is the Bank of New York Mellon. In Brazil, Banco Itaú S.A. is the custodian of the shares underlying these ADRs (one Depositary Share per share of both classes). In 2009, the Company's share base totaled 2,041,296 ADRs representing preferred shares, and 23,699 ADRs representing common shares.

#### REMUNERATION OF SHAREHOLDERS

In 2009, CTEEP distributed R\$783.2 million in dividends to its shareholders, or 94.5% of its net income for the period.

#### PUBLIC ISSUE OF DEBENTURES

In December 2009, CTEEP concluded its First Issue of Debentures. A total of 54,860 simple, non-convertible, secured debentures were subscribed and paid in two series, all of them registered book-entry debentures, with a par value of R\$10,000.00, totaling the amount of R\$548,600,000.00. The issue was approved at the Board of Directors' meetings held on September 30 and December 14, 2009. The proceeds were used primarily for cash recovery, due to the investments directed to IENNE and Pinheiros, and were also used to strengthen transmission assets.

# RISK MANAGEMENT AND INTERNAL CONTROLS

SEEKING GREATER SAFETY AND EFFECTIVENESS, THE COMPANY FOLLOWS AN INTEGRATED RISK MANAGEMENT METHODOLOGY AND ADOPTS EFFECTIVE INTERNAL CONTROL SYSTEMS.

## RISK MANAGEMENT

In order to prevent factors that may interfere with business management, CTEEP adopts assessment instruments that allow for identifying and minimizing the impact of variables on its performance. Used in all companies of the ISA Group, this process uses the Integrated Risk Management methodology (GIR).

At CTEEP, implementation of the GIR is also aligned with the guidelines of the Integrated Risk Management Policy. This model is based on the utilization of the Enterprise Risk Management (ERM) tool, which integrates the Company's information and identifies risks inherent to the business, proposing risk management actions related to all processes (the so-called "administrative measures"), in an ongoing cycle.

The implementation of this methodology and the validation of CTEEP's risk mapping were concluded in 2008. In order to ensure the use of the GIR, an Integrated Risk Management team was created in 2008 to articulate the procedures and methodologies related to risk management.

In 2009, the Group was responsible for analyzing the risk factors identified in the beginning of the process and promoting workshops with managers in order to discuss and evaluate risk scenarios, as well as their impacts on their respective areas – which resulted in the validation of 20 risks and 292 administrative measures that will be reviewed and adjusted on a regular basis.

Concomitantly, various actions were developed in order to disseminate the risk management culture company-wide. Meetings were held at all regional offices so as to introduce the GIR methodology and, together with the employees, identify new administrative measures that may contribute to the risk management process.

## INTERNAL CONTROLS

CTEEP sees internal controls as an essential, strategic element to ensure the achievement of the results and guarantee effective control of operations. For this purpose, the Company counts on an Internal Control Policy established in accordance with the ISA Group's guidelines and addressing the processes adopted for the effective control of CTEEP operations.

These oversight mechanisms are based on risk analysis, as well as on the four elements forming the COSO (Committee of Sponsoring Organizations of the Treadway Commission) international methodology, as described below:

- **Monitoring** – strengthening of internal controls based on the activities performed by internal and external auditors, who make recommendations related to improvements in the Internal Control System;

- **Information and Communication** – structuring of management information, development of a new Intranet, and implementation of the SAP system;

- **Control Activities** – ISO 9001 and 140011 certification and process improvements;

- **Risk Management** – implementation of the second phase of risk management processes; and

- **Control Environment** – development of the Code of Ethics and strengthening of human capital.

Aiming at disseminating Internal Control concepts among the employees, the Company organized workshops in all regional offices in 2009. These meetings were attended by 160 people.



*Maria Claudia, Wilson, Renata and Vivian, employees at the Head Office*



The background of the entire page is a collage of images. The top right corner has a solid dark blue rectangle containing the title. The rest of the page is a grid of various images: a musician playing a trumpet (multiple instances), a landscape with a power plant, and a close-up of a person's face.

# SOCIAL PERFORMANCE

■ AT CTEEP, THE CORPORATE SOCIAL RESPONSIBILITY CONCEPT IS IN LINE WITH THE COMPANY'S GROWTH STRATEGY GOALS.



# SOCIAL RESPONSIBILITY

## CTEEP ESTABLISHED COMMITMENTS TO ITS STAKEHOLDERS AND INCORPORATED MANAGEMENT TOOLS SO AS TO MONITOR THE PROGRESS ACHIEVED.

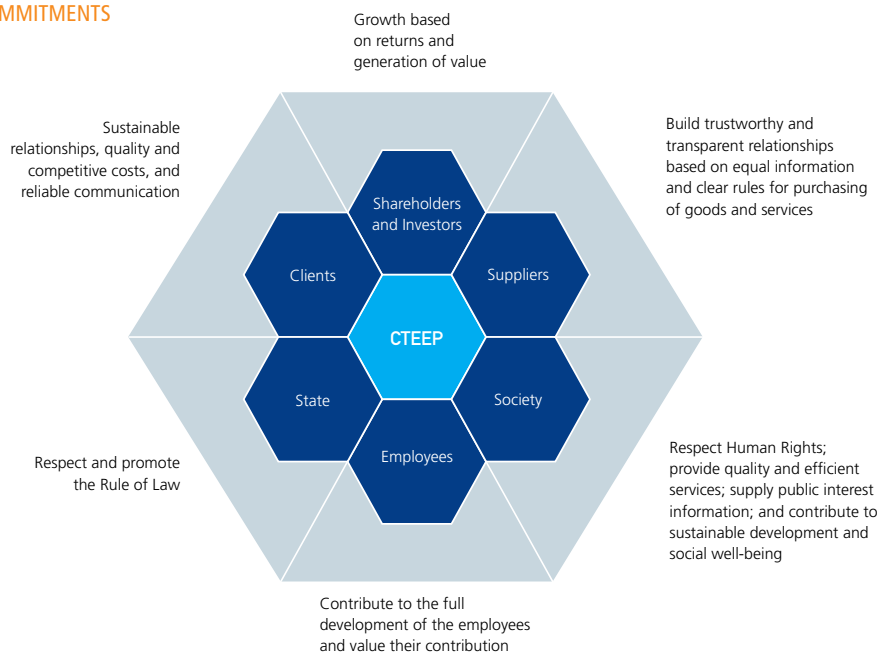
Since the incorporation of the Corporate Social Responsibility (RSE) concept to its business strategy, CTEEP has sought to maintain alignment of the initiatives in this area with its business' growth strategy goals and the commitments undertaken before its stakeholders: employees, clients, suppliers, shareholders and investors, and the government and society. **GRI 4.14**

In line with the best market practices, CTEEP also follows reference models, such as Ethos Indicators, Bovespa's ISE (Corporate Sustainability Index) and those provided for by the GRI (Global Reporting Initiative).

In 2009, the Company started developing its RSE action guidelines in order to guarantee a better alignment among the business' strategic goals and the search for projects that may promote its corporate identity in the areas of Education, Environment, Solidarity and Basic Infrastructure. This process involved the participation of employees from different hierarchical levels (officers, managers and coordinators), who represented the various areas interfacing with stakeholders. **GRI 4.15**

Based on the information obtained, new proposals for improvements and adjustments to current initiatives were recorded, as well as suggestions for new projects. Also, as a final result, the guidelines for RSE actions were defined for each group of stakeholders. In 2010, the projects will be aligned with this new positioning so as to guarantee their compliance with ISA Group's social performance model, as well as more effectively standardized actions developed by CTEEP in this area.

## CTEEP STAKEHOLDERS AND COMMITMENTS



## MAPPING OF STAKEHOLDERS' GROUPS

CTEEP's relationship with its stakeholders is based on ethical, social responsibility and transparent communication principles. Engagement with the various groups of stakeholders is established through communication and service channels, research studies, participation in meetings, business performance disclosure and others. **GRI 4.15, 4.16**

Stakeholders	Relationship and communication actions
Employees	Communication Channels: "1ª Linha" magazine and Transnet
	Management meetings to align leaderships with business strategy
	Roadshows presenting the Company's performance
	Communication campaigns on projects under way
	Organizational Climate and Culture Survey
Clients	Client Satisfaction Survey
	Client Management Improvement Plan
	Ombudsman Office
	Hot line for client service
Suppliers	Meetings with Suppliers
	Evaluation of Suppliers
	CTEEP Suppliers Award
Shareholders and Investors	Investor Relations' specific website
	Direct e-mail for communication with the Investor Relations area
	APIMEC meetings and quarterly conference calls
	Legal publications – quarterly and annual management reports sent to CVM and Bovespa
	Spontaneous publications – Annual Report and Sustainability Report
State	Affiliation to industry trade associations
	Participation in sector forums and committees
Society	Sponsoring of cultural and social projects

# EMPLOYEES

CTEEP'S RELATIONSHIP WITH ITS EMPLOYEES IS BASED ON THE COMPANY'S WILLINGNESS TO CONTRIBUTE TO THE FULL DEVELOPMENT OF ITS PROFESSIONALS.

At the end of 2009, CTEEP had 1,375 employees (excluding outsourced employees and employees retired due to disability), all of them covered by collective bargaining agreements. Of this total, 111 employees occupy management positions – CEO, executive officers, managers and coordinators and 1,264 are administrative and operational technicians. The Company also has 25 outsourced professionals, of which five are interns and 20 are apprentices. **GRI LA1, LA4**

## EMPLOYEES' PROFILE AND GROUPS RESPONSIBLE FOR CORPORATE GOVERNANCE **GRI LA13**

Employees	Men	Women	below 30 years old	From 30 to 50 years old	Over 50 years old
Chief Executive Officer	1	-	-	-	-
Executive Officers	4	-	-	2	2
Managers	22	4	-	20	6
Coordinators	68	12	1	65	14
Administrative positions	249	118	80	248	39
Operating Technicians	894	3	71	770	56
Interns	4	1	5	-	-
Apprentices	16	4	20	-	-
<b>Total</b>	<b>1,242</b>	<b>138</b>	<b>157</b>	<b>1,105</b>	<b>118</b>
<b>Committees and Councils</b>					
Board of Directors	8	2	-	2	8
Fiscal Council	10	-	-	2	8
Internal Audit Committee	4	1	-	1	4
Compensation Committee	3	-	-	1	2



The Company does not hire child labor and its outsourcing agreements include a clause requiring the same attitude from third parties and suppliers. Additionally, in spite of not developing specific projects, CTEEP's operations do not include areas with significant risk of forced slave or child labor.

**GRI** HR6, HR7

#### TURNOVER

According to the Collective Labor Agreement (ACT) maintained with workers' unions and by exclusive initiative of CTEEP, employees' turnover should not exceed the number of 30 persons in the period from June 1<sup>st</sup>, 2009 to May 31, 2010. As from this date, personnel turnover goals increase to 50 employees per year of effectiveness of the ACT, not considering the professionals hired after May 31, 2006.

Accordingly, the Company does not measure turnover indices, since they would be impacted by this guideline and would not reflect reality. **GRI** LA2

#### COMPENSATION AND BENEFITS

Beginning 2009, CTEEP implemented the Staffing and Compensation Management Program, as a result of which the Company's competitiveness regarding compensation, benefits and incentives was benchmarked against the market. The action resulted in the restructuring of jobs and roles included in the Company's organizational model, and consequently, in the adjustment of the employees' positions to the new structure, which now includes 378 positions, of which 24 are held by executives, 229 by university students, 105 by high-school/technical level professionals and 20 are operating positions.

*Angela  
Aparecida  
Amirat and  
Ana Carolina  
Silva Lourenço,  
Employees  
at Cabreúva  
Regional Office*



*José Eduardo de Souza, at the control room of Jupiá Substation*

CTEEP's salary policy includes remuneration that is compatible with the professionals' development level, and it is based on the minimum salary valid for the State of São Paulo (R\$510.00), this being the lowest salary paid by the Company. **GRI EC5**

Permanent employees are entitled to meal voucher, grocery ticket, staple basket (for salaries up to R\$3,794.00), transportation ticket, and medical and dental assistance. Interns and apprentices, in turn, are entitled to life insurance. Additionally, the employees are offered a private pension plan, which represents an important financial support to retirement, with additional contributions by the Company. CTEEP also has a Profit Sharing plan (PLR), whose payments are attached to the fulfillment of the targets established by technical/quality and economic-

financial indicators, distributed as follows: 65% of the total amount is equally divided, and 35% is proportional to the employees' salaries. **GRI LA3**

#### DIVERSITY

CTEEP maintains a Program for Inclusion of Disabled Persons, which confirms the Company's commitment to the construction of a culture that respects differences and promotes diversity. In 2009, 62 disabled professionals were hired as permanent employees.

CTEEP also adopts the principle of equality in remunerating positions having the same value, with no distinction between men and women. In 2009, the base salary for men was R\$3,319.28 on average, as women's salaries were R\$4,073.62 on average.



The difference is attributable to a higher number of male employees compared with female employees; the former concentrated on the Operating area and the latter, in the Administrative area. **GRI LA14**

### INTERNSHIP PROGRAM

Focused on the professional, training and personal development of the participants, CTEEP's Internship Program continued in 2009. The initiative involved 28 youngsters and recorded a hiring index of 50%.

During the program, the interns attend on-site and distance learning training, develop individual projects, undergo regular evaluations and receive feedback from the internship supervisor. The benefits offered by the program include allowances aligned with average market values, meal voucher, transportation ticket, life insurance, medical assistance and a 30-day paid leave after one year of internship.

### YOUNG APPRENTICE

CTEEP's Young Apprentice program allows for the development of entrepreneurial spirit and professional capabilities that provide for the youngsters to face professional challenges with creativity, independence and ethics. Professional qualification is a hands-on process and happens concomitantly with the apprentice's arrival at the Company, at which time they have the opportunity to develop their capabilities based on day-to-day experience amidst the corporate environment. In 2009, CTEEP had 20 young apprentices working in various units.

### CLIMATE AND CULTURE

In 2009, CTEEP organized the 3<sup>rd</sup> Climate Survey, with the participation of 94% of its employees. The initiative became an important tool for the Company to know its employees' opinions about the working environment; identify positive points; and propose actions to improve the organizational climate.

In 2009, CTEEP organized, for the first time, a Culture Survey. The action had a 90% adhesion of the employees. Its goal was to measure the Company's existing organizational culture. Based on the data collected, it will be possible to identify improvement opportunities that may ensure the effectiveness of the Company's organizational model in compliance with the ISA Group's guidelines.

*Celso Cerchiar, Erasm Fontana, Carlos Ribeiro, Kátia Lixandrão Bruno Giacomini and Ronival Lourenço Santos at the closing of the 2009 internship program.*



## TRAINING PROGRAMS

To foster the full development of its employees by valuing their contribution to business growth is one of CTEEP's goals. In 2009, the Company concentrated its investments on training, focusing on leadership development. This strategy was defined due to the group of newly-promoted managers and of professionals recently hired by the Company, coming from other market segments. Besides, one of the results of the climate survey indicated the need to develop management competencies focusing on people management and leadership. The other employees participated in training programs focused on their performance areas. In addition to mandatory and normative training programs, the Company offered qualification, educational and professional updating opportunities.

### AVERAGE TRAINING HOURS BY FUNCTION GRI LA10

CEO/Executive Officers/Managers/Coordinators	1,268
Administrative positions, operating technicians, interns and apprentices	46,87

Note: Training hours do not include the Board of Directors and the Fiscal Council.

Additionally, various training, educational and qualification actions were organized aiming at improving the performance of the employees in their respective professional areas. The Company's mandatory, normative and development training programs totaled 738 classes, 74,368 hours/class, 6,005 attendances and an average of 54 training hours per year per employee.

## CORPORATE EDUCATION

The Corporate Education strategic modeling project implemented in 2009 seeks to align training and development actions with the competencies required by the business and the job description. This initiative offers to CTEEP's employees training actions aiming at qualifying existing talents.

The Company also has education incentive programs such as undergraduate degree programs, technical courses, graduate degree programs and language courses. Financial allowances for these initiatives benefited 281 employees in 2009.

## PERFORMANCE REVIEW

In 2009, CTEEP adopted an internationally recognized performance management model, whose principal target is to identify and understand the actual contribution of each employee to the organization's achievements. As a result of this new model, it was possible to follow up on the employees' professional evolution and, based on the information collected, recognize their individual development, and propose improvements and development of qualifications.

GRI LA11

## COMPETENCY-BASED PERFORMANCE REVIEW

Throughout the year, the competency-based review project was implemented for all CTEEP employees, as an extension of the 2008 initiative. The review involved executive officers and managers. Before making their self-review, each executive was evaluated by two peers and his/her immediate superior. As a result of this initiative, the Company was able to verify the professional's adhesion to his/her current position based on three competencies of the ISA Group and two

competencies related to the power transportation business. After going through a feedback session with a specialized consulting firm, the professional received his/her respective report. An individual development plan was designed in order to improve the employee's qualifications and identify development needs. **GRI LA11**

### KNOWLEDGE MANAGEMENT

In order to improve its ability to retain, share, disseminate and build the essential knowledge needed to maintain its market competitiveness, CTEEP launched the Knowledge Management Program. This action reflects a strategy that ensures the creation of a culture focused on learning and knowledge-sharing among all employees. At CTEEP, Knowledge Management Strategic Modeling includes not only the evaluation of the business' characteristics, but also the mapping of and priority knowledge areas that play a critical role in the definition of the strategic guidelines indicating knowledge management methods and tools.

### HEALTH AND SAFETY

In order to preserve the health of its employees, CTEEP promotes Occupational Health Tests involving clinical and laboratory analyses related to various aspects of human health. In addition to regular mandatory examinations, the Company also invests in the performance of activities intended for the professionals' physical and emotional well-being.

One example is the Life Quality Program, which was launched in 2009 to arouse the employees' interest in the importance of physical activities in their day-to-day lives. The initiative included the distribution of materials containing health guidelines and tips, and promoted the beginning of the workplace exercise project at the Companies' premises.

CTEEP makes available to its employees the *1ª Linha* magazine, which is published each two months and totals 1,600 copies. The publication is sent by mail to all employees. The magazine addresses various issues related to the Company. In 2009, it discussed themes such as life quality, which included the practice of physical activities, women's health, immunization against diseases, the enactment of the anti-smoking law, and the Occupational Health and Safety Week, among other subjects. **GRI LA8**



*Claudinei da Silva and Luiz Alberto Dezan, employees at the Maintenance Management Division, performing maintenance activities*

Aiming at stimulating the analysis and discussion of issues relating to Occupational Health and Safety, CTEEP established a commission with equal representation from the Company and workers' union. Besides, CTEEP has a regressive salary complementation system that is applied to absences from work exceeding 15 days due to work-related or non work-related health problems. **GRI LA9**

CTEEP also supports the employees' participation in formal safety and health committees that assist with monitoring and counseling about occupational safety and health programs. In 2009, the Company carried out 204 monthly meetings and 112 monthly plenary meetings promoted by the Internal Committees for the Prevention of Accidents (CIPAs). **GRI LA6**

#### HEALTH AND SAFETY – CIPA **GRI LA6**

	Number of own employees	Number of Employees represented by Formal Committees	Formal Committees	% of Employees represented by Formal Committees
2008	1,305	183	15	14%
2009	1,384	187	17	14%

#### ACCIDENT RATE BY FREQUENCY AND SEVERITY **GRI LA7**

Injury Rate (TL)	3.38
Number of Injuries	11
HHT (Man-Hour Worked)	3,257,790
Number of Occupational Diseases	3,257,790
HHT	3,257,790
Rate of days lost (TDP)	56.48
Number of days lost	184

\* In 2009, CTEEP effectively started to control absenteeism, the results of which are expected to be disclosed from 2010 on.



# CLIENTS

CTEEP'S RELATIONSHIP WITH ITS CLIENTS IS BASED ON CRITERIA SUCH AS TRANSPARENCY AND QUALITY SERVICES.

Besides investing in the provision of quality services at competitive costs, CTEEP seeks to maintain transparent and sustainable relationships with its clients. In 2009, the Company provided assistance to 15 distributors, 17 generators (including biomass plants) and three free consumers. Focused on this positioning, CTEEP organizes the Annual Client Satisfaction Survey so as to listen to the opinions and suggestions of its clients and, thus, propose improvement plans. The survey includes the partners that are the most impacted by the Company's business: clients from Operating, Maintenance and Ventures areas. **GRI PR5**

In the Operations area, the research was conducted for the second consecutive year, and indicated an increase in the satisfaction index, from 73.3% in 2008 to 74.6% in 2009. The first measurements made among clients and intermediaries of the Maintenance and Ventures sectors achieved satisfaction indices of 75.8% and 79.2% respectively. Based on these results, CTEEP prepares actions to improve the critical indicators reported by the clients.

Another important client-focused initiative carried out in 2009 was the Simulation and Disconnection Plan, an exercise to simulate occurrences in the system that involved distributors and generators, and was monitored by the ONS, providing for the operators to receive qualified training.

138Kv  
Transmission  
Line – Três  
Lagoas-Ilha  
Solteira (TLA-ILS)





# SUPPLIERS

IN ORDER TO STRENGTHEN PARTNERSHIP CONCEPTS WITH SUPPLIERS, CTEEP ORGANIZES INITIATIVES FOCUSED ON THE DEVELOPMENT OF ONGOING TRUST PROCESSES.

The Company's relationship with its suppliers is supported by the guidelines and actions provided for in the CTEEP Suppliers Program, which seeks a continuous communication and reliable process. Out of approximately 6,000 suppliers included in the Company's records, 564 materials suppliers and 324 service suppliers maintained an active relationship with CTEEP in 2008.

In addition to promoting regular evaluations to identify social responsibility acts performed by these companies, CTEEP organizes meetings to present results, demands and supply strategies (Suppliers Meetings). In 2009, the CTEEP Suppliers Award 2010 was launched to recognize

the best suppliers through evaluation based on criteria such as quality, logistics, human resources, innovation and social responsibility.

The agreements signed by CTEEP include clauses related to human rights, although compliance thereof is not verified. GRI HR1

CTEEP's goods and services policy addresses relationship with suppliers, although it does not provide for specific actions about contracting local suppliers, which are contracted in accordance with the specific demands of each regional office and account for approximate 3% of the Company's total purchases. GRI EC6

Suppliers Meeting



# SHAREHOLDERS AND INVESTORS

## CTEEP DEVELOPS ONGOING ACTIONS TO CONSOLIDATE A PERMANENT COMMUNICATION CHANNEL WITH SHAREHOLDERS AND THE MARKET.

CTEEP's relationship with shareholders, investors and the market is guided by criteria involving transparency, and promptness and quality in the disclosure of information about the Company. For this reason, the Company maintains various communication channels with this audience, such as a website containing economic and financial information; meetings with analysts; Apimec meetings; conference calls; national non-deal roadshows; and customized assistance by e-mail or phone.

In 2009, CTEEP started to prepare the Corporate Governance Code, which includes disclosure and negotiation policies, as well as the Code of Ethics, which is being developed and will regulate the employees' conduct in their relationship with the Company and other stakeholders.



APIMEC  
presentation

# THE GOVERNMENT

CTEEP SEEKS STRENGTHENING ITS RELATIONSHIP WITH GOVERNMENT BODIES BY MAINTAINING AN ACTIVE PARTICIPATION IN COMMITTEES THAT PROMOTE THE INDUSTRY DEVELOPMENT.

Besides complying with its legal obligations, CTEEP maintains an active participation in boards of directors, committees, public body commissions and trade associations that defend and promote the interests of the electricity sector, such as the *Agência Nacional de Energia Elétrica – Aneel* (Brazilian Electricity Agency), *Operador Nacional do Sistema Elétrico – ONS* (National Electrical System Operator), *Associação Brasileira das Grandes Empresas de Transmissão de Energia Elétrica – ABRATE* (Brazilian Association of Large Power Transmission Companies), *Associação Brasileira da Infraestrutura e Indústria de Base – ABIDIB* (Brazilian Association of Basic Infrastructure and Industry), *Associação Brasileira de Concessionárias de Energia Elétrica – ABCE* (Brazilian Association of Power Concessionaires), *Centro de Pesquisas*

*de Energia Elétrica – CEPEL* (Electricity Research Center), *Comitê Nacional Brasileiro da CIER – CIER BRACIER* (Brazilian Regional Committee of the Regional Energy Integration Commission), *Comitê Nacional Brasileiro de Produção e Transmissão de Energia Elétrica – CIGRÉ BRASIL* (Brazilian National Committee for Electricity Production and Transmission), *Sindicato da Indústria da Energia no Estado de São Paulo – SIESP* (Energy Industry Association of the State of São Paulo) and the Sanitation and Energy Secretariat of the State of São Paulo. 

The Company is also a member of the following entities:

**ABRATE** – Associação Brasileira das Grandes Empresas de Transmissão de Energia Elétrica (Brazilian Association of Large Power Transmission Companies);

**ABERJE**;

**CEPEL** – Centro de Pesquisa de Energia Elétrica (Electricity Research Center);

**SIESP** – Sindicato da Indústria da Energia no Estado de São Paulo (Energy Industry Association of the State of São Paulo);

**ABIDIB** – Associação Brasileira da Infraestrutura e Indústrias de Base (Brazilian Association of Basic Infrastructure and Industry);

**ABCE** – Associação Brasileira de Concessionárias de Energia Elétrica (Brazilian Association of Power Concessionaires);

**CREA SP** – Conselho Regional de Engenharia, Arquitetura e Agronomia de São Paulo (Regional Engineering, Architecture and Agronomy Council of the State of São Paulo);

**APTEL** – Associação de Empresas Proprietárias de Infraestrutura e de Sistemas Privados de Telecomunicações (Association of Companies Owning Infrastructure and Private Telecommunications Systems);

**ETHOS** – Instituto Ethos de Empresas e Responsabilidade Social (Ethos Institute – Business and Social Responsibility);

**ABNT** – Associação Brasileira de Normas Técnicas (Brazilian Association of Technical Standards);

**ABRASCA** – Associação Brasileira das Companhias Abertas (Brazilian Association of Listed Companies);

**CIER BRACIER** – Comitê Nacional Brasileiro da CIER (Brazilian Regional Committee of the Regional Energy Integration Commission);

**COGEN** – Associação Paulista de Cogeração de Energia (Energy Co-generation Association of the State of São Paulo);

**INSTITUTO DE ENGENHARIA**; (Engineering Institute);

**ABRACONEE** – Associação Brasileira dos Contadores do Setor de Energia Elétrica (Brazilian Power Industry Accountants Association);

**CIGRÉ-BRASIL**;

**IBAPE** – Instituto Brasileiro de Avaliações e Perícias de Engenharia de São Paulo (Brazilian Institute for Engineering Assessments and Technical Inspections of São Paulo);

**CREA MS** – Conselho Regional de Engenharia, Arquitetura e Agronomia do Mato Grosso do Sul (Regional Engineering, Architecture and Agronomy Council of the State of Mato Grosso do Sul).

CTEEP does not make any type of financial or cash contributions for political parties, campaigns or related institutions. 

# SOCIETY

## CONTRIBUTING TO SUSTAINABLE DEVELOPMENT AND SOCIAL WELL-BEING IS ONE OF THE GUIDELINES OF CTEEP'S RELATIONSHIP WITH SOCIETY.

CTEEP works to consolidate its relationship with the communities surrounding its facilities and contribute to their sustainable development. Building on this attitude, in 2009 CTEEP developed a project for engagement of these communities.

To this end, a pilot project was developed in three influence areas of the Company, with a survey analyzing the expectations and needs of these communities. Based on these results, the Company's intends to focus on the preparation of proposals regarding sustainable actions and projects aligned with the common targets of the interested parties – in this case, the Company and the community – and involving the commitment of all regarding community development and the preservation of the Company's right of way.

GRI SO1

With investments of R\$3,8 million, CTEEP provided institutional support to the following projects held in 2009:

### ICC – INSTITUTO CRIANÇA CIDADÃ ("CHILD CITIZEN INSTITUTE")

ICC develops activities involving over 8,000 children, teenagers and adults in the areas of education, health, culture and nutrition, through five social and educational projects: pre-school day care center; supplementary school studies; introduction to Professional activities; literacy for youngsters and adults; and "Our community" project.

"Criança  
Cidadã" Institute







*Youths' Groups' presentation*

#### *ENERGY AND SANITATION FOUNDATION*

With a wide collection of documents and book files, objects and equipment holding historical value and educational projects for the power sector, the Energy and Sanitation Foundation is dedicated to the preservation and historical rescue of the electricity sector in the State of São Paulo.

#### *URBAN ORCHARD*

Coordinated by the Environment Secretariat of the State of São Paulo, the project fosters the environmental remediation of the areas neighboring the Pinheiros River, in the city of São Paulo. The initiative is supported by 23 partner-companies, including CTEEP.

#### *YOUTHS' GROUPS*

Through the Rouanet Law for culture incentive, CTEEP sponsors cultural activities that contribute to the development of society and the communities in which it operates. In 2009, the Company was the exclusive sponsor of the Youths' Groups project, which encompasses four groups totaling 243 scholarship students attending the Tom Jobin Scholl of Music of the State of São Paulo: two orchestras, one symphony orchestra and one choral.

#### *YOUTHS' ORCHESTRA OF THE STATE OF SÃO PAULO*

Formed by 70 musicians, the orchestra dedicates to musical experiments for students, offering an essential opportunity for the musical education of youngsters.

#### *YOUTHS' SYMPHONIC BAND OF THE STATE OF SÃO PAULO*

Including 75 scholarship students who play wind and percussion instruments, the group performs operas, symphonic poems and works belonging to Brazil's popular culture.

#### *YOUTHS' CHORAL OF THE STATE OF SÃO PAULO*

Created in 1979, the choral is composed of 48 young music students specializing in lyrical singing.

#### *TOM JOBIN YOUTHS' ORCHESTRA*

Includes 50 scholarship musicians that are devoted to the work by the Brazilian composer Tom Jobim, as well as to traditional works by other Brazilian composers. The group performs together with celebrities of the Brazilian Popular Music (MPB).





# ENVIRONMENTAL PERFORMANCE




CTEEP ADOPTS A SERIES OF  
MEASURES IN ORDER TO  
RATIFY ITS COMMITMENT  
TO ENVIRONMENTAL  
SUSTAINABILITY



# ENVIRONMENTAL MANAGEMENT

IN 2009, CTEEP EXPANDED THE SCOPE OF ITS ENVIRONMENTAL MANAGEMENT SYSTEM WITH THE CERTIFICATION OF NEW SUBSTATIONS.

Guaranteeing the environmental sustainability of its activities is among CTEEP's commitments. In 2009, the Company organized various actions to consolidate this positioning. Over R\$1 million was invested in prevention, management, mitigation and treatment initiatives in 2009. 

Expense description	Investment	Reference
Waste disposal	1,000,050.00	Final disposal of Ascarel (PCB) <sup>1</sup>
Remediation costs	274,557.00	TCRA <sup>2</sup> , TAC's <sup>3</sup> , LO's <sup>4</sup>
Prevention costs	168,247.00	"Projeto Cuca" environmental education program
Operating license renewal	948.00	LO PPR/TAQ C1 <sup>5</sup>
Environmental Management	76,500.00	PAE <sup>6</sup> materials
<b>Total</b>	<b>1,570,252.00</b>	

1. "Ascarel" is an isolating oil used in electrical equipment, especially transformers;
2. TCRA = Environmental Remediation Commitment Instrument;
3. TAC = Environmental Conduct Adjustment Instrument;
4. LO = Environmental Operating License;
5. PPR/TA Q C1 = Porto Primavera/Taquaruçu Grid 1; and
6. PAE = Emergency Assistance Plan

Flórida Paulista  
Substation

Of the total invested in 2009, R\$274,500 went to actions relating to the commitments undertaken in the Environmental Conduct Adjustment Instrument (TAC) entered into in 2002 with the Environment Secretariat of the State of São Paulo. The contract foresees the environmental regularization of transmission assets existing before 1981, as well as those existing before this date and not holding the Environmental Operating License (LO).



## ENVIRONMENTAL MANAGEMENT

The Company continued to disseminate the Environmental Management System (SGA) with ISO 14001 standard certification of another five substations: Itararé (Bauru regional office), Caconde (Cabreúva regional office), Ubarana (Jupiá regional office), Bandeirantes/bays 345 (São Paulo regional office) and Mongaguá (Taubaté regional office).

Thus, the Company closed 2009 with 63 certified substations. The Company's 58 ISO 14001 certified substations upheld their certification in 2009. The information below refers to GRI indicators and to CTEEP's certified substations, which account for over 60% of its substations.

In 2009, the Company was granted the first environmental certification for a Transmission Line, the LT 138 kV Araraquara/São Carlos. With 48.25 Km long and 118 structures, the line crosses the municipalities of Araraquara, Ibaté and São Carlos. In order to get the certification, a detailed preparation work was performed for the

implementation of the SGA in said transmission line. These actions included employees' training, simulations, review and preparation of documents.

Disseminating knowledge and arousing the employees' awareness about the importance of environmental aspects are also part of CTEEP's positioning. The Company organized training programs to raise awareness of its employees and third parties about the Standard Operating Procedures (POPs) used in critical activities causing environmental impacts. These activities totaled 7,150 man-hours in 2009.

## IMPACTS AND WASTE

In order to mitigate the environmental impacts caused by its activities, CTEEP adopts a series of preventive measures at the substations, such as the construction of oil collecting basins, water/oil separation boxes, firewalls, and protections in the batteries and GAE (Emergency Aid Group) rooms. GRI EN26



*Erick Amaral  
Campos, employee  
at Bauru's OMM*

The Company is also concerned about waste disposal and transportation, especially polychlorinated biphenyls (PCBs), which are toxic, non-inflammable, non-biodegradating and biocumulative chemicals used in operation equipments (transformers). A specialized and certified company obtains the license needed to handle, package, transport and dispose of cloths, Individual Protection Equipment (IPE's), and PCB-contaminated earth and sand. In 2009, 27,120 kg of PCB oils were transported. Other waste materials are temporarily stored in two waste centers located in Cabreúva and Jupia until they reach the minimum quantity allowed for transportation and disposal. GRI EN24

BIODIVERSITY AND LEGISLATION

CTEEP maintains transmission lines crossing protection areas owned by third parties and holding biodiversity indices. It is incumbent on these areas' owners to protect, adjust and restore them. GRI EN11, EN13

In 2009, the Company was not assessed for any non-compliance with environmental laws and regulations, and no arbitral proceedings were filed against it regarding environmental issues. GRI EN28

ENERGY

CTEEP's facilities are electricity run and, except in cases of supply interruption, the substations use non-renewable direct energy (diesel oil) in order to guarantee the recovery of the power transmission system. However, the Company does not control diesel oil consumption at its substations.

ENERGY CONSUMPTION GRI EN4  
(in Giga Joules (GJ))

	2007	2008	2009
Electricity	32,499.2	29,492.44	30,203.03

440KV  
Transmission  
Line





In line with the SGA guidelines, which foresee lower energy consumption, CTEEP applies a set of measures that in 2007 and 2008 contributed to a 3,006.76 GJ reduction in consumption. From 2008 to 2009, consumption recorded a small hike of 710.59 GJ as a result of temporary works at the substations, which caused the increase in the number of employees and volume of electrical equipment.

The Company also promotes other actions in order to reduce energy consumption, such as:

GRI EN5, EN7

- Replacement of light bulbs with more economical and fluorescent versions;
- Installation of motion detectors and photocells;
- Employees' awareness;
- Renovation of electrical fittings (replacement of cables, optimized distribution of circuits etc.).

## WATER GRI EN8, EN10

In 2009, water consumption at CTEEP's certified substations totaled 9,051 m<sup>3</sup>, down by 20.9% against 2008. The Company does not maintain effluent-generating processes that may enable water reusing and recycling. However, a water impounding pilot project is being analyzed so as to enable washing of metallic bases (supports) of the substation's electrical equipment.

WATER CONSUMPTION EVOLUTION (M<sup>3</sup>)

	2007	2008	2009
Underground water	7,039	6,350	4,330
Supply by municipal water utilities or other water supply companies	5,729	5,093	4,721
	12,768	11,443	9,051

440Kv  
Transmission  
Line – Ilha  
Solteira-Bauru  
(ILS-BAU)



# IBASE CHART

Calculation Bases	2009			2008			2007		
Net revenues (RL)	1,649,237			1,564,068			1,315,414		
Operating Income (RO)	845,476			842,979			804,313		
Gross Payroll (FPB)	175,447			161,280			211,579		

Internal Social Indicators	Amount	% on FPB	% on RL	Amount	% on FPB	% on RL	Amount	% on FPB	% on RL
Food	8,551	4.9	0.5	5,886	3.6	0.4	7,716	3.6	0.6
Compulsory Social Charges	35,835	20.4	2.2	30,687	19.0	2.0	43,754	20.7	3.3
Private Pension	2,725	1.6	0.2	2,237	1.4	0.1	3,864	1.8	0.3
Health	18,555	10.6	1.1	10,217	6.3	0.7	15,689	7.4	1.2
Education	2,300	1.3	0.1	2,108	1.3	0.1	3,326	1.6	0.3
Day care allowance	122	0.1	0.0	102	0.1	0.0	120	0.1	0.0
Profit sharing	11,140	6.3	0.7	10,722	6.6	0.7	15,721	7.4	1.2
Others	-	-	-	-	-	-	204	0.1	0.0
<b>Total</b>	<b>79,228</b>	<b>45.2</b>	<b>4.8</b>	<b>61,959</b>	<b>38.4</b>	<b>4.0</b>	<b>90,394</b>	<b>42.7</b>	<b>6.9</b>

External Social Indicators	Amount	% on FPB	% on RL	Amount	% on FPB	% on RL	Amount	% on FPB	% on RL
Contributions to society: education, culture, health and sanitation, sports, fight against hunger, food safety and others	3,867	2.2	0.2	3,267	2.0	0.2	2,868	1.4	0.2
Taxes (net of social charges)	372,702	212.4	22.6	349,364	216.6	22.3	356,568	168.5	27.1
<b>Total</b>	<b>376,569</b>	<b>214.6</b>	<b>22.8</b>	<b>352,631</b>	<b>218.6</b>	<b>22.5</b>	<b>359,436</b>	<b>169.9</b>	<b>27.3</b>

Environmental Indicators	Amount	% on FPB	% on RL	Amount	% on FPB	% on RL	Amount	% on FPB	% on RL
Related to the Company's operations	1,402	0.8	0.1	573,100	355.3	36.6	45	0.0	0.0
Related to external programs and/or projects	741	0.4	0.0	168,247	104.3	10.8	311	0.1	0.0
<b>Total</b>	<b>2,143</b>	<b>1.2</b>	<b>0.1</b>	<b>741,347</b>	<b>459.7</b>	<b>47.4</b>	<b>356</b>	<b>0.2</b>	<b>0.0</b>

Staff Indicators	2009	2008	2007
Employees at the end of the year	1,409	1,327	1,290
Employees hired during the year	199	99	83
Employees over 45 years old	477	366	326
Women employed	139	104	98
% of head positions occupied by women	13	18.8	18.8
Disabled employees	63	1	1

Relevant Information regarding Corporate Citizenship	2009	2008	2007
Highest to lowest remuneration ratio	51	43	42
Total of occupational accidents	11	4	14
Social and environmental projects developed by the Company were approved by:	Executive Officers and Managers	Executive Officers and Managers	Executive Officers and Managers
Safety and health standards at the workplace were approved by:	Executive Officers and Managers	Executive Officers and Managers	Executive Officers and Managers
Private pension plans are offered to:	All Employees	All Employees	All Employees
Profit sharing includes:	All Employees	All Employees	All Employees
When selecting suppliers, the same ethic, social and environmental responsibility standards adopted by the Company:	Are Suggested	Are Suggested	Are Suggested
Regarding employees' participation in volunteer work programs, the Company:	Encourages	Encourages	Encourages

# GRI SUMMARY

GRI 3.12

Indicator	Description	Note	Page
1.1, 1.2	Strategy and Analysis		4
2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 2.10	Organizational Profile		7, 8, 13, 35
3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13	Report Parameters		6 and 62
4.1, 4.2, 4.3, 4.4, 4.6, 4.8, 4.14, 4.15, 4.16	Governance, Commitments, and Engagement		8, 13, 14, 15, 41 and 42
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments		29
EC4	Significant financial assistance received from government		30
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation		45
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	partial	51
EN4	Indirect energy consumption by primary source		60
EN5	Energy saved due to conservation and efficiency improvements		61
EN7	Initiatives to reduce indirect energy consumption and reductions achieved		61
EN8	Total water withdrawal by source		61
EN10	Percentage and total volume of water recycled and reused		61
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		60
EN13	Habitats protected or restored		60
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		60
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	partial	59
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations		60
EN30	Total environmental protection expenditures and investments by type		58
LA1	Total workforce by employment type, employment contract, and region		43
LA2	Total number and rate of employee turnover by age group, gender, and region		44
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations		45
LA4	Percentage of employees covered by collective bargaining agreements		43
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs		49
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region		49
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases		48

Indicator	Description	Note	Page
LA9	Health and safety topics covered in formal agreements with trade unions		49
LA10	Average hours of training per year per employee by employee category		47
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		47 and 48
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity		43
LA14	Ratio of basic salary of men to women by employee category		46
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening		51
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor		44
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor		44
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	partial	55
SO5	Public policy positions and participation in public policy development and lobbying		53
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country		54
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction		50
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services		30

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### CHAIRMAN

Luis Fernando Alarcón Mantilla

### DEPUTY CHAIRMAN

Fernando Augusto Rojas Pinto

### DIRECTORS

Ana Mercedes Villegas Mejiá

Fernando Maida Dall'Acqua

Guido Alberto Nule Amin

Isaac Yanovich Farbaiarz

Luisa Fernanda Lafaurie Rivera

Orlando José Cabrales Martinez

Sinval Zaidan Gama

Valdivino Ferreira dos Anjos

## FISCAL COUNCIL

### PRESIDENT

Manuel Domingues de Jesus e Pinho

### MEMBERS

Antonio Luiz de Campos Gurgel

Celso Clemente Giacometti

Vladimir Muskatirovic

Roberto de Pádua Macieira (*in memoriam*)

### ALTERNATES

Arnaldo Marques de Oliveira Neto

Walter Silva

Josino de Almeida Fonseca

João Vicente Amato Torres

João Carlos da Paz Brandão Ferraz

## EXECUTIVE BOARD

### CHIEF EXECUTIVE OFFICER

Cesár Augusto Ramírez

### CHIEF ADMINISTRATIVE OFFICER

Pío Adolfo Bárcena Villarreal

### FINANCE AND INVESTOR RELATIONS OFFICER

Marcio Lopes Almeida

### CHIEF OPERATIONS OFFICER

Celso Sebastião Cerchiari

### VENTURES OFFICER

Jorge Rodríguez Ortiz



## INVESTOR RELATIONS

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