

Annual and Sustainability Report 2010



Brazilian is the energy we transmit to the country.





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Annual and Sustainability Report
SUMMARY **2010**

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MAIN INDICATORS

(CTEEP consolidated)

Income (R\$ million)	2009	2010
Gross Revenue	2,455.81	2,551.54
Net Revenue	2,149.01	2,256.28
Gross Profit	1,434.02	1,308.12
Ebitda	1,215.73	1,176.07
Net Earnings	861.97	812.17
Net Value Added	1,842.35	1,721.49
Margins (%)		
Gross Margin	N/A	N/A
Ebitda Margin	56.6	52.1
Net Margin	40.1	36.0
Financial Indicators (R\$ million)		
Total Assets	6,388.07	6,931.42
Total Stockholders' Equity	4,663.01	4,563.83
Net Debt	1,006.2	1,373.3
Net/Ebitda Debt (times)	0.8	1.17
Market Indicators		
Number of Shares traded in (M)	197,774	170,400
Financial Volume Trading (R\$ M)	2,486,032	1,800,000
PN Closing Rate PN (R\$)	51.75	55.10
Earnings per share (R\$/M shares)	5.50	5.07
Market Value (R\$ M)	7,796,477	8,365,776
Sum of Proceeds (dividends and JCP) (R\$ M)	789.179	771.638
Sustainability Indicators		
(R\$ million)	2009	2010
Environmental Prevention Spending	168,247.00	123,437.32
Environmental Management Spending	76,500.00	830,000.00
Hours per employee		
Average of Hours of Training given to employees	48.13 hours	68.52 hours

1. INTRODUCTION

1.1 Message from the Management [GRI 1.1]

Operational excellence. This was CTEEP’s strategic cornerstone in 2010. We focused our action on enhancing our operations and on management and control of our assets, to assure stability and quality of our services, since, in our business, the revenue comes from availability of services over the year. In view of the good results accomplished at the end of the year, such alignment proved to be assertive.

In 2010, CTEEP exceeded its level in the non-supplied energy index and, currently we hold the best indicator among the other energy transmission companies in Brazil. As a result of the performance accomplished, we have been awarded, for the second year in a row, the top additional RAP (Annual Allowable Revenue) prize by ANEEL (Agência Nacional de Energia Elétrica), for availability of transmission asset. [GRI 2.10]

While we have been focused on supplying services of quality and on our customers’ satisfaction, we kept alert to the opportunities of growth. We have participated and continue to participate in the actions promoted by ANEEL, performing stringent analysis and always exercising restraint when using financial resources.

In line with such guideline, we exercised our right of first refusal to purchase the remaining 40% equity interest in IEMG, in an operation also aligned with the Company’s strategy of increasing its participation the electric infrastructure asset in Brazil.

The year of 2010 was equally important in relation to the economic-financial performance. We recorded a 3.9% grow in the operating revenue, which amounts to R\$ 2.6 billion in the year. The Ebitda reached R\$ 2.3 billion, a result 5% higher compared with 2009. Such figures gain more relevance if we consider that, in 2010, we, as well as the entire sector, underwent the second periodic tariff revision cycle. [GRI 2.8]

In 2010, we energized 82 undertakings and installed 401 km of new transmission lines. From the total investments made in the year (R\$ 504.9 million), R\$ 200 million was allocated to projects for increasing the capacity, constructing new transmission lines and installing equipment in the substations.

Operational Excellence also implies investment in personnel. In 2010, we increased the average of hours of training per employee by 42%. The year was also marked by the launching of CTEEP Code of Ethics, developed with the collective participation of the employees. With the creation of this document we set the conduct and behavior expected from our employees in the relationship, professional field, with the interest groups. At the same time, we emphasized the relevance of sustainability, integrated into the business management.

We believe that a business strategy has to be sustainable in order for the Company to accomplish results today and in the future, particularly in the energy transmission business, which has very strong local characteristics. Because of this, we see the concept of sustainability as a joint strategy of value generation.

CTEEP continues committed to offer services of quality, with efficiency and stability. We thank for the cooperation of all those who devoted themselves to our business growth. We thank our stockholders, customers and suppliers, for the trust and support. And our employees for the contribution and devoted determination that turned CTEEP the leading private concessionaire of electric energy transmission in Brazil – values that make us stronger and encourage us to cope with new challenges.



1.2 About the Report

This is **CTEEP Annual and Sustainability Report** that, for the third consecutive year, reports its results in line with GRI (Global Reporting Initiative) international guidelines. One of 2010 highlights was the evolution on the level of application that came from C to B. This report also follows the recommendation of ANEEL (Agência Nacional de Energia Elétrica) model to prepare the annual and social-environmental responsibility report of electric energy companies. [GRI 3.2, 3.3]

The report covers operating, economic-financial, social-environmental results of the operations maintained in Brazil by CTEEP, as well as its subsidiaries, related to the period from January 1, 2010 to December 31, 2010. The financial information is presented, based on consolidated amounts in reais, in compliance with the corporate Law in force and effect, and was submitted to Ernst & Young Auditores Independentes S.S. external auditors. The operating, social and environmental information was internally ascertained and has not been submitted to external verification. All the comparisons made refer to the same period of 2009, except where stated otherwise. [GRI 3.1, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.13]

In addition to counting on the engagement of employees of several areas and levels of the Company, the process of developing and defining this report content is coordinated by the areas of Communication and Strategic Management and by the Finance and Investor Relation Executive Board. The final Information validation involves the Chief Executive Officer, officers and managers. [GRI 3.5]

Materiality Matrix [GRI 3.5]

This year, CTEEP took an important step towards strengthening the relationship with its stakeholders: the process of setting the contents of this annual and sustainability report was developed based on a tool called materiality matrix.

The application of a materiality matrix consists of identifying the opinions on the topics regarded as priority for the several groups of interest, on one side, and for the Company on the other side.

The survey for such information was conducted through a questionnaire, which was prepared following the GRI guidelines to assure that the engagement would be fully aligned with the process of preparing CTEEP sustainability reports – that is guided by such precepts since 2008.

The questionnaire questions on materiality were divided into three main aspects: social, economic and environmental aspects, reaffirming the sustainability tripod importance. The questionnaire was accessed from an electronic address sent by e-mail to the four defined groups of stakeholders – customers, suppliers, employees and stockholders – and was available for answering for 45 days. [GRI 4.14]

This process is expected to develop in the following years, enabling deeper engagement with the public’s already selected and inclusion of new groups of interest. [GRI 4.16]

Committed to the materiality matrix results, from 2011 on, CTEEP will start reporting the PR1 and PR2 indicators, directly related to the topics regarded as relevant. Both indicators were not addressed in previous reports, but their monitoring has already been started, in order for the Company, over the following years, to improve their results and show to the stakeholders the efforts promoted in the search for an ever more comprehensive content report. [GRI PR1, PR2]

The data presented below show the final result of this engagement process, of which information is addressed and presented throughout the report. [GRI 4.17]



Very Relevant Topics

Position in matrix	Topic	Related GRI indicator
1	To be a financially solid and attractive company for investments.	EC1/EC3/EC4/EC5
2	Not to admit any kind of discrimination inside the Company and in all relationships with its stakeholders.	HR4
4	To have initiatives in its operations to reduce the environmental impacts.	EN26
7	To offer our customers quality services of maintenance and preservation of their lines.	PR1/PR2/PR8/PR9
8	To offer benefits to the employees (such as medical assistance, privata retirement plan, Christmas Hampers, meal ticket or ticket restaurant).	EC3/LA3
9	To make investments in public benefit infrastructure, measuring and following up their results.	EC8
12	To demand no use of child labor by its business partners.	HR6
15	To promote initiatives having as purposes to offer low energy consumption services and efficient use of the water in their operations. Ex: water reduction and reuse.	EN8/EN9/EN10
19	To promote and develop studies which encourage to use renewable fuel in substitution for that of fossil origin in their substations and logistics process, thus supporting low carbon economy.	EN3
29	Encourage the suppliers to adopt the good sustainability practices.	EC6/HR2/PR1

Relevant Topics

Position in matrix	Topic	Related GRI Indicator
16	To enhance and expand community programs.	SO1/EC8/EC9
17	To encourage policies or practices of product purchases from Brazilian suppliers and/or places, having in view the development of the places where CTEEP is.	EC6
28	To demand no use of forced or compulsory labor by its business partners	HR7
34	To be a company with future projection.	Indicators EC

Little Relevant Topics

Position in matrix	Topic	Related GRI indicator
3	To guarantee a safe work environment, not harmful to employees' health	LA6/LA9
5	To fight corruption in all relationships in which CTEEP is involved.	SO2/SO4
6	To have policies or practices for environment awareness.	Indicators EN
11	To offer internal skills development and training to the employees.	LA10/LA12
13	To perform career and management analysis programs based on skills per employees' performance.	LA11
14	To demand procedures related to health and safety from its suppliers and third parties of their services.	PR1/PR2

18	To encourage and invest in the employees' skill training, offering scholarships and/or supplementary courses (for example: foreign language courses and graduation studies).	Indicators LA
20	To follow up and monitor the impact of the operations on the neighboring communities.	SO1/EC8
21	To mobilize the employees for adoption of the Code of Ethics.	4.8
22	To have a policy or practice of disposal and destination of materials, for its employees and suppliers.	EN16/EN25
23	To improve the mechanisms of communication, rendering of accounts, equity and corporate responsibility present in CTEEP's governance standards.	LA4/LA5
24	To invest in its processes, pursuing activities and innovative solutions.	Indicators PR
25	To extend the certifications and specifications to all CTEEP transmission lines and substations, such as OHSAS 18001 and ISO 14000.	Indicators PR
26	To invest in reputed environmental initiatives.	Indicators EN
27	To invest in programs and forms of relationship with the community.	Indicators SO
30	To promote the same opportunities and salaries for men and women.	LA14
33	To be a leading company in its sector and with international projection.	Indicators EC
36	To have a policy for using certified materials and monitoring materials employed in the operation.	EN1
37	To develop supplementary studies, in addition to the legislation in force, on the impacts of the transmission lines on forest regions.	EN12
38	To develop studies related to impacts on agriculture production in the servitude area of the Company's transmission lines.	EN11/EN15
41	To offer an open channel for contact, efficient to listen to the opinion of its publics.	PR5
43	To facilitate and encourage the communication among the employees and officers of the Company.	LA4/LA5

Temas não relevantes

Position in matrix	Topic	Related GRI indicator
31	To invest in reputed social initiativesl.	Indicators SO
32	To encourage and provide programs for skill management, per employees' employability and/or maintenance of employees' income at the end of career.	LA11
35	To support studies on noise reduction and the likely impacts of the electromagnetic fields of the transmission lines.	Indicators EN
39	To encourage the participation of employees in the highest governance body committees, reaffirming the dialogue and engagement and, thus, promoting transparency in internal relationships.	4.1/LA13
40	To cooperate with the local governments, working together to develop the society.	SO5/SO6
42	To work for the continued improvement in its methods of disseminating economic information to strengthen its communication with the stakeholders	EC1
44	To guarantee and encourage freedom of an employee to join a labor union.	HR5
45	To assure that agreements with business partners have clauses related to human rights	HR1

1.3 Corporate Profile

Transmitting electricity, with quality and efficiency. This is CTEEP (Companhia de Transmissão de Energia Elétrica Paulista) business, the leading private concessionaire of the electricity transmission sector in Brazil. [GRI 2.1]

Some 30% of the electricity produced in Brazil and 60% consumed in the Country's Southeast is sent through its network – made up of 12,316 km of transmission lines, 18,794 km of circuits, 2,488 km of fiber optic cables and 105 substations with tension up to 550 kV, equivalent to almost 100% of the consumption in the state of São Paulo. CTEEP's main customers are other concessionaires of public utility supplying electric energ. [GRI 2.2, 2.3, 2.7, 2.8]

With an installed capacity of 43.973 MVA (Mega Volt Ampere), CTEEP is headquartered in São Paulo and with own assets, and through its subsidiaries it has footprint 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. [GRI 2.3, 2.4, 2.5]

In 2010, it exercised its right of first refusal to purchase the remaining 40% equity interest in the Interligação Elétrica de Minas Gerais (IEMG), holding 100% of the subsidiary control. CTEEP equity interest in other subsidiaries established to render electricity transmission public utility service is: 100% in Pinheiros (Interligação Elétrica Pinheiros) and in Serra do Japi (Interligação Elétrica Serra do Japi), 50% in IESul (Interligação Elétrica Sul), 51% in IEMadeira (Interligação Elétrica Madeira) and 25% on IENNE (Interligação Elétrica Norte e Nordeste). [GRI 2.3, 2.6, 2.8, 2.9]

Controlled by one of the largest eletricity transmission groups in Latin America – Grupo Empresarial ISA, which holds 89.40% of its common stock, CTEEP was the first electricity transmission company in the state of São Paulo to adhere to Level 1 of Bovespa's Corporate Governance. Among its investors is Eletrobras, the largest Brazilian energy group, the Government of the State of São Paulo and 61 thousand individual and corporate stockholders. With common stock listed on Bovespa, the Company has an American Depositary Receipts (ADRs) Program under Rule 144 A in the United States. In 2010, a net operating income was recorded at the amount of R\$ 2.3 billion and net earnings at the amount of R\$ 812.2 million. [GRI 2.6]

The concept of corporate social responsibility is aligned with growth strategic objectives of CTEEP that is committed to several groups of interest: employees, customers, stockholders and investors, state and society.

Mission [GRI 4.8]

To expand, operate and maintain systems of electric energy line transmissions, with excellence in service supply, customers satisfaction, environmental sustainability, proper return to stockholders and contribution to the economic and social development of the community.

Vision [GRI 4.8]

In 2016, CTEEP will be the leading non-state owned company in the electricity transmission sector in Brazil, with a revenue of R\$ 3.5 billion, 25% of which originating from operations conducted outside the state of São Paulo.

Values [GRI 4.8]

■ ETHICS

To be coherent between speech and action, developing transparent attitudes and actions, essential to building up life-lasting relationships with other interested parties.

■ SOCIAL RESPONSIBILITY

To continuously strive for sustainable development by meeting the commitments set with our groups of interests.

■ INNOVATION

To create and incorporate new practices and improvements that contribute to accomplishing the organization targets.

■ EXCELLENCE

To assure quality standards in the entire organization with the intent to being recognized by the market and adding value to the business.

1.4 Stockholders

CTEEP stock capital is divided into three main stockholders: ISA (37.6%), Eletrobras (35.42%) and the Government of São Paulo State (6.15%), in addition to other 61 thousand individuals and corporate stockholders.

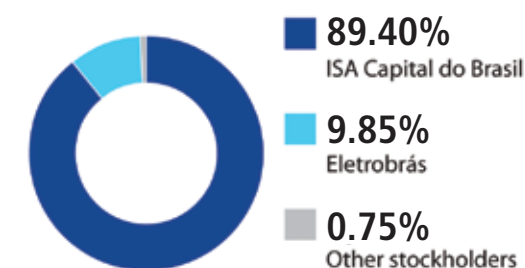
With 89.40% of the common stock, the Company control is exercised by ISA, one of the largest groups of eletricity transmission in Latin America, with 38,551 km of high voltage circuits. Through its branches and subsidiaries, based in 13 countries, ISA has relevant projects regarding linear infrastructure systems, focused on the following markets: electricity transport; market operation and management; transport of telecommunications; construction of infrastructure projects; and highway concessions. The strategy is supported by diversification of markets, sectors and foreign currency and by the increase in margins, from efficient operation, solid capital structure and constructive relationships with the regulatory bodies.

The largest Brazilian energy group, Eletrobras (Centrais Elétricas Brasileiras S.A.) holds 9.85% of CTEEP common stock, in addition to 53.99% of preferred stock and 35.42% of the total stock capital. A mixed-capital and publicly traded company controlled by the Brazilian government; CTEEP operates in the areas of eletricity generation, transmission and distribution and has under 12 subsidiaries– Eletrobras Furnas, Eletrobras Chesf, Eletrobras Eletronorte, Eletrobras Eletrosul, Eletrobras Eletronuclear, Eletrobras CGTEE, Eletrobras Amazonas Energia, Eletrobras Boa Vista Energia, Eletrobras Ceal, Eletrobras Cepisa, Eletrobras Ceron and Eletrobras Eletroacre –, a holding company (Eletrobras Eletropar), a research center (Cepel) and 50% in Itaipu Binacional, on behalf of the government. These entities together form Eletrobras, which holds 59,856 km of electricity transmission lines that account for nearly 56% of the total lines crossing Brazil, in addition to 247 substations.

STOCKHOLDING STRUCTURE

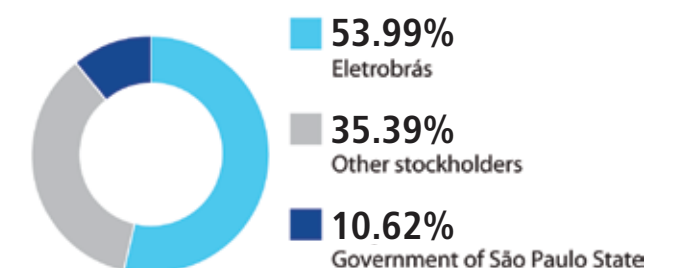
Common Stock – TRPL3

(42% of the total)

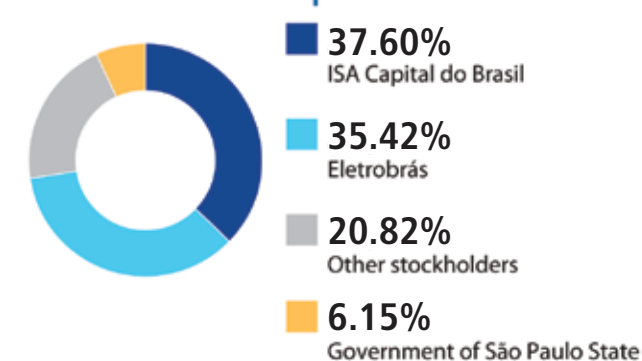


Preferred Stock – TRPL4

(58% of the total)



Total Stock Capital





2. MANAGEMENT MODEL

2.1 Corporate Governance

In line with the best market practices, CTEEP has always invested in the improvement of its processes of management and systems of control. The Company was the first electric energy transmission company in the state of São Paulo to adhere, in September 2002, to Level 1 of Bovespa's Corporate Governance.

It is also a component of Ibovespa stock index, the most important indicator of average performance of share prices quoted on the Brazilian stock market, and the IGC (Corporate Governance Index), theoretical portfolio comprised of shares of companies presenting high standards of relationship with all their stockholders and other stakeholders.

To guarantee a safe disclosure and maintain relevant information as secret, since 2002, CTEEP has an Act of Material Fact Disclosure Policy, approved by the Board of Directors. In 2010, it enhanced its position by launching the Code of Ethics and the Corporate Governance Code, both also approved by the Board of Directors. [\[GRI 4.6\]](#)

Developed with the participation of employees, the code of Ethics is a framework for developing CTEEP corporate transparency. The document set the conduct and behavior expected from all the employees in the relationship, in the professional field, with several groups of interest. Company repudiates any form of corruption and recorded no incident in 2010 and included this topic in the Code. [\[GRI SO3, SO4\]](#)

To emphasize the relevance of the Code and the concepts included in it, workshops were promoted with the leadership, in charge of disseminating the information to its teams. Launching to all the groups of interests will take place in 2011, as well as the startup of the activities of Linha Ética, an exclusive electronic communication channel. (linhaetica@ctee.com.br) so both the internal public and the external public can clarify their doubts and make criticism and accusations. The Code of Ethics is managed by the Ethics Committee; a group made up of an odd and fixed number of members with the purposes of analyzing the answers and taking the required measures, in addition to reporting to the chief executive officer the channel management status.

Made up by policies of disclosure and negotiation, the Corporate Governance Code was created with the purpose of translating CTEEP ethical principles into objective recommendations, seeking to guide the relationships among the stockholders, the Board of Directors, the Audit Committee and the Executive Board.

CTEEP Corporate Governance Model

With emphasis on administrative efficiency and on professionalization of its officers, the governance structure adopted by CTEEP is made up of boards and committees playing an essential role such as main forum for decision-making and general business guide on CTEEP's business or assistance to the management when making a decision. Among them the board of Directors and Audit Committee and the committees specialized in Internal Audit and Remuneration stand out. [\[GRI 4.7, 4.9\]](#)

Board of Directors

The main forum for decision-making and general business guide on CTEEP's business, with its focus being on creating stockholders' value. It is comprised of ten members: a chairman, a vice-chairman and eight directors, among them one being independent. [\[GRI 4.2, 4.3\]](#)

The main duties are: to elect the members of the Executive Board; supervise the management of the business; examine the management report, the financial statements of the Executive Board's accounts; approves plans, indicators, targets and economic-financial and works execution budgets prepared by the Executive Board; and elects and dismiss independent auditors. [\[GRI 4.9\]](#)

According to the best governance practices, the Board of Directors chairman will not be a member of the Executive Board. The ordinary meetings will be held according to the dates scheduled on the annual schedule approved at the first meeting of each fiscal year or, extraordinary meeting, whenever convened by the chairman or request by the majority of its members. In 2010, the Board of Directors met 17 times, five being on-site and 12 through electronic communication. [\[GRI 4.1, 4.2, 4.9\]](#)

Audit Committee

Comprised of five sitting directors and five alternates, elected for a one-year term, with the participation of representatives of minority stockholders.

Of permanent nature, the Audit Committee duties are: to oversee the actions of the officers and check compliance with their legal and statutory duties; express opinions on the management annual report; examining the Trial balances and other financial statements prepared periodically by the Company; and examining and commenting on the financial statements of the fiscal year. In 2010, 12 meetings were held: five being on-site and eight by electronic communication. [\[GRI 4.1\]](#)

Executive Board

Comprised of five members, a chairman, and five officers, elected by the Board of Directors for a three-year term. In addition to acting as an important channel for recommendations to the Board of Directors, the Executive Board manages the business; manages the day-to-day operations of the Company, with focus on pursuing results, in line with the guidelines set by the Board of Directors; and practices all the acts required for the regular operation of the Company. [\[GRI 4.1, 4.4\]](#)

Committees [\[GRI 4.1, 4.4\]](#)

CTEEP maintains two committees that assist and support the Board of Directors in the matters related to their specific areas of action:

■ Internal Audit Committee

Comprised of five members: a corporate auditor of ISA Group and four representatives of the Board of Directors. It also counts on the participation of the chairman and manager of CTEEP Internal Audit, as permanent guest and technical secretary respectively. It is responsible for strengthening the Internal Control System, management of risks and the good corporate governance practices of the Company; enhancing the effectiveness of the internal audit function; approving the Internal Audit Annual Plan and overseeing its fulfillment; evaluating the performance of the Internal Audit and independent auditors and assuring implementation of the plans of improvement resulting from the recommendations made on the Internal and external audit reports. In 2010, the Audit Committee met seven times.

■ Compensation Committee

Comprised of three members, elected by the Board of Directors, the Committee is responsible for examining and proposing the Board of Directors topics related to officers and directors compensation, recommending members to the Executive Board, positions and wages and, wages policies, variable compensation, profit sharing (PLR) and collective bargaining agreement. [\[GRI 4.5\]](#)

Independent Auditors

With respect to the supplying of services not related to the external audit, CTEEP follows the principles that preserve the auditor independence, that it should not audit its own work, or exercise managerial functions or, further, represent on behalf of its customers. The individual or consolidated financial statements, related to the year ended on December 31, 2010, were audited by Ernst & Young Auditores Independentes S.S. ("Ernst & Young Terco").



2.2 Management and Competitively

To reach its Vision and accomplish the business objectives, CTEEP adopts an integrated strategic management model, focused on using the Balanced ScoreCard (BSC) methodology, that, in addition to allowing understanding the strategic objectives and their cause and effect ratio, it allows balanced follow-up of the strategic development, through indicators, targets and strategic initiatives grouped in four perspectives: Finance; Customers and Market; Productivity and Efficiency; and Learning and Developmen. [GRI 4.10]

In its fourth year of application, the concept of strategic initiatives is ever more present in the routine of the employees and of the areas, in search for an objective that is common to the business. Out of the 42 initiatives outlined for 2010, the highlights are:

- Launching of Code of Ethics.
- Preparation of the Company for the tariff revision impacts.
- Financial risks evaluation.
- Improvement of customer satisfaction index.
- Consolidation of the Knowledge and Innovations Management Project.
- Preparation of plans of action for climate improvement.

The high initiative performance index results from the participation and engagement of the employees in the results accomplished. To reinforce this position and pursue excellence in strategic management, two punctual actions were promoted in 2010.

All the coordinators and managers were trained in strategic management for potentializing skills and creativity of said professionals, focusing on strategic thinking.

Another action developed was building up contribution panels, in a participative process with all the areas of the Company. With such procedure, every management began to have specific indicators and targets, in line with the macro objectives of the Corporate Strategic Map.

Introduction of panels is important in order for each employee to understand how his/her activity contributes to the Company’s results. Moreover, such initiative is essential to developing the result-based management project, foreseen for 2011

2.2.1 R&D [GRI 4.11]

With the Research and Development Program (R&D), CTEEP promotes the generation, experimenting, expansion and management of business and sectorial knowledge. Since 2001, upon execution of a concession agreement, nearly R\$ 30 million has already been invested in the development of projects, whether completed or in course.

As a result, by the end of 2010, 77 projects had been completed and 4 patents generated, with two more patent applications being foreseen in the cycle 2006/2007. In addition to a significant and participative scientific production in the sector of electricity, said performance is a result of a joint effort among the employees and renowned researchers of the country

Investments in R&D projects (complete or in course)

Cycle	R\$ million
2001/2002	3.21
2002/2003	3.56
2003/2004	2.21
2004/2005	4.43
2005/2006	5.11
2006/2007	4.78
2007/2008	1.60
2008/2009	0.52
Submission 2009	1.05
Submission 2010	4.03
Total	30.50

Ever more focused on pursuing innovative technological solutions; in 2010 the R&D program started a new phase, to promote integration of knowledge and innovation in the electric sector. In practice, this means that CTEEP will continue to act in partnership with the academic environment, research centers and companies of the sector.

The highlight is the maturity of the Knowledge and Innovation Management Project that on the cornerstone Technological Prospection, promoted a discussion panel in December 2010 with the participation of nearly 50 national and international specialists to debate the trends of the sector of electricity transmission and the existing opportunities for the Company’s technological development.

The meeting allowed identifying CTEEP’s current technological status and setting the future strategic position related to technology. To this end, specialists of the Company will prepare strategic recommendations: from skills training in specific topics for the employees to purchase of new Technologies or its development through R&D projects. The result will be the basis of strategic recommendations for projects of research and development and for processes of innovation of the Company.

CTEEP also develops initiative to promote electricity transmission integration, improve the capacity to strategically monitor the most promising and innovative Technologies and acquire and share knowledge, resulting in improvement of skills and enhancement of efficiency in the sector. Among them, the highlight is the coordination of a task-force in R&D at Abrate (Associação Brasileira das Grandes Empresas de Transmissão de Energia Elétrica) to structure the common actions in search for having the topic reaffirmed in the sector.

2.3 Quality Management

Considering the important extension of ISO 9001 and 14001 certifications in the years 2008 and 2009, respectively, in 2010, CTEEP started the diagnosis studies to implement and Occupational Health and Safety Management System (SGSST), based on OHSAS 18001 standards. Such actions were the basis of a decision to carry out a pilot-project in the Cabreúva Substation in 2011, which will be an important framework to implement the Integrated Management System of the Company.

As a way to solidify the continued improvement process, and increase the productivity, CTEEP’s ongoing challenge, 97 processes were mapped involving the presidency, Financial Board, and the Departments of the Administrative Board and the regional departments of Maintenance of the Operating Executive Board amounting to 295 flowcharts. Said action was coordinated by the Organizational Development Department, the area responsible for governing business processes.

2.4 Risk Management [GRI 1.2]

With adoption of a methodology and Policy for Full Risk Management (GIR), CTEEP is able to identify the risks and, as a consequence, minimize the impact of variables on the management of the business and on the performance of its operations, handling it before it is established.

The model is based on using a tool called Enterprise Risk Management (ERM), which integrates all the Company’s information to identify inherent risks to the business and propose actions pursuing the management of the risks in all processes (the so called administrative measures), in a continued cycle.

This process is examined and followed up from time to time by the Full Risk Management acting as an articulator of the procedures and methodologies related to risk management, through risk managers. As an example, there are meetings with employees to discuss, evaluate and update the Risk Map, which currently contemplates 38 scenarios and their respective administrative measures.

One of the aspects followed up by GIR is the risk of favoring employees and/or contractors for unethical or illegal activities, reason why it is clear the need for confidentiality of the information. That is, at CTEEP, people in a situation of conflict of interest are not allowed to access information regarded as confidential and/or related to conflict of interests. The pure and residual likelihood of such risk is rather low, since, historically, there is no record on corruption incidents at CTEEP. [GRI SO2]

The controls (administrative measures) considered for residual valuation of such scenario are:

- Creation and dissemination of the Code of Ethics to all groups of interests of the Company.
- Term of adhesion signed by the employees with access to confidential information.
- Requirement for clauses of confidentiality for specific agreements.
- Crisis Management Plan to reduce event severity.

The Company bets on the concept of internal control as a fundamental strategic element to assure accomplishment of the results and guarantees the effective control of its operations. To such end, it holds an Internal Control Policy addressing the processes adopted to assure the effective control of its operations.

Such supervision mechanisms are based on risk assessment and on the four elements comprising the international methodology of Coso (Committee Of Sponsoring Organizations of the Treadway Commission), in five scopes: monitoring, information and communication, control activities, risk management and control environment.



3. ECONOMIC PERFORMANCE

3.1 Investments and Outlooks

The investments made by CTEEP in 2010 amount to R\$ 504.9 million. Most of it, R\$ 222.2 million, refers to company promoted contributions to the subsidiaries. Moreover, the significant portion of R\$ 147 million, was allocated to a set of planned works to be implanted in the following five years that may be:

- Reinforcements Type 1 (implanted upon specific consent by ANEEL, with preset Annual Allowable Revenue – RAP).
- Reinforcements Type 2 (implanted also upon consent by ANEEL, but, in such case the RAP is incorporated in the next tariff revisions).
- New connections (reinforcements made to connect free consumers and biomass power plants).

Investments 2010

R\$ million	2010
Corporate	13.9
Reinforcement Type 1	93.3
Reinforcement Type 2	32.5
New Connections	21.2
Modernizations – PMT*	79.1
System improvements – PMIS*	12.3
Personnel capitalization (workforce)	1.3
Telecom Project	17.4
Contributions to subsidiaries	222.2
TOTAL	504.9

* PMTs and PMIs: investments needed to maintain the system quality and minimize the variable portion impact.

In 2010, through Authorization Resolution issued by ANEEL or Agreements for Connection to the Transmission System (CCT), signed with free customers, CTEEP energized 82 undertakings, six being basic Grid and 76 in the DITs, that accounted for an addition of R\$ 28.7 million to RAP (Annual Allowable Revenue) of the Company. Said undertakings corresponded to investments of R\$ 60.3 million and R\$ 139.7 million, respectively, amounting to R\$ 200 million.

The undertakings made available added to the system 1,119.25 MVA of transformation capacity, with special prominence to Água Vermelha substation, located in the city of Iturama (MG), where the third bank of autotransformers (500-440 kV) was installed, with addition of 750 MVA, plus a 250 MVA Reserve Phase to increase the capacity of transformation installed to the system, improving the energy exchange between the States of Mato Grosso, Minas Gerais and São Paulo.

Works have also been carried out along 401 km of the transmission lines, such as the recapacitation of the 138 kV TLs Bariri-Barra Bonita and Votuporanga II-São José do Rio Preto and of the 88 kV TLs Salto Grande-Chavantes and Assis-Canoas I-Canoas II, all bringing an increase in the transmission capacity and more reliability to the operations.

Other important projects were the reconstruction of 88kV salto grande-chavantes transmission lines and the launching of the second circuit on 138kV flórida paulista-tupã line and part of 138 kV ribeirão preto-euclides da cunha line.

In 2010, three CTEEP subsidiaries started up: the Interligação Elétrica Pinheiros, with completion of the works of Araras substation; and IESul, with energization of the Scharlau substation; and IENNE. In the same period, seven sugar cane bagasse thermoelectric plants, accounting for a total of 520 MW of the installed capacity, were connected to the CTEEP network.

In addition to the investments made in its network, CTEEP is alert to the possibility of growth, with purchase of new transmission lines auctioned by ANEEL. The Company participated in two auctions conducted by the agency in 2010 and, although it has not purchased any lot, the Company will keep on participating in auctions, making stringent analysis and always exercising restraint when using the financial resources.

Outlooks

In line with the preceding years, the outlooks for the electricity sector in Brazil continue very promising. According to data of the Decennial Plan for Energy Expansion (PDE), 2019, of the Energy Research Company (EPE), between 2010 and 2019 the final energy consumption in Brazil will increase at an annual average rate of 5,4%. To supply the electricity demand, the total required investment will be R\$ 952 billion. To assure electricity Exchange between the regions of the country, the transmission works will receive investments at the amount of R\$ 39 billion over a 10-year period.

Reliant on the country's economic growth and, as a consequence on a demand increase for infrastructure projects, CTEEP will continue to invest in projects for expansion, reinforcements, new connections, maintenance and telecommunications, in addition to contributions to its subsidiaries.

To this end, in early 2010 the Company approved a Pluriannual Investment Plan based on its estimates of investment that will allocate R \$ 1,604.20 million between 2011 and 2013. To guarantee said investments, the Company will pursue the support from different finance sources.

Pluriannual Investment Plan 2011/2013

(R\$ million)	2011	2012	2013
Own (A)	363.6	330.3	316.3
Corporate	18.1	8.8	8.8
Telecom Project	7.1	0	0
Reinforcement Type 1	160.6	196.5	200.1
Reinforcement Type 2	63.3	23.3	8.4
New connections	24.6	3.1	0
PMT	31.5	47.1	61.3
PMIs	45.9	38.4	24
Personnel capitalization	12.5	13.1	13.8
Contributions to subsidiaries (B)	413.6	159.1	21.4
IEMG	15.2	0	0
IENNE	3.2	0	0
IEPinheiros	24.5	0	0
IESul	19	0.3	0
IEMadeira	303.1	158.8	21.4
Serra do Japi	48.5	0	0
TOTAL (A+B)	777.2	489.4	337,6



3.2 Operating Performance

According to Energy Research Company (EPE) data, in 2010 the national consumption of electric energy in Brazil increased by 7,8% compared with 2009, amounting to 419,016 GWh (gigawatts-hour).

Such performance was favored by the positive economic scenario recorded then; the residence and business classes maintained a high level of increase , and the industrial consumption consolidated the recovery started in the second half of 2009 after the 2008 crisis. At the same time, the electricity load of the National Interconnected System (SIN) presented an annual increase of 8.3% in relation to the load verified in 2009.

Accordingly, the total amount of energy transported by CTEEP, accounting for nearly the total electricity supply in the state of São Paulo, was 141,127 GWh in 2010 – which accounts for 33.7% of all the electricity consumed in the country and an increase of 5.9% over the preceding year.

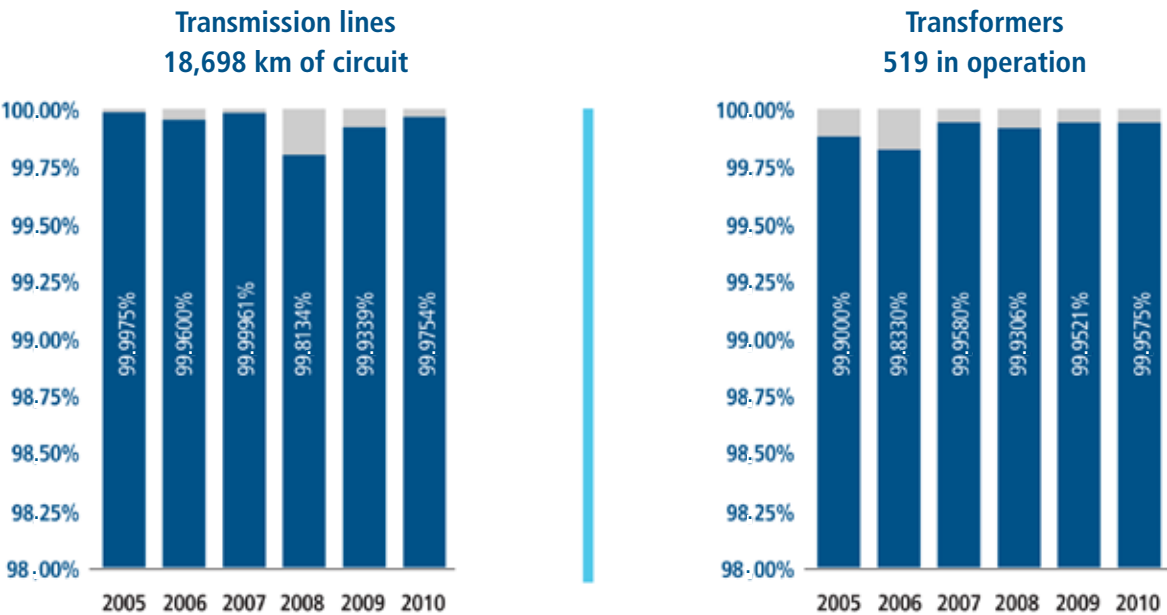
2010 was also marked by great events – such as the Summer Plan, World Cup, elections and the GP of Formula 1 – which have a direct impact on the consumption of electricity. To guarantee the system reliability in such periods, CTEEP set up special servicing plans with a number of professionals mobilized to promptly take actions in case of an incident.

In view of the successive increases in the demand, the challenge in 2010 was to assure reliable electricity transmission, since the revenue of the Company is directly associated with the availability of its main assets, transmission lines and transformers. Any unavailability of such assets will generate reduction to the revenue, by virtue of the variable portion. (PV).

CTEEP accomplished significant results due to the ongoing advances made in modernization of the facilities and installations, training, employees’ professional skills training and purchase of innovative technologies to operate the system,.

In July 2010, for the second year in a row, ANEEL granted a bonus to the Company as a result of high availability of its assets. In 2010 the bonus represented R\$4.9 million to CTEEP, an amount equal to 34% of the total distributed, by this same mechanism, to the transmission agents. Moreover, the Company improved its assets availability indexes, which were above the targets set for the year: 99.97% in transmission lines; 99.98% in reactors; and 99.95% in transformers, in addition to having recorded its best level in the non-supplied energy index (ENS).

Availability of Assets



CTEEP continued the activities of professional skills training to its team, with prominence to the real-time operation training, performed with the participation of generation and distribution companies and follow-up by ONS (National Electric System Operator) over the year. Such initiative, carried out in the Training Simulator of System Operators, proved to be an important resource to enable our professionals to cope with real situations in the system, improving the level of response, particularly recoveries regarding several types of disorders.

With the same purpose of maintaining its team prepared, CTEEP is conducting the recertification of the Control Center operators, in line with the standards set out by ONS. During the process, the professionals’ technical, physical and psychological aspects are reassessed, as well as their responses when facing significant disorders in the system. Despite not being mandatory, the recertifications are audited by an external consulting company, assuring effectiveness of the process. Likewise, certifications and recertifications of technician as well as technical assistants working in the substations of the Company are also being conducted.

Another fundamental aspect of the operational performance is maintenance, essential to assure system operation efficiency and quality.

Since 2008 CTEEP has adopted the concept of reliability centered maintenance. (MCC), which allows for periodical detailed analysis and check. In 2010, 1,680 maintenance procedures were performed on the company’s main equipment (circuit breakers, reactors, disconnect switches and transformers) and recorded.

CTEEP’s operating performance in 2010 was also marked by modernization of the assets and by the adoption of Technologies and controls of the electric system, with prominence to:

- Extension of the digitalization Project to the Mairiporã, Porto Ferreira and Jaguari substations which received new protection, measurement, control and supervision system that provide a more reliable and safe operation extension of the digitalization Project to the Mairiporã, Porto Ferreira and Jaguari stations, which received new systems of protection, measurement, control and supervision that provide a more reliable and safe operation.
- Implantation of the RTDS (Real Time Digital Simulator) that will allow CTEEP to integrate a selected group of companies capable of performing simulations in the electrical network with milliseconds details and will allow a deeper analysis of the electrical network as well as more accurate and quicker adjustments to the control and protection systems.
- Modernization of protections, inclusion of digital protections and installation of new circuit breakers, with better performance and advanced technology that will provide more reliability to the system as well as quick analysis of the incidents.

3.3 Economic-Financial Performance

REVENUE [GRI EC1]

The Gross operating revenue increased by 3.9%, reaching R\$ 2,551,542 million in 2010 (R\$ 2,455,811 million in 2009). Said increase, recorded as a result of a 22,7% construction revenue growth and 2% financial revenue growth, was partially offset by the decrease of 11.5% in the operation and maintenance revenues.

The construction revenues amounted to R\$ 693,803 million in 2010, an increase of 22.7% compared with the preceding year (R\$ 565,468 million). Contributed to this result the progress of the works within the IEMadeira subsidiary, offset by the reduction of CTEEP reinforcement and expansion works, and completion of the works and consequent startup of the controlled companies IEMG, IENNE, IESUL and Pinheiros.

The financial revenues summed up R\$ 1,398,245 million in 2010 (R\$ 1,371,068 million in 2009), as a result of an increase in the construction account receivables balance, which reflects the progress of the CTEEP’s and its controlled companies’ stages of works.

The operation and maintenance revenue amounted to R\$ 442,469 million in 2010 (R\$ 500,001 million in 2009). Said decrease is due to the Company’s RAP decrease, by virtue of CTEEP second cycle of periodic tariff revision, which was partially offset by Pinheiros subsidiary startup.

The operating revenue deductions were decreased by 3.8%, reaching R\$ 295,257 million in 2010, against R\$ 306,799 million in 2009. Said result was due to a 14.6% decrease in the regulatory charges, resulting from a drop in consumption by free customers and an increase in the balance to invest in research and development projects taken place in 2009, which was partially offset by an increase of 8.3% in the taxes over income.

As a result of the aforementioned factors, the net operating income increased by 5%, amounting to R\$ 2,256,286 million in 2010 (R\$ 2,149,012 million in 2009).

COSTS [GRI EC1]

The construction as well as operation and maintenance costs increased by 32.6%, reaching R\$ 948,270 million in 2010, against R\$ 714,992 million in 2009. Such performance is a result of a 33.1% increase in the construction costs, combined with a 32.1% increase of the operation and maintenance costs.

The increase verified in the construction costs is due to the progress of the works within IEMadeira, offset by the reduction of CTEEP’s reinforcement and enlargement works and consequent startup of the controlled companies IEMG, IENNE and Pinheiros.

The increase verified in the operation and maintenance costs results from a larger number of maintenance services at CTEEP facilities and startup of the controlled companies IEMG, IENNE and Pinheiros.

EXPENSES

The overhead and administrative costs decreased by 12.8%, reaching R\$ 137,933 million in 2010 (R\$ 223,003 million in 2009). Said number results substantially from a fine as to records on tax regulation works in 2009.

EBITDA AND EBITDA MARGIN

The **Ebitda** margin was 52.1%, amounting to an Ebitda of R\$ 1,176,130 million in 2010, compared with 56.6% and R\$ 1,215,730 million in 2009, respectively.

FINANCIAL RESULT AND INCOME TAX AND SOCIAL CONTRIBUTION

The financial result reached expenses of R\$ 356,289 million in 2010, an increase of 31.1% compared with 2009 (R\$ 271,721 million), due to greater debts in the year, represented substantially by the issuing of debentures.

Income tax and social contribution expenses decreased by 18%, amounting to R\$ 222,921 million in 2010, against R\$ 277,360 million in 2009. The actual income tax and social contribution rate was 28.5% in 2010, compared with 31.2% in 2009.

NET EARNINGS

Due to the aforementioned factors, the net earnings amounted to R\$ 812,171 million in 2010, a sum 5.8% lower compared with 2009 (R\$ 867,975 million).

ADDED VALUE DISTRIBUTION [\[GRI EC1\]](#)

In 2010, the value added by CTEEP amounted to R\$ 1,639 million, an 8.7% reduction in relation to 2009. Out of this total, R\$ 772 million refers to payment of proceeds to stockholders as dividends and interests on stockholders’ equity; R\$ 523 million was paid to the government as taxes and federal, state and municipal fees and contributions; and R\$ 160 million for payment of wages and benefits to the employees.

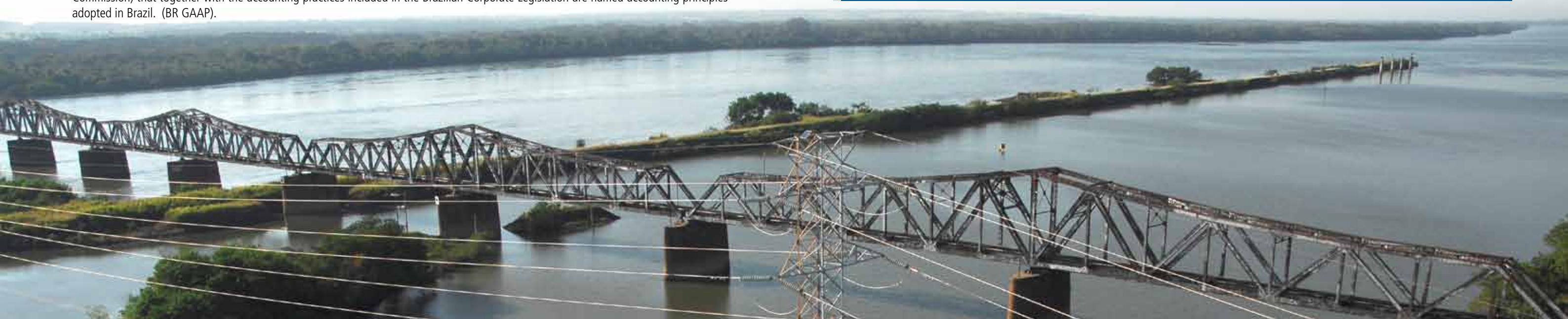
More information is available on Financial Statements on page 6.

CONCILIATION BETWEEN THE FINANCIAL STATEMENTS ACCORDING TO THE FORMER ACCOUNTING PRACTICES AND THE CURRENT ACCOUNTING PRACTICES IN FORCE IN 2010

When preparing the individual corporate financial statements (Holding Company), the Company adopted the pronouncements and respective technical interpretation and technical guidelines issued by the CPC and approved by the CVM (Brazilian Securities And Exchange Commission) that together with the accounting practices included in the Brazilian Corporate Legislation are named accounting principles adopted in Brazil. (BR GAAP).

(i) Balance Sheet

December 31, 2010			
	BR GAAP (pro forma)	Effect of transition to IFRS	IFRS
Assets			
Current			
Cash and Cash equivalents	40,334	-	40,334
Accounts receivable	242,869	1,170,812	1,413,681
Inventories	44,791	-	44,791
Amounts receivable – Treasury Office	22,938	-	22,938
Taxes and contributions to offset	9,780	-	9,780
Tax benefit – incorporated premium	28,832	(28,832)	-
Deferred taxes	32,575	(32,575)	
Prepaid expenses	1,828	-	1,828
Others	5,944	-	35,944
	459,891	1,109,405	1,569,296
Non current			
Noncurrent receivables			
Accounts receivable	978	3,230,726	3,231,704
Amounts receivable – Treasury Office	681,129	-	681,129
Tax benefit – incorporated premium	119,079	28,832	147,911
Deferred Income Tax and social contribution	62,171	(34,121)	28,050
Bonds and linked deposits	42,248	-	42,248
Inventories	-	184,264	184,264
Credit with controlled companies	56,338	-	56,338
Others	1,267	-	1,267
	963,210	3,409,701	4,372,911
Investments	513,157	18,157	531,314
Fixed assets	4,374,864	(4,365,820)	9,044
Intangible assets	67,393	(57,449)	9,944
	4,955,414	(4,405,112)	550,302
	5,918,624	(995,411)	4,923,213
Total assets	6,378,515	119,994	6,492,509



December 31, 2010			
	BR GAAP (pro forma)	Effect of transition to IFRS	IFRS
Liabilities and Stockholders' Equity			
Current			
Loans and finances	133,317	-	133,317
Debentures	2,154	-	2,154
Suppliers	48,856	-	48,856
Tax and payroll charges payable	87,731	-	87,731
Taxes in Installments – Law N° 11.941	10,353	-	10,353
Deferred Income Tax and social contribution	207	(207)	-
Regulatory charges payable	49,244	-	49,244
Interest over Stockholder's equity and dividends payable	391,833	(198,011)	193,822
Provisions	22,284	-	22,284
Amounts payable – Cesp Foundation	6,503	-	6,503
Others	12,885	-	12,885
	765,367	(198,218)	567,149
Non current			
Long-term liabilities			
Loans and finances	450,577	-	450,577
Debenture	553,639	-	553,639
Taxes in installments – Law N° 11.941	144,964	-	144,964
Deferred Income Tax and social contribution	1,159	(1,159)	-
Deferred PIS and Cofins	-	24,430	24,430
Regulatory charges payable	2,174	-	2,174
Provisions	161,688	-	161,688
Special obligations reversion/amortization	24,053	-	24,053
Discount	32,555	(32,555)	-
	1,370,809	(9,284)	1,361,525
Stockholders' Equity			
Stock Capital	1,119,911	-	1,119,911
Capital Reserves	2,231,113	-	2,231,113
Retained Earnings	890,649	123,475	1,014,124
Undistributed profit	-	-	-
Proposal for distribution of additional dividends	-	198,021	198,021
Advance for further capital increase	666	-	666
	4,242,339	32,496	4,563,835
Total liabilities and stockholders' equity	6,378,515	113,994	6,492,509

(ii) Income Statements

December 31, 2010			
	BR GAAP (pro forma)	Effect of transition to IFRS	IFRS
Net operating income	1,661,278	73,912	1,735,190
Costs of operation services	(417,939)	(56,717)	(474,656)
Gross Income	1,243,339	17,195	1,260,534
(Expenses) operating revenues			
General and administrative	(114,907)	(3,121)	(118,028)
Management remuneration	(5,966)	-	(5,966)
Financial expenses	(385,305)	-	(385,305)
Financial revenues	43,553	-	43,553
Other net expenses	(6,697)	(17,145)	(23,842)
Result of equity accounting	180	12,373	12,553
Operating profit	774,197	9,302	783,499
Income tax and social contribution			
Current	(222,549)	-	(222,549)
Deferred	(5,172)	4,800	(372)
Profit before reversion of interests on the stockholders' equity	546,476	14,102	560,578
Reversion of interests on the stockholders' equity	251,593	-	251,593
Net earnings of the year	798,069	14,102	812,171

OTHER FINANCIAL INFORMATION

CTEEP received no financial aid whatsoever from the government over the year. [\[GRI EC4\]](#)

In 2010, the company was served a notice of violation by ANEEL, as per the description below. In both cases, the Company filed a legal action. [\[GRI PR9\]](#)

- Notice of violation N° 022/2010 – Disturbance Inspection on date 04/01/2009, at the Santista Lowlands substation. Fine at the amount of R\$ 318,128.73.
- Notice of violation No 099/2010 – Disturbance Inspection on date 11/01/2009, at 22:13h, involving several disconnections in SIN. Fine at the amount of R\$ 3,195,903.63.



3.4 Stock Market

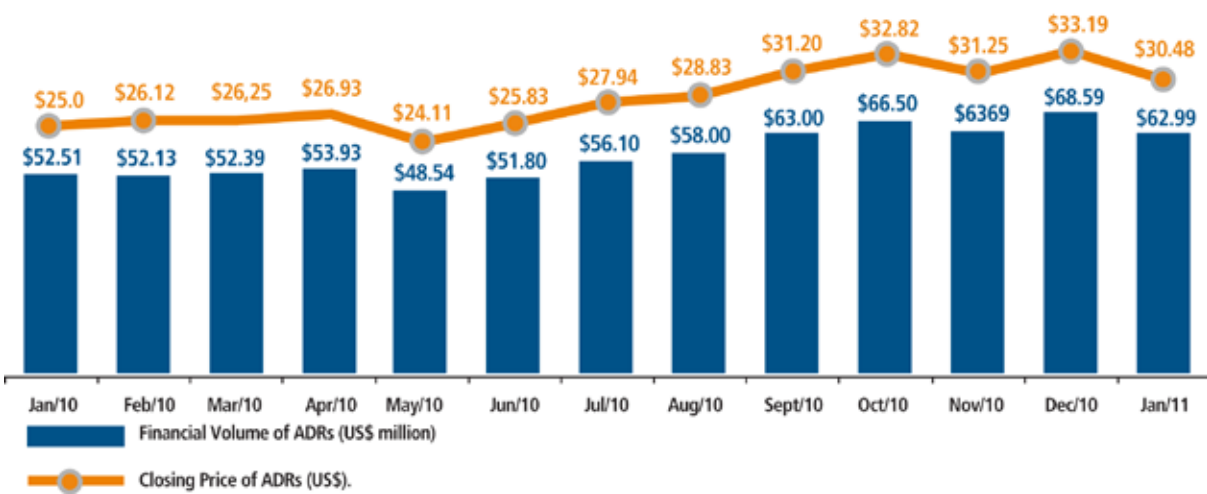
CTEEP preferred and common stock (TRPL3 and TRPL4) is listed on the São Paulo Stock Exchange (BM&FBovespa). The preferred stock (TRPL4) is a component of the Ibovespa Stock Index, the most important indicator of average quote performance of share prices in the Brazilian stock market quotation, and the IGC (Corporate Governance Index), a theoretical portfolio comprised of stock of companies with high levels of relationships with all their stockholders and other stakeholders.

In 2010, the common stock (TRPL3) and preferred stock (TRPL4) had an appreciation in value of 13.15% and 6.47%, respectively, compared to 2009, ending the year quoted at R\$ 61.10 (common) and R\$ 55.10 (preferred). In the same period, Ibovespa presented an appreciation in value of 1.04%, and the Electricity Index (IEE) of 11.98%.

CTEEP common stock (TRPL4) had an average daily trading volume at BM&FBovespa of R\$ 7.2 million, with a daily average of 690 transactions. The total trading volume in the year was R\$ 1.8 billion.



CTEEP also has a program sponsored by the American Depositary Receipts (ADR) Level 1, based on common and preferred stock at the rate of a Depositary Share for each share of both classes. At the end of 2010, the stock base of the Company was comprised of 23,699 ADRs regarding the common stock and 2,066,718 ADRs regarding the preferred stock. In the same period, the ADRs based on the common stock presented an appreciation in value of 33.66%, and the ADRs based on preferred stock, of 11.79%.



Stockholders’ Remuneration

In view of the net earnings recorded in 2010, of R\$ 812,171 million, including dividends paid in January 2011, CTEEP stockholders received R\$ 573,6 million as proceeds corresponding to R\$ 3.78 per share of both classes. Considering the proceeds distributed over the year, the total return to the stockholder was 25.04% for holders of common stock and 18.10% for holders of preferred stock.

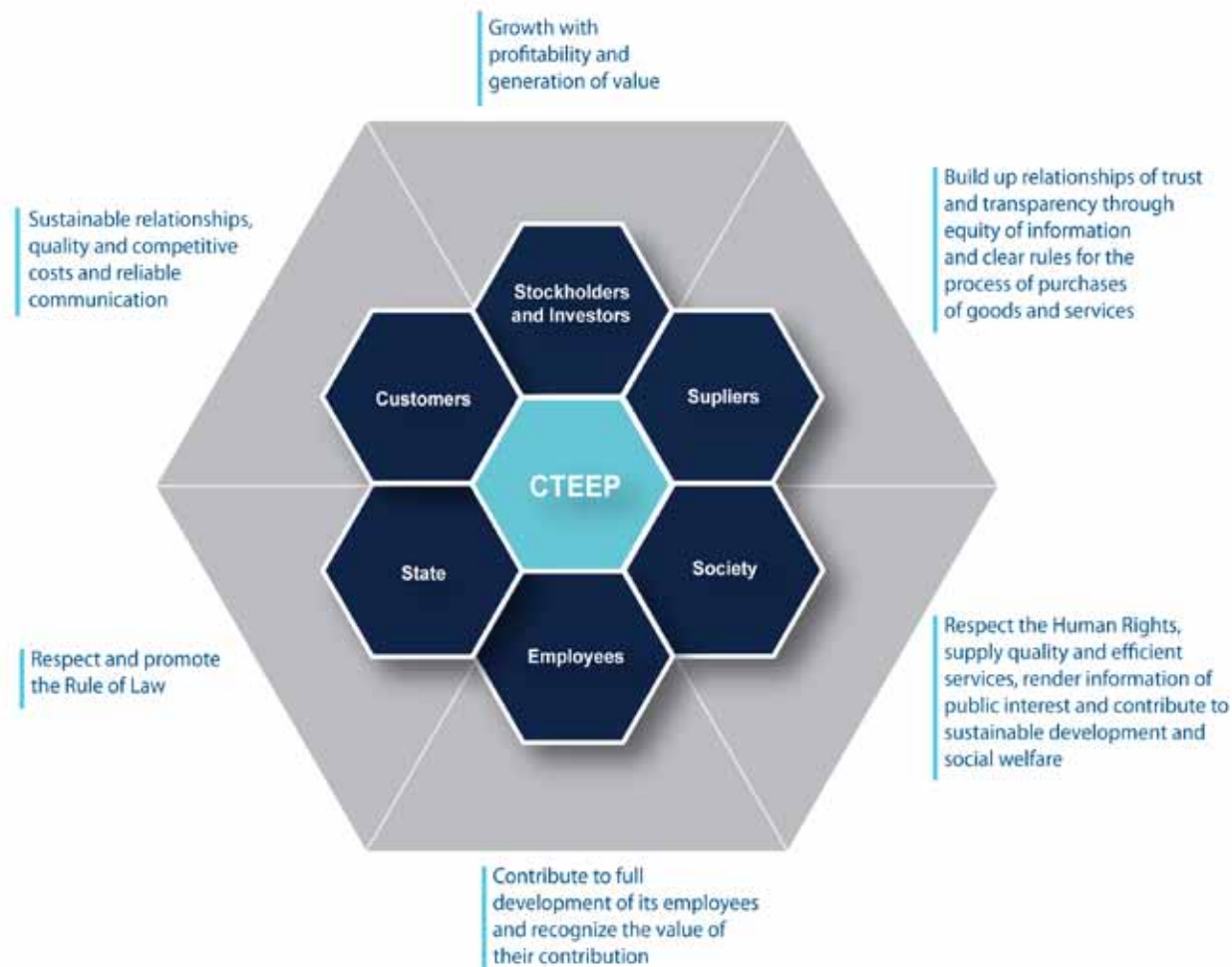




4. SOCIAL PERFORMANCE

In 2010, CTEEP was firm in its purpose of guaranteeing alignment of the initiatives of corporate social responsibilities (CSR) with the strategic objectives of growing the business and, particularly, with the commitments assumed with its several groups of interests: employees, customers, suppliers, stockholders and investors, state and the society. [\[GRI 4.14, 4.15\]](#)

Groups of Interests and CTEEP Commitments



This position was enhanced over the year by restructuring projects supported by the Company, in line with the actions guidelines on Corporate Social Responsibility, set in 2009. The process was developed based on proposals for improvement submitted, adjustments to the current initiatives and suggestions of new projects, at all times with a view to ensuring a more effective standardization of the actions developed and supported by CTEEP. [\[GRI 4.15, 4.16\]](#)

The restructuring focus was on three main points: assuring alignment with CSR guidelines; investing in sustainable actions and partnerships; promoting social transformation and income generations.

Along with this objective, the Company has also promoted engagement with its several groups of interest, established through communication channels, understanding, research, participation in events, dissemination of its business etc. [\[GRI 4.14\]](#)

4.1 Employees

In addition to investing in initiatives oriented to full development of its employees, focusing on life quality, recognition and leadership, CTEEP is judicious as regards the performance assessment process, with the purpose of identifying the contribution made by each employee, following up and recognizing his/her development and participating in the development of his/her skills required for the business through professional skill development training.

CTEEP ended 2010 with 1,443 full-time employees, 21 being hired for a fixed or temporary term and 46 hired through different types of agreement (chief executive officer, officers and trainees). The total number of employees covered by collective bargaining agreements is 1,376 people, according to the number informed by CAGED (General Register of Employed and Unemployed) in December 2010. [\[GRI LA1, LA4\]](#)

Employees by gender [\[GRI LA1\]](#)

Male - 1.230
Female - 146

Employees by age group [\[GRI LA1\]](#)

To 30 year old - 192
From 30 to 50 year old - 1.042
More than 50 years old - 142

The Company does not hire child labor and demands, through contractual clause, the same conduct on the part of third parties and suppliers. Moreover, although it does not promote any specific projects, the Company does not hold areas over its influence with significant risks for forced, compulsory or child labor. [\[GRI HR6, HR7\]](#)

Profile of the Employees and Groups Responsible for the Corporate Governance [\[GRI LA13\]](#)

	Total	Female	Male.	To 30 years	From 30 to 50 years	More than 50 years
Chief Executive Officer	1	-	1	-	-	1
Managers	27	4	23		20	7
Coordinators	77	11	66	1	60	16
Administrative	332	127	205	96	206	30
Operational Technicians	940	4	936	95	756	89
Trainees	41	14	27	41	-	-
Apprentices	21	5	16	21	-	-
GRAND TOTAL	1,443	165	1,278	254	1,044	145

Rotativity [GRI LA2]

		Contracts for undetermined or permanent term		Contracts for a determined or temporary term		Other types of contracts*	
Age Group	%	Total layoffs	%	Total layoffs	%	Total layoffs	
To 30 years old	11.76	8	100	1	100	19	
From 30 to 50 years old	67.65	46	0	0	0	0	
More than 50 years old	20.59	15	0	0	0	0	
TOTAL	100	69	100	1**	100	19	

* Chief Executive Officer, officers and trainees
** Corresponding to the position of apprentice

		Contracts for undetermined or permanent term		Contracts for a determined or temporary term		Other types of contracts*	
Gender	%	Total layoffs	%	Total layoffs	%	Total layoffs	
Male	85.51	59	0	0	68.42	13	
Female	14.49	10	100	1	31.58	19	
TOTAL	100	69	100	1**	100	19	

* Chief Executive Officer, officers and trainees
** Corresponding to the position of apprentice

Compensation and benefits

Upon consolidation of the third stage, in early 2011, the Program for Management of Positions and Salaries covered all the employees who were included in the Company’s wage structure. A new research is expected to be conducted in 2011 to identify CTEEP’s positioning in relation to the market.

The wage policy adopted by CTEEP, which includes compensation compatible with the level of development of the professionals, holds as reference the State of São Paulo minimum wage (R\$540) and the lowest wage paid by the Company in 2010 was R\$1,497 (2.78 times the value of the local minimum wage). [GRI EC5]

The hired employees are provided with meal tickets, food vouchers, basic basket (for wages up to R\$ 3,996), transportation voucher and medical and dental assistance. For men and women holding the custody of their children, the Company offers daycare, baby sitter or special funding. The trainees and apprentices are also provided with a life insurance. The Company offers private retirement plan, with contributions in addition to those of the employee, and a profit sharing plan (PLR). The payment is subject to accomplishment of the targets set by the technical/quality and economic-financial indicators, with contributions at the following proportions: 65% being equal to all employees and 35% being proportional to the wages. [GRI LA3]

The retirement pension plan, with contribution by the participant and the Company, is called Supplemental Retirement and Pension Plan (PSAP/Paulista Transmission), structured under the modality of defined benefit (DB), i.e., the benefit (amount receivable) is previously set. [GRI EC3]

Diversity

In 2009, hiring the first 60 employees integrating the Inclusion Program for Disabled People, CTEEP reiterated its commitment to building up a culture of respect for the differences. In 2010, these professionals underwent a performance evaluation and most of these professionals’ scores were very satisfactory and they got a promotion. The Company’s target with such initiative is to enhance a culture of diversity among the employees, integrating more and more the participants of the program into the business daily routine, with no distinctions.

The principle of equality is also adopted by CTEEP as to compensation for positions with the same salary value, without making any distinction between men and women, who got a raise in their respective average salary in 2010. [GRI LA14]

	2009	2010
Average basic salary men	R\$ 3,319.28	R\$ 4.317,81
Average basic salary women	R\$ 4,073.62	R\$ 4.860,26
Average salary	R\$ 3,395.03	R\$ 4.375,37

Traineeship Program

Focused on the development as well as the professional and personal skills training of the participants, the Traineeship Program for university level was continued, and ended the year with 40 participants and a 70% hiring index.

During the program, the trainee participates in on-site training and educational computer-based training, development of individual projects, periodic evaluations and feedback by the traineeship supervisor. Among the benefits offered, there are monthly stipends, with values in line with the market average, meal ticket, transportation voucher, life insurance, medical assistance and a 30-day paid leave after one year of traineeship.

In 2010, a pilot-program for technical level (in electricity) was carried out at the Regional facilities- São Paulo with ten young students. At the end of the year, seven of them were hired to take positions as technicians of junior substations. In 2011 this new format is expected to be expanded to the other regional facilities, disseminating the concept of recognition of the value of the youth for the management of the Company’s talents.

Young Apprentice

With the Young Apprentice Program, CTEEP promotes the development of entrepreneurial spirit and professional skills enabling the youths to cope with the professional challenges with creativity, autonomy and ethics. The professional skill development takes place hands on; at the time the young apprentice joins the Company, where he has the opportunity to develop his skills through his daily experience in the corporate environment. The Company ended the year with 21 young apprentices working in several units.

Climate

With annual periodicity, in 2010 the fourth edition of Climate Research was performed at CTEEP, with an innovation: the survey was on-line. The results were positive: the adhesion percentage grew, from 94%, in 2009, to 96%, in 2010, and the favorability index grew up to 56% (54% in 2009). Moreover, out of the five factors followed up in the research – Resources, Autonomy, High Management, Immediate Superior and Attraction and Retention of Talents - three of them represent significant growth over the year. Such results are a reflex of action plans performed by the Company in 2009.

Volunteer Work

To foster encourage and disseminate the voluntary practice among its employees, contributing to the development of a culture of solidarity and citizenship, CTEEP has the program Solidary Energy. Said initiatives promoted corporate actions such as winter clothes campaign and toy campaign carried out over the year.



Training [GRI LA11]

In 2010, several actions of training, professional skill development training with a view to improving employee professional activity performance were conducted. Among compulsory, normative and development training, 796 groups were trained totalizing 97,880 hour/class, 6,556 participations and an average of 68 hours of training per employee.

Average of hours of training per category [GRI LA10]

	Chief Executive Officer, officers, managers and coordinators	Administrative, technical operational and trainees	TOTAL
2009	1.26	46.87	48.13
2010	8.01	60.51	68.52

One of the highlights was the implantation of the e-learning modality for NR10 Recycling training, that had an average participation of 600 employees of the technical area, and NR05 – Internal Committee for Accident Prevention (CIPA), for 188 participants elected and appointed that will serve as members in 2011.

Professional Training Certification for technicians and technical assistants of substations and installation technician was also carried out over the year. Around 300 employees underwent a set of evaluations of technical, psychological and physical aspects to validate whether they were capable of performing their function, according to ONS Standards.

■ Corporate Education

After implanted in 2009, the Project of Corporate Education strategic modeling focusing on aligning actions of training and development with the skills required for the business and position, made progress in 2010 by defining two learning tracks: System Operator and Substation Technician.

The Company also has education incentive programs, such as undergraduate studies, technical courses, graduate studies and languages, aiming at encouraging continued Education, which may generate more opportunities of development and growth in the career. The financial aid for such initiatives benefitted more than 133 employees in 2010, in addition to those who already participate in the programs.

■ Evaluation per performance

In its second year of activity, the performance management model adopted by CTEEP expanded among the employees, who began to get adapted to the system and understand the purpose of the evaluation for their professional development. For 2011, it is expected to focus more on identifying development gaps.

■ Evaluation per skills

In 2010, the evaluation per skill model was implanted to all coordinators with the purpose of aligning the personnel with the business strategy and allow each Professional to identity its strong points to develop. Dissemination was carried out on-site, and the evaluation was carried out under the 270° model, that is, each coordinator made its own self-evaluation and was evaluated by his/her manager and two peers. All participants received the results through individual feedback with external consultancy.

■ Organizational management

To support the Company’s strategy, the organizational management area was implemented in the year 2010, with the purpose of planning and measuring the staff, recording the authorities and duties of each area, evaluating the organizational drawing, proposing structuring methods, description, valuation and criticity of the positions, planning careers and designing the performance and skills management models.

■ Knowledge and Innovation Management

Based on the project of Knowledge and Innovation Management modeling started in 2009, CTEEP developed a strategic approach to ensure a better use of the knowledge, in a systematic manner, contributing to accomplishment of the business strategic objectives and assuring the level of service quality rendered to customers.

The capture of external knowledge on technological trends and their mobilization for the innovation processes were also part of such approach.

In 2010, the program made progress by performing several activities, with prominence to the completion of CTEEP knowledge maps: 107 bits of knowledge were defined in 23 areas, eight of which being critical.

The initiative involved mapping of the Company’s critical knowledge, based on the identification of the areas of knowledge with greater impact, which were prioritized according to the criteria related to the relevance of the topic and risk of loss of intellectual capital. Based on these inputs, knowledge management strategic guidelines were set out, as well as a portfolio with initiatives oriented to sharing and disseminating the intellectual capital.

The initiatives were organized in pilot-projects and implemented in a structured and systematic manner, to be incorporated into the company’s processes and practices. Among several actions developed over the year, the specialists’ panel made to support the technological prospection Cornerstone stands out.

Health and safety

In 2010, CTEEP expanded the scope of the Life Quality Program, created to revive in the employees the importance of physical activities in their daily lives. Because of this, physical exercises started to be developed in all regional facilities, in addition to the Company’s headquarter, where the program was launched.

Another relevant initiative was the Safety training for Rescue from Height in all the regional facilities, which met a demand made for over three years, and NR33 – Confined Space training, which was conceived based on mapping of the spaces regarded as confined in the substations, promoted by an external consultancy.

To preserve the employees’ health, CTEEP continued to perform the Occupational Health Examinations, which involved all clinical, laboratory follow-ups of several human health aspects. It also maintained publication of the magazine *Revista 1.a Linha*, with bimonthly periodicity and 1,600 copies printed, sent to the house address of each employee. The magazine addresses several topics related to business and to life quality, such as physical exercise practice, immunization against diseases, occupational health and safety. [GRI LA8]

To motivate the analysis and discussion of issues related to occupational health and safety, CTEEP maintains a Parity Commission between the Company and the labor union. Among the topics related to safety and health covered by formal agreement with the labor union, the following ones stand out: permission for employees older than 50 years to enjoy the vacations divided into periods; maintenance of dental examination, as part of periodic medical examination; maintenance of employee’s salary in functional readaptation induced by workplace-related accident, etc. Furthermore, it holds a regressive salary complement, applied in cases of leave for more than 15 days, due to diseases relate or not to work. [GRI LA9]

CTEEP supports the participation of employees in formal safety and health committees, which help to monitor and advise on occupational safety and health programs. Like in 2009, in 2010 204 ordinary monthly meetings, 112 plenary monthly meetings were held by the Internal Commission for Accidents Prevention (CIPAS). Managing term of formal committees which was two years up to 2010 came to be one year in 2011. [GRI LA6*]

*Employees covered by CLT contracts were considered for such indicators.

Health and Safety - Cipa [GRI LA6]

	Number of employees of the Company	Number of employees represented by formal committees	Formal committees	% of employees represented by formal Bcommittees
2008	1,305	183	15	14%
2009	1,384	187	17	14%
2010	1,397	187	17	13%

Accidents rate per frequency or seriousness [GRI LA7*]

	2009	2010
Rate of Injures (TL)	3.38	3.55
Number of injuries	11	12
HHT (man-hour worked)	3,257,790	3,377,976
Number of occupational diseases	0	0
Rate of Lost days (TDP)	56.48	43.52
Number of lost days	184	147
Work-related fatalities (in absolute numbers)	0	0

*Employees covered by CLT contracts were considered for this indicator.

** The actual control of absentee rate started in 2009, and, in 2010, such information started to be computerized and monitored. The estimate is that the first results will be disclosed in 2011.

Over the year, the following activities were also promoted:

- Ergonomics analysis of maintenance activities in transmission lines, substations and telecommunications.
- Technical diagnosis of CTEEP facilities, for OHSAS 18.001:2007.
- Implantation of SST management computerized system.
- Inclusion of quantitative measures of noise and chemical agents in the Program of Environmental Risk Prevention (PPRA).

4.2 Customers

One of CTEEP’s focus of action is to build up sustainable relationships with its customers and thereby, supply quality, efficient services at competitive costs. In 2010, the Company serviced 15 distributors, 28 generators (including biomass Power plants) and three free customers.

For the third year in a row, the Customer Satisfaction Survey was conducted with partners who are more impacted by CTEEP business: customers of the Operation, Maintenance and Enterprises areas. The innovation in 2010 was the unified survey with presentation of an average number that represented the performance of the three areas analyzed. Based on this new positioning, the general result of the customer satisfaction index (ISC) was 79.5%, exceeding the target set by 1%. [GRI PR5]

The results presented by area were:

Area	2008	2009	2010
Operation	77.3% (1st wave)	74.6% (2nd wave)	81.1% (3rd wave)
Maintenance	-	75.8% (1st wave)	75.7% (2nd wave)
Undertakings	-	79.2% (1st wave)	80% (2nd wave)

With ISC, CTEEP is able to measure the customers’ perception evolution in relation to several factors and effectiveness of the action plans to ensure continuous improvement to the relationship of this public, and contribute in order for the electric sector to render quality services to the society.

The Company also continued the activities of real time training in the system over the year, with the participation of electricity generation and distribution companies and ONS follow-up, to enable the Professional involved. In 2010, no privacy violation or loss on customer’ data was recorded within the scope of CTEEP electricity transmission system operations. [GRI PR8]

4.3 Suppliers

To build up transparent and reliable relationships with its customers, CTEEP has a program focused on the development and management by continuous communication process with over 348 suppliers integrating its register. Out of this number, the Company kept an active relationship with 167 material suppliers and 88 service suppliers in 2010.

Partnership with suppliers is maintained with meetings to present the results, demands and supplying strategies. In 2010, it was strengthened by the performance of the first evaluation for the CTEEP Supplier Award, created to acknowledge the best partners through an evaluation process based on quality, innovation and social responsibility criteria. The results disclosure and the awarding will take place in 2011.

CTEEP has a policy for goods and services that addresses the relationship with its suppliers, but it has no specific procedure about hiring locally-based suppliers who are hired according to specific demand from each regional facility and account for approximately 3% of the Company’s global purchases. [GRI EC6]

The agreements signed by the Company have clauses referring to human rights protection and the managers of the respective agreements follow up the compliance with such contractual conditions. In 2010, suppliers have not undergone any formal screening regarding human rights. [GRI HR1, HR2]

4.4 Stockholders and Investors

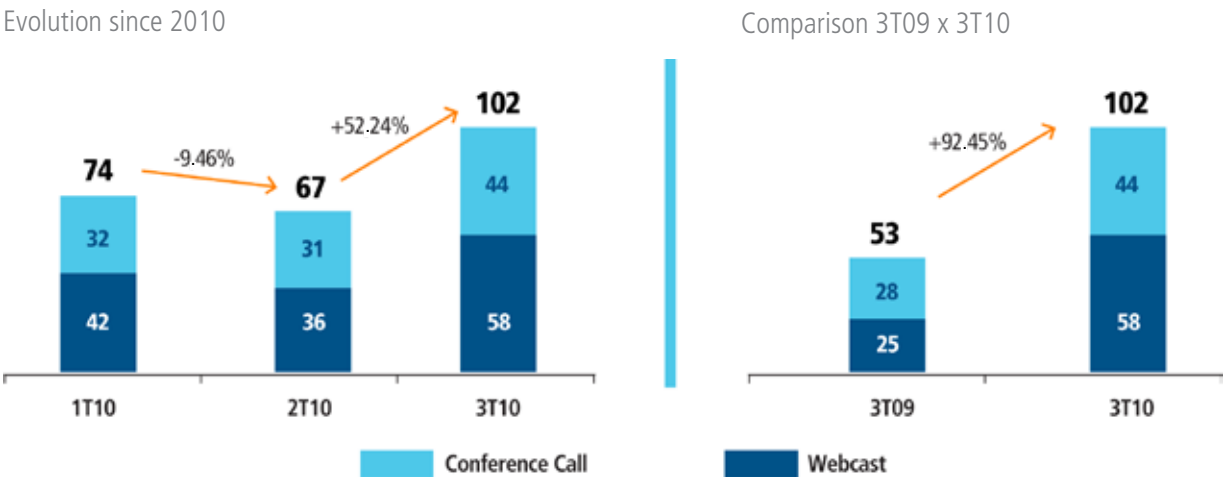
Supply information on quality, efficiency and transparency meeting the stockholders, investors and market demands. This is CTEEP focus of action that keeps a permanent communication with such groups.

In its ongoing search for consolidating the best corporate governance practices, in 2010, the area conducted a qualitative research with analysts and investors on market perception as to the information rendered in the quarterly results, which will allow the Company to improve the process of result disclosure. In relation to the quarterly releases of results, the respondents showed preference for the following topics: RAP (63%), CAPEX (56%), Regulation (50%) and New Business (44%).

The Company also strengthened its relationship with the market over the year by participating in five conferences and eight non deal road-shows and 130 meetings held at the Company headquarters and over 2 thousand services by e-mail and telephone, in addition to the teleconference and webcast to present the quarterly results and an APIMEC Meeting with the financial market.

CTEEP also enhanced its relationship with the individual investor by participating in the 8th Edition of Expomoney, a financial education event for active and prospective investors; where it was honored with the Respect to Individual Investor award. [GRI 2.10]

Attendance at quarterly teleconference



4.5 State

Participate in relevant discussions and contribute to the development of the electrical sector. Based on such position, CTEEP keeps acting in the board of directors, committees and commissions of the government bodies of the following trade associations that defend and promote the interests of the sector: [GRI 4.13, S05]

- ANEEL (National Electric Energy Agency).
- ONS (National Electric System Operator).
- Abrate (Brazilian Association of Large Electricity Transmission Company).
- Abidib (Brazilian Association of Basic Infrastructure and Industry).

- ABCE (Brazilian Association of Electric Power Companies).
- Cepel (Electric Energy Research Center).
- Cier Braciel (The Cier Brazilian National Committee).
- Cigré Brasil (Brazilian National Committee for Electric Energy Production and Transmission).
- Siesp (State of São Paulo Energy Industry Association).
- State of São Paulo Sanitation and Energy Secretariat.

In addition to complying with the legal obligations, the Company makes no financial or in-kind contributions to political parties, political campaigns or related institutions. **[GRI SO6]**

4.6 Society **[GRI SO1]**

In its relationship with the society, CTEEP seeks for contributing to the sustainable development and social inclusion based on education. With focus on these guidelines, CTEEP develops projects that are oriented to communities affected by new undertakings and/or located in regions near the areas over the Company's influence. In 2010, over R\$ 1,870,000.00 was invested in performing such initiatives, that benefitted 3,990 people directly involved in the project and 18,692 people indirectly involved in project.

One of the highlights of the year was the position adopted by CTEEP in its search for a greater engagement with the communities surrounding its transmission lines. In partnership with government bodies, the Company worked on building up awareness of the population living near the transmission lines, participating in the revitalization of spaces and creation of new recreational areas and curbing waste disposal in the area, which brings damage to the population itself. **[GRI EC8]**

■ Risk management with the neighboring community

The main initiative run in 2010 with such focus was the revitalization of the São Joaquim square, in Santa Bárbara D'Oeste (SP), that encompasses three communities surrounding the CTEEP servitude areas, where there used to be community vegetable gardens.

The Project arouse from the need reported by the residents themselves for a recreational place and preventing constant-waste disposal. In partnership with the local government and the departments of Works and Services and Environment of the municipality, CTEEP was responsible for building a walking/hiking trail and donating the grass. The local government planted over 15 thousand flower seedlings and was in charge of preserving the space on a permanent basis.

With this project, CTEEP expects to foster in the community a feeling of belonging over the neighboring area, where the electricity transmission lines are installed, and also a better understanding of the transmission line business. Said initiative also enhances one of the guidelines of corporate social responsibility of the Company that includes the performance of actions oriented to the development of neighboring communities. **[GRI EC8]**

Other initiative supported by the Company over the year were:

■ Movies at School Cultural Circuit

Movies at School Cultural Circuit project run through Rouanet Law incentives of the Ministry of Culture, sponsored by CTEEP and promoted in partnership with the São Paulo State Secretariat for Education was created with the purpose of making children and youths of public schools located in the areas near CTEEP electricity transmission lines more aware of the precautions to be taken in relation to the electricity network.

Included as a supplementary activity in the curricular grid of the Elementary-Middle Education, the Project stimulates knowledge by relating topics of sustainable development, social responsibility, education and culture on the electricity issue. After many different lessons, the students are encouraged to create their own readings in order to create their stories. Then the works are sent to a judging commission to have the best plot selected and turned to a script to produce a short film.

In 2010, 60 schools participated in the Project in six cities: São José dos Campos, Taubaté, Sumaré, Osasco, Embu Guaçu and São Paulo, with 3 thousand students and 72 teachers teaching different subjects directly involved. Altogether, 300 workshops (summing up 900 hours) and 60 soirées were held, six plays were performed, 60 short films produced by the students at the schools were shown, six of which being produced by the students participating in the project. The project will continue in 2011.

■ Pomar Project

CTEEP is one of the 23 companies partners of the Project coordinated by the Environment Secretariat of the São Paulo State Government. The purpose of this initiative is environmental and landscape-related recovery of the banks of the Pinheiros River, providing professional skills training and the development of environmental education.

■ Guri Projects and Santa Marcelina Groups of Youths

The Guri projects and Groups of Youths form a cycle of music education that have as main objective to promote social inclusion based on music. The Guri project focuses on music initiation, the Groups of Youths, on musical pre-professionalization, but both are developed with the purpose of providing quality music education, connected with an actual social intervention for cultural and social transformations to be possible in the life of children and teenagers.

■ Guri

The initiative is part of a musical formation cycle offering opportunities of social inclusion for youths from low income communities of the city of São Paulo. The definition of the locations where the educational centers will be established takes into consideration indicators such as the index of youth vulnerability of the region, exposure of the youths to city violence, the level of education and teenage pregnancy.

In addition to the music education, the Project has the support of social workers present at all centers, indication to social services, thematic workshops, direct involvement with the local community, extra classes of Portuguese and training for including people with disabilities.

160 people were covered by the program over the year and 16 concerts performed by the youth groups (band and choir) were promoted. The project will continue in 2011

■ Groups of Youths

The purpose of the Project is to promote music education to needy youths, including them in the artistic world and contributing to their vocational training. Four music groups are covered by the initiative— Coral Jovem do Estado (State Youth Choir), Orquestra Jovem do Estado (State Youth Orchestra), Orquestra Jovem Tom Jobim (Tom Jobin Youth Orchestra) and Banda Sinfônica Jovem (Youth Symphony Band) —, assisting 3 thousand students in courses of up to 9 years of length. Thanks to the sponsorship maintained by CTEEP, in 2010, 243 scholarship students participating in the project were provided with financial assistance and pedagogical support in their music education. There were 40 performances across the state of São Paulo over the year. The project will continue in 2011.

■ Cuca Project

Developed by the State Park of Cantareira, in partnership with the NGO Guatambú institute ONG, Cuca Project was subject to CTEEP during obtainment of the license to have the Guarulhos-Anhanguera transmission line installed. (GRI 4.12)

The purpose of the initiative is to promote development and implantation of an environmental education Project, including activities for student groups and neighboring community, inside and outside the preservation area.

The main activities developed involve protection of the preservation unit, fighting illegal waste disposal, predatory hunting of wild animals, invasions and other predatory activities. The Project also includes lectures about the preservation unit and its surroundings, citizenship, biodiversity preservation and the relevance of transmission lines. In 2010, it assisted 2.517, students from schools located in the project's neighboring area and other areas of the city of São Paulo.

■ Gold from Eldorado

To promote and disseminate culture, CTEEP sponsored an unprecedented exhibition on Colombian Pre-Hispanic Indian Art with pieces brought from the Museo Del Oro de Bogotá, Colombia. Nearly 280 golden pieces, pottery objects and instruments used to the production of this art were exhibited, divided into 6 modules. Golden People, Fabulous Animals; Man Animal, abstraction and nature; a universe of shapes; Metallurgy and pre-Hispanic societies.

The exhibition, held from May 29 to August 22, 2010, at Pinacotheca of the State of São Paulo, was visited by more than 92 thousand people.

■ Burning Campaign

Awareness by all groups of interests — sugar mill owners, agriculture workers, farmers, society and employees — of practicing illegal burnings in zones of hazard, such as next to overhead power transmission towers. Based on this main objective, CTEEP invested over R\$ 7.4 million in its ninth burning prevention campaign.

In 2009, the accidents resulting from burnings were reduced by 70% compared with the two preceding years. In 2010, the investments were made in actions of preservation and respect for the servitude area and to aware the society through magazine ads, radio broadcasting and billboards, in addition to distribution of illustrative handbooks for adults and children.

For 2011, CTEEP will continue to promote actions of preservation and awareness of burning hazards, in the search for reducing more and more the records of large fire outbreaks in the inlands of the São Paulo state.



5. ENVIRONMENTAL PERFORMANCE

CTEEP runs several initiatives to assure sustainability when performing its activities. In 2010, R\$2.3 million was invested in initiatives of prevention, management, mitigation and treatment – an increase of 45% compared with 2009.

Such increase was driven, particularly by the Company’s commitment to meeting its Mission and Environmental Policy, and by an environmental management based on ISO 14001 Standard requisites. [\[GRI EN30\]](#)

To mitigate the environmental impacts of its installations, CTEEP made a number of improvements to its substations in 2010, such as: construction of eight oil collector basins, four water/oil separator boxes, three firewalls and containments in the battery rooms and GAE (Auxiliary Emergency Group) rooms. Furthermore, it is a common practice in the Company to periodically raise awareness among its employees about the Standard Operating Procedures (POPs) to perform critical activities of the Environmental Management System - SGA. [\[GRI EN26\]](#)

Spending Breakdown	Reference	2009 (R\$)	2010 (R\$)
Disposal of waste	2009 – Final disposal of material by PCB (Ascarel) ¹ 2010 – Disposal of PCB ¹	1,050,000.00	1,200,000.00
Remediation Costs	TCRA ² , TACs ³ , LOs ⁴	274,557.00	123,329.00
Prevention Costs	Environment Education program - Cuca Project	168,247.00	123,437.32
LOs Renewal	2009 - LO PPR/TAQ C1 ⁵	948.00	-
Environmental Management	2009 - Materials of PAE ⁶ 2010 - Substations suitability (collection/separation Box/ and firewalls ^ß)	76,500.00	830,000.00
TOTAL		1,570,252.00	2,276,766.32

Note: Data referring to 2008 have not been disclosed, as the numbers compiled have not yet been updated.
1. PCB = Polychlorinated biphenyls, also known as Ascarel. A non-flammable, non-biodegradable and bio-cumulative chemical substance that poses risks to the environment and human beings, by being potentially poisoning

2. TCRA = Environmental Recovery Commitment Agreement.
3. TAC = Terms of Agreement.
4. LO = Operating Environmental License
5. PPR/TAQ C1 = Porto Primavera/Taquaruçu Circuit 1.
6. PAE = Emergency Service Plan

Impacts and Waste

At CTEEP, all waste edisposal is carried out in compliance with the environmental Law in force and effect, regarding transportation, handling and methods of disposal. The Company disposes of and transports the waste properly, including those contaminated with polychlorinated biphenyls (PCBs), that are classified a Class I – Hazardous waste.

In such cases, the certificate of handling wastes of environmental interest (CADRI) required is obtained by a specialized company, licensed by an environmental authority, which performs handling, packing and transportation of wastes and the final disposal of cloths, EPIs (Individual Protection Equipment), soil, sand and insulating mineral oil contaminated with PCBs.

In 2010, it was performed the final disposal of 30,342 kg of materials contaminated with PCBs, a growth of 12% compared with the volume of 2009 (27,120 kg).

The other Class II – Inert and Non-inert wastes are stored temporarily in special areas for such type of storage, until they reach a minimum quantity for transportation and proper final disposal. [\[GRI EN24\]](#)

Final disposal of 18,312 kg of lead acid batteries was also properly carried out over 2010, according to the environmental Law, by an innovative partnership with a specialized material recycling company that properly carried out the disposal of this volume, with no costs to CTEEP.

Biodiversity and Legislation

Some CTEEP electricity transmission lines run through environmental protection areas with great biodiversity [\[GRI EN11\]](#). In 2010, the Company invested in environmental restoration of some of these locations, as such, for example, planting of 33 hectares of native tree species in the areas of the Forest Institute of Batatais (SP).

To meet the environmental commitments, CTEEP carried out the reforestation of 19 thousand m2, in the area of the 345 kV BSA-TP transmission line (tower 70) and 345 kV ITE –TP transmission line (tower 54), planting 2 thousand seedlings, in accordance with TCRA 232. [\[GRI EN13\]](#)

In 2010, CTEEP was not monetarily fined and/or sanctioned, nor there are any lawsuits filed by way of arbitration related to the environmental matters. The Company was served on two notices of violation:

- A R\$322,500.00 fine due to an activity of packing soil in bags by a trespasser of an area owned by CTEEP that filed its administrative defense (to date, still pending decision).
 - R\$1,000.00 fine due to a vegetation suppression in an environmental preservation area between the cities of Matão and Cosmópolis, carried out by CTEEP that filed its administrative defense for having carried out a transmission line servitude area preservation service. [\[GRI EN28\]](#)
- Over 2010, three proceedings for compliance with TCRA 159/05, 177/06 and 100/05, were submitted and completed, with 3,710 tree seedlings planted.

Energy

CTEEP substations have their own electrical energy supply. Through equipment named Auxiliary Service Transformers, the Company obtains the electricity used in its activities out of the electricity it transports.

Where such sources are unavailable, there are other options, among them, the engine driven GAEs (Auxiliary Emergency groups), which uses the direct nonrenewable energy (diesel oil) to assure the reinstatement of energy supply for the priority loads of the auxiliary service of the installations. It should be pointed out that even though said equipment is rarely operated, CTEEP controls the equipment diesel oil by controlling the level of the reservoirs. [\[GRI EN3\]](#)

Altogether, CTEEP has 105 substations, but the consumption data disclosed in this report are from 40 substations that are monitored due to implantation of the Environmental Management System.

Energy consumption [\[GRI EN4\]](#) in Gigajoule (GJJ)

	2008	2009	2010
Eletricity	29,492.44	30,203.03	58,394.35

The consumption of 2009 refers to 20 substations, and that of 2010 refers to 40 substations. Considering the “average” consumption per substation, in 2010, a reduction of 3.33% in energy was recorded in relation to 2009.

CTEEP also has a continuous electricity saving program, which contemplates the replacement of less efficient lamps, and actions to raise awareness among our employees, which contribute to 2,011.71 joules energy saving in the year. [\[GRI EN5\]](#)

Water

CTEEP has no processes generating effluents nor does it have programs allowing water reuse and recycling. Even then, a pilot -project for Rainwater catchment is under study, that would be used to wash the metal bases (holders) of electrical equipment of the substations. [\[GRI EN10\]](#)

In 2010, out of the 63 substations with Environmental Management System implanted, CTEEP monitored the water consumption at 43 substations, which consumed 30,604 m3. The considerable variation in the consumption compared with 2009 is explained by performance of temporary works at the substations and by the respective increase in the number of personnel in the substations. [\[GRI EN8\]](#)

Water consumption evolution (m³)

	2008	2009	2010
Underground water	6,350	4,430	15,940
Municipal supply of water or other supplying companies	5,093	4,721	14,664

The consumption in 2009 refers to 20 substations, and that in 2010 refers to 40 substations. Considering the “average” consumption per station, in 2010, it was recorded an increase of 69.06% in the consumption of water



6. TABLE IBASE

Tax bases	2010	2009	2008
Net revenue (NR)	1,735,190	1,649,237	1,564,068
Operating income (OI)	783,499	845,476	842,979
Gross payroll (GP)	123,859	175,447	161,280

Internal Social Indicators	Amount	% s/ FPB	% s/ RL	Amount	% s/ FPB	% s/ RL	Amount	% s/ FPB	% s/ RL
Meals	10,005	8.08	0.58	8,551	4.9	0.5	5,886	3.6	0.4
Mandatory Payroll charges	4,620	3.73	0.27	35,835	20.4	2.2	30,687	19.0	2.0
Private Retirement Plan	7,789	6.29	0.45	2,725	1.6	0.2	2,237	1.4	0.1
Health	18,228	14.72	1.05	18,555	10.6	1.1	10,217	6.3	0.7
Safety and Health at workplace*	1,131	0.91	0.07	-	-	-	-	-	-
Education	831	0.67	0.05	2,300	1.3	0.1	2,108	1.3	0.1
Culture*	0	0	0	-	-	-	-	-	-
Professional skills development and training*	1,629	1.32	0.09	-	-	-	-	-	-
Daycare or daycare funding	169	0.14	0.01	122	0.1	0.0	102	0.1	0.0
Profit and earnings sharing	12,024	9.71	0.69	11,140	6.3	0.7	10,722	6.6	0.7
Others	0	0	0	-	-	-	-	-	-
Total – Internal social indicators	56,426	45.56	3.25	79,228	45.2	4.8	61,959	38.4	4.0

External social indicator	Amount	% s/ RO	% s/ RL	Amount	% s/ FPB	% s/ RL	Amount	% s/ FPB	% s/ RL
Education*	0	0	0	-	-	-	-	-	-
Culture*	1,618	0.21	0.09	-	-	-	-	-	-
Health and sanitation*	0	0	0	-	-	-	-	-	-
Sports*	0	0	0	-	-	-	-	-	-
Fight against hunger and food security*	0	0	0	-	-	-	-	-	-
Others*	407	0.05	0.02	-	-	-	-	-	-
Total contributions to the society	2,025	0.26	0.12	3,867	2.2	0.2	3,267	2.0	0.2
Taxes (payroll charges excluded)	324,126	41.37	18.68	372,702	212.4	22.6	349,364	216.6	22.3
Total	326,151	41.63	18.80	376,569	214.6	22.8	352,631	218.6	22.5

Environmental Indicators	Amount	% s/ RO	% s/ RL	Amount	% s/ FPB	% s/ RL	Amount	% s/ FPB	% s/ RL
Investments related to production/operation of the Company	2,345	0.30	0.14	1,402	0.8	0.1	573,100	355.3	36.6
Investments in program and/or external projects	123	0.02	0.01	741	0.4	0.0	168,247	104.3	10.8
Total investments in environment	2,468	0.31	0.14	2,143	1.2	0.1	741,347	459.7	47.4
As for setting of annual targets to minimize wastes, general consumption in production/ operation and increase efficiency in the use of natural resources: the company	(X) has no targets () meets from 51 to 75% () meets from 0 to 50% () meets from 76 to 100%								

Personnel Indicators	2010	2009	2008
N.º of employee(s) at the end of the year	1402	1409	1327
N.º of admissions over the period	65	199	99
N.º of outsourced employee(s)*	913	-	-
N.º of trainees*	41	-	-
N.º of employee(s) above 45 years old	53	477	366
N.º of women working in the company	146	139	104
% managerial positions taken by women	15	13	18,8
N.º of black people working in the company*	-	-	-
% managerial positions taken by black people*	-	-	-
N.º of disabled people or people in need of special care	57	63	1

Relevant information on corporate citizenship exercise	2010	2009	2008
Ratio of Highest paid salaries to lowest paid salaries	52 times	51 times	43 vezes
Number of total workplace related accidents	12	11	4
Social and environmental projects developed by the company were set out by:	[] top management [] all employee(s) [X] top management and management teams	Top managements and managements	Top managements and managements
Standards of safety and health in workplace environment were set out by:	[] top management [] all + Cipa [X] top management and management teams	Top managements and managements	Top managements and managements
As to trade union freedom, right to collective bargaining agreement and internal employee representation, the company*:	[] does not get involved [X] follows OIT standards [] encourages & follows OIT		
Private retirement plan covers:	[] top management [X] all employee(s) [] top management and management teams	All employees	All employees
Profit or earnings sharing covers:	[] top management [X] all employee(s) [] top management and management teams	All employees	All employees
When selecting suppliers, the same ethical, social responsibility and environmental standards adopted by the company:	[] are not considered [X] are suggested [] are required	Are suggested	Are suggested
As for participation of employee(s) in volunteer work programs the company:	[] does not get involved [X] supports [] organizes and encourages	Supports	Supports
Total number of complaints and criticisms by consumers*:	in the company: 0 at Procon:0 in Court 0	-	-
% of complaints and criticisms settled*:	in the company 0% at Procon: 0% in Court: 0%	-	-
Total added value to distribute (in thousand of I R\$)*:		-	-
Distribution of Added Value (DVA)*:		-	-

* New indicators



7. GRI CONTENT INDEX [GRI 3.12]

CTEEP 2010 level B Sustainability Report

Indicador	Description	Remarks	Pages
Profile Indicators			
1.1; 1.2	Strategy and Analysis		4; 15
2.1; 2.2; 2.3; 2.4; 2.5; 2.6; 2.7; 2.8; 2.9; 2.10	Organizational Profile		4; 8; 37
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		5; 50
4.1; 4.2; 4.3; 4.4; 4.5; 4.6; 4.7; 4.8; 4.9; 4.10; 4.11; 4.12; 4.13; 4.14; 4.15; 4.16; 4.17	Governance, Commitments and Engagement		5; 8; 12; 13; 14; 30; 38; 40
Performance Indicators			
ECONOMIC PERFORMANCE			
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.		21; 22
EC3	Coverage of the organization's defined benefit plan obligations.		32
EC4	Significant financial assistance received from government.		25
EC5	Range of ratios of standard entry level wage compared with local minimum wage at significant locations of operation.		32
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		37
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.		38
ENVIROMENTAL PERFORMANCE			
EN3	Direct energy consumption by primary energy source.	Partial	45
EN4	Indirect energy consumption by primary source.		45
EN5	Energy saved due to conservation and efficiency improvements.		-
EN8	Total water withdrawal by source.		
EN10	Percentage and total volume of water recycled and reused.	Partial	45
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected and areas of high biodiversity value outside protected areas		-
EN13	Habitats protected or restored.		45
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.		44
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.		44
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.		-
EN30	Total environmental protection expenditures and investments by type.		44

SOCIAL PERFORMANCE – LABOR PRACTICES AND DECENT WORK			
LA1	Total workforce by employment type, employment contract, and region.		31
LA2	Total number and rate of employee turnover by age group, gender, and region.		32
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.		32
LA4	Percentage of employees covered by collective bargaining agreements.		31
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.		35
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.		36
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		35
LA9	Health and safety topics covered in formal agreements with trade unions.		35
LA10	Average hours of training per year per employee by employee category		34
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Partial	34
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity		31
LA14	Ratio of basic salary of men to women by employee category.		33
SOCIAL PERFORMANCE – HUMAN RIGHTS			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Partial	37
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.		37
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.		31
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.		31
SOCIAL PERFORMANCE – SOCIETY			
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.		-
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Partial	15
SO3	Percentage of employees trained in organization's anticorruption policies and procedures.	Partial	12
SO4	Actions taken in response to incidents of corruption.		12
SO5	Public policy positions and participation in public policy development and lobbying.		38
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.		38
SOCIAL PERFORMANCE – PRODUCT RESPONSIBILITY			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures.	Not answered	-
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not answered	-
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		36
PR8	Total number of proved complaints in relation to the violation of privacy and loss of data on customers.		36
PR9	Monetary value of the fines (significant) for non-compliance to laws and regulations related to the supply and use of products and services.		25

8. CORPORATE INFORMATION

8.1 Board of Directors

CHAIRMAN

Luis Fernando Alarcón Mantilla

VICE-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 Martínez
Sinval Zaidan Gama
Valdivino Ferreira dos Anjos

8.2 Audit Committee

CHAIRMAN

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

8.3 Executive Board

CHIEF EXECUTIVE OFFICER

Cesár Augusto Ramírez

CHIEF ADMINISTRATIVE OFFICER

Pío Adolfo Bárcena Villarreal

CHIEF FINANCIAL AND INVESTOR RELATIONS OFFICER

Marcio Lopes Almeida

CHIEF OPERATING OFFICER

Celso Sebastião Cerchiari

CHIEF ENTERPRISES OFFICER

Jorge Rodríguez Ortiz

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