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*Companhia de Transmissao de
Energia Eletrica Paulista*

*CURRENT ADDRESS

**FORMER NAME

PROCESSED

**NEW ADDRESS

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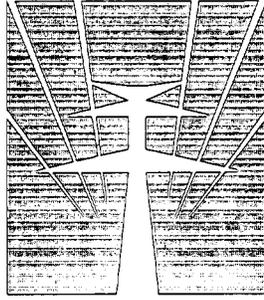
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Companhia de
Transmissão de
Energia Elétrica
Paulista

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12-31-01

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2001 AND 2000

AND INDEPENDENT ACCOUNTANTS' REPORT

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Management of
Companhia de Transmissão de Energia Elétrica Paulista
São Paulo - SP

1. We have audited the accompanying balance sheets of Companhia de Transmissão de Energia Elétrica Paulista, as of December 31, 2001 (Parent Company) and December 31, 2000 (Parent Company and consolidated), and the related statements of income, changes in stockholders' equity (Parent Company), and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.
2. We conducted our audits in accordance with auditing standards generally accepted in Brazil which include: (a) planning of the engagement, considering the materiality of the balance, the volume of transactions and the accounting and internal control system of the Company and its subsidiary; (b) examination, on a test basis, of the evidence and records supporting the amounts and disclosures in the financial statements; and (c) assessment of the accounting principles used and significant estimates made by management of the Company and its subsidiary, as well as the evaluation of the overall financial statement presentation.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Companhia de Transmissão de Energia Elétrica Paulista as of December 31, 2001 (Parent Company) and December 31, 2000 (Parent Company and consolidated), the results of its operations, changes in its stockholders' equity and changes in its financial position for the years then ended in conformity with generally accepted accounting principles established by the Brazilian Corporate Law.
4. The supplementary information contained in Attachments I and II, related to the statements of value added and cash flows for the years ended December 31, 2001 and 2000 is presented to permit additional analyses and is not required as part of the basic financial statements. We examined this information in accordance with the auditing procedures mentioned in paragraph 2 and, in our opinion, it is fairly presented, in all material respects, in relation to the overall financial statements.
5. These financial statements have been translated into English solely for convenience of the readers.

Deloitte Touche Tohmatsu
February 14, 2002



(Convenience Translation into English from the Original Previously Issued in Portuguese)

BALANCE SHEETS AS OF DECEMBER 31, 2001 AND 2000
(In thousands of Brazilian reais - R\$)

	<u>2001</u>	<u>2000</u>	<u>Consolidated</u> <u>2000</u>
ASSETS			
CURRENT ASSETS			
Cash			
Cash and cash equivalents.....	2,839	2,287	2,340
Short-term investments.....	267,926	158,360	249,336
	<u>270,765</u>	<u>160,647</u>	<u>251,676</u>
Accounts receivable			
Accounts receivable.....	81,109	41,765	75,831
Inventories.....	21,565	24,442	30,224
Accounts receivable - State of São Paulo Government.....	76,709	17,273	17,273
Deferred income and social contribution taxes.....	1,494	4,838	4,838
Recoverable taxes.....	3,310	10,778	12,813
Other.....	8,637	6,891	10,564
	<u>192,824</u>	<u>105,987</u>	<u>151,543</u>
	<u>463,589</u>	<u>266,634</u>	<u>403,219</u>
LONG-TERM ASSETS			
Accounts receivable			
Accounts receivable - State of São Paulo Government.....	75,591	80,609	80,609
Advances - Law No. 4819/58 - State of São Paulo.....	42,890	42,890	42,890
Sale of rights and assets.....	78,882	8,386	10,008
Allowance of doubtful accounts.....	(78,882)	(8,386)	(8,386)
Deferred income and social contribution taxes.....	54,099	2,851	42,727
Escrow and judicial deposits.....	20,069	11,781	11,911
Other.....	2,905	731	1,650
	<u>195,554</u>	<u>138,862</u>	<u>181,409</u>
PERMANENT ASSETS			
Investments			
Investments in subsidiaries.....	-	169,419	-
Other.....	14,194	9,949	14,194
	<u>14,194</u>	<u>179,368</u>	<u>14,194</u>
Property, plant and equipment			
In operation.....	5,106,033	2,491,198	5,086,073
Accumulated depreciation.....	(1,966,644)	(1,158,278)	(1,807,854)
	<u>3,139,389</u>	<u>1,332,920</u>	<u>3,278,219</u>
In progress.....	313,071	52,627	191,474
	<u>3,452,460</u>	<u>1,385,547</u>	<u>3,469,693</u>
Deferred assets, net.....	-	-	118,468
	<u>3,466,654</u>	<u>1,564,915</u>	<u>3,602,355</u>
TOTAL ASSETS.....	<u><u>4,125,797</u></u>	<u><u>1,970,411</u></u>	<u><u>4,186,983</u></u>

The accompanying notes are an integral part of the financial statements.



(Convenience Translation into English from the Original Previously Issued in Portuguese)

BALANCE SHEETS AS OF DECEMBER 31, 2001 AND 2000
(In thousands of Brazilian reais - R\$)

	2001	2000	Consolidated 2000
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable.....	17,941	6,028	9,394
Taxes.....	15,984	2,922	17,399
Loans, financing and interest.....	28,753	8,304	16,578
Regulatory charges.....	3,193	1,657	2,261
Salaries and payroll contributions.....	7,726	7,705	8,864
Provision for employees' opportunity program.....	4,321	14,526	21,225
Accrued liabilities.....	35,596	16,346	25,682
Contingencies - taxes and contributions.....	17,558	21,278	21,278
Fundação CESP and other.....	20,643	4,935	22,085
Eletrobrás - debt renegotiation.....	-	-	25,234
Interest on own capital/dividends.....	43,789	24,200	26,217
Other.....	5,913	838	7,453
	<u>201,417</u>	<u>108,739</u>	<u>203,670</u>
LONG-TERM LIABILITIES			
Long-term debt.....	81,890	31,601	71,032
Fundação CESP and other.....	177,839	109,163	229,952
Deferred income tax.....	16,374	-	21,619
Provision for contingencies.....	107,774	20,799	74,258
	<u>383,877</u>	<u>161,563</u>	<u>396,861</u>
Special liabilities.....	27,765	4,205	24,053
	<u>411,642</u>	<u>165,768</u>	<u>420,914</u>
NEGATIVE GOODWILL ON INVESTMENT ACQUISITION.....	<u>185,421</u>	<u>-</u>	<u>227,584</u>
MINORITY INTEREST	<u>-</u>	<u>-</u>	<u>1,638,911</u>
STOCKHOLDERS' EQUITY			
Capital stock.....	462,000	242,001	242,001
Capital reserves.....	2,592,369	1,189,106	1,189,106
Income reserves.....	200,028	191,645	191,645
Retained earnings.....	72,254	72,486	72,486
	<u>3,326,651</u>	<u>1,695,238</u>	<u>1,695,238</u>
Credits for capital increase.....	666	666	666
	<u>3,327,317</u>	<u>1,695,904</u>	<u>1,695,904</u>
TOTAL LIABILITIES.....	<u>4,125,797</u>	<u>1,970,411</u>	<u>4,186,983</u>

The accompanying notes are an integral part of the financial statements.



(Convenience Translation into English from the Original Previously Issued in Portuguese)

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000
(In thousands of Brazilian reais - R\$, except for net income per share)

	<u>2001</u>	<u>2000</u>	<u>Consolidated 2000</u>
GROSS REVENUE			
Revenue from use of transmission network.....	437,977	353,016	641,204
Other revenues.....	10,926	8,693	8,944
	<u>448,903</u>	<u>361,709</u>	<u>650,148</u>
DEDUCTIONS			
Global reserve from reversion quota (RGR quota).....	(11,086)	(8,991)	(16,236)
COFINS tax.....	(13,467)	(10,852)	(19,509)
PIS/Pasep tax.....	(2,918)	(2,351)	(4,227)
ISS tax.....	(34)	(22)	(26)
	<u>(27,505)</u>	<u>(22,216)</u>	<u>(39,998)</u>
NET REVENUE.....	<u>421,398</u>	<u>339,493</u>	<u>610,150</u>
OPERATING EXPENSES			
Personnel.....	(186,484)	(170,925)	(273,919)
Provision for employees' opportunity program.....	(6,767)	(22,563)	(37,298)
Material.....	(13,182)	(12,444)	(15,385)
Outsourced services.....	(47,192)	(34,288)	(50,886)
Depreciation.....	(91,235)	(78,028)	(161,553)
Provision for contingencies.....	(30,826)	(14,229)	(26,224)
Other expenses.....	(3,143)	7,713	(2,497)
	<u>(378,829)</u>	<u>(324,764)</u>	<u>(567,762)</u>
INCOME FROM PUBLIC ELECTRIC UTILITY SERVICES.....	<u>42,569</u>	<u>14,729</u>	<u>42,388</u>
EQUITY IN SUBSIDIARY.....	<u>24,822</u>	<u>21,195</u>	<u>19,176</u>
INTEREST INCOME (EXPENSES)			
Interest income.....	41,768	24,914	37,954
Interest expenses.....	(15,950)	(9,335)	(21,699)
Net monetary variations.....	(2,583)	(3,815)	(5,606)
Interest on own capital.....	(32,157)	(19,632)	(21,632)
	<u>(8,922)</u>	<u>(7,868)</u>	<u>(10,983)</u>
OPERATING INCOME.....	<u>58,469</u>	<u>28,056</u>	<u>50,581</u>
Non-operating income.....	2,510	1,170	71,667
Non-operating expenses.....	(5,230)	(11,980)	(88,661)
NON-OPERATING EXPENSES, NET.....	<u>(2,720)</u>	<u>(10,810)</u>	<u>(16,994)</u>
INCOME BEFORE TAXES, MINORITY INTEREST AND REVERSAL OF			
INTEREST ON OWN CAPITAL.....	<u>55,749</u>	<u>17,246</u>	<u>33,587</u>
Social contribution.....	(5,025)	(2,626)	(6,867)
Income tax.....	(11,922)	(200)	(5,967)
INCOME BEFORE MINORITY INTEREST AND REVERSAL OF			
INTEREST ON OWN CAPITAL.....	<u>38,802</u>	<u>14,420</u>	<u>20,753</u>
Minority interest.....	-	-	(8,333)
INCOME BEFORE REVERSAL OF INTEREST			
ON OWN CAPITAL.....	<u>38,802</u>	<u>14,420</u>	<u>12,420</u>
Reversal of interest on own capital.....	32,157	19,632	21,632
NET INCOME FOR THE YEAR.....	<u>70,959</u>	<u>34,052</u>	<u>34,052</u>
Net income per thousand shares - R\$.....	<u>0.48</u>	<u>0.36</u>	<u>0.36</u>

The accompanying notes are an integral part of the financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**
(In thousands of Brazilian reais - R\$)

DESCRIPTION	Capital stock	Reserves		Retained earnings	Subtotal	Credit for capital increase	Total
		Capital	Income				
Balances at December 31, 1999	242,001	1,188,881	201,244	54,821	1,686,947	666	1,687,613
Realization of unrealized income reserve - Supplementary monetary adjustment - Law No. 8200/91.....	-	-	(11,168)	11,168	-	-	-
Adjustment - statutory reserves.....	-	-	(134)	134	-	-	-
Tax incentives - FINAM.....	-	225	-	-	225	-	225
Net income for the year.....	-	-	-	34,052	34,052	-	34,052
Income allocation proposed to AGM:							
Legal reserve.....	-	-	1,703	(1,703)	-	-	-
Proposed dividends.....	-	-	-	(5,986)	(5,986)	-	(5,986)
Interest on own capital.....	-	-	-	(20,000)	(20,000)	-	(20,000)
Balances at December 31, 2000	242,001	1,189,106	191,645	72,486	1,695,238	666	1,695,904
Realization of unrealized income reserve.....	-	-	(4,511)	4,511	-	-	-
Tax incentives - FINAM.....	-	634	-	-	634	-	634
Merged net assets.....	572,424	1,429,866	2,295	(57,599)	1,946,986	-	1,946,986
Write-off of investments in subsidiary.....	(352,425)	(27,237)	-	-	(379,662)	-	(379,662)
Adjustment - CVM Resolution No. 371/00.....	-	-	-	57,367	57,367	-	57,367
Net income for the year.....	-	-	-	70,959	70,959	-	70,959
Income allocation approved at the EGM of 10/31/01 - Interest on own capital.....	-	-	-	(20,000)	(20,000)	-	(20,000)
Income allocation proposed to AGM:							
Legal reserve.....	-	-	3,548	(3,548)	-	-	-
Statutory reserves.....	-	-	7,051	(7,051)	-	-	-
Proposed dividends.....	-	-	-	(32,714)	(32,714)	-	(32,714)
Interest on own capital.....	-	-	-	(12,157)	(12,157)	-	(12,157)
Balances at December 31, 2001	462,000	2,592,369	200,028	72,254	3,326,651	666	3,327,317

The accompanying notes are an integral part of the financial statements.



(Convenience Translation into English from the Original Previously Issued in Portuguese)

**STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000
(In thousands of Brazilian reais - R\$)**

	<u>2001</u>	<u>2000</u>	<u>Consolidated 2000</u>
SOURCE OF FUNDS			
From operations:			
Net income for the year.....	70,959	34,052	34,052
Expenses (revenues) not affecting working capital			
Depreciation.....	91,235	78,028	161,553
Amortization.....	-	-	6,172
Monetary and exchange rate variation - long-term	(9,209)	641	7,707
Write-off of permanent assets.....	3,635	22,048	27,071
Equity in subsidiary.....	(24,822)	(21,195)	(19,176)
Minority interest.....	-	-	8,333
Deferred income and social contribution taxes.....	(8,971)	(2,851)	(9,326)
Provision for contingencies.....	26,454	-	11,995
	<u>149,281</u>	<u>110,723</u>	<u>228,381</u>
From third parties			
Loans and financing.....	2,801	926	30,252
Increase in long-term liabilities.....	-	1,709	12,057
Adjustment - CVM Resolution No. 371/00.....	7,939	-	-
Transfer from long-term to current assets.....	14,751	10,908	10,908
Merger account.....	77,561	-	-
	<u>103,052</u>	<u>13,543</u>	<u>53,217</u>
TOTAL	<u>252,333</u>	<u>124,266</u>	<u>281,598</u>
APPLICATION OF FUNDS			
Long-term assets.....	9,713	10,213	14,794
Property, plant and equipment.....	52,017	30,312	84,801
Deferred assets.....	-	-	15,072
Interest on own capital/proposed dividends.....	64,871	25,986	25,986
Minority interest.....	-	-	2,259
Transfer from long-term to current liabilities.....	21,455	6,652	47,800
TOTAL	<u>148,056</u>	<u>73,163</u>	<u>190,712</u>
INCREASE IN WORKING CAPITAL.....	<u>104,277</u>	<u>51,103</u>	<u>90,886</u>
REPRESENTED BY:			
Current assets:			
At beginning of year.....	266,634	165,417	256,254
At end of year.....	463,589	266,634	403,219
Increase in current assets.....	<u>196,955</u>	<u>101,217</u>	<u>146,965</u>
Current liabilities			
At beginning of year.....	108,739	58,625	147,591
At end of year.....	201,417	108,739	203,670
Increase in current liabilities.....	<u>92,678</u>	<u>50,114</u>	<u>56,079</u>
INCREASE IN WORKING CAPITAL.....	<u>104,277</u>	<u>51,103</u>	<u>90,886</u>

The accompanying notes are an integral part of the financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000
(In thousands of Brazilian reais - R\$)**

1. COMPANY'S OPERATIONS

Companhia de Transmissão de Energia Elétrica Paulista ("CTEEP" or the "Company") received authorization to operate as a concessionaire of the electric power public utilities, primarily in electric power transmission lines and substations, within the State of São Paulo. The Company was incorporated on February 4, 1999, and its activities are governed and inspected by the National Agency of Electric Power (ANEEL). At the Extraordinary General Meeting held on March 30, 1999, CTEEP's stockholders approved the incorporation of a portion of net assets of Companhia Energética de São Paulo (CESP), as a result of CESP's split-off process.

The Company commenced operations on April 1, 1999, and its stated corporate purposes are to design, construct and operate electric power transmission systems, as well as conduct research and development projects on power transmission and other activities related to the technology available, either directly or in cooperation with state-owned or private entities.

At the Extraordinary General Meeting held on October 31, 2001, Empresa Paulista de Transmissão de Energia Elétrica S.A. - EPTE's and CTEEP's stockholders approved the merger of EPTE by the CTEEP, made effective on November 10, 2001.

The Company is controlled by the State of São Paulo Government.

2. PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with accounting principles established by Brazilian Corporate Law, supplementary provisions issued by the Brazilian Securities and Exchange Commission (CVM) and rules established by the concession authority National Agency of Electric Power (ANEEL).

The Company also presents the consolidated financial statements for year 2000, including in the balance sheet the balances of its former subsidiary EPTE - Empresa Paulista de Transmissão de Energia Elétrica S.A., in which it had an interest of 19.5% of total capital (49.0% of voting capital).

All asset and liability balances as well as all revenues and expenses generated from transactions between the Company and EPTE were eliminated for consolidation purposes.

Certain reclassifications have been made to the 2000 financial statement accounts to conform with the 2001 presentation, for comparison purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Specific accounting policies

a) Interest and other charges

In accordance with the provisions set forth in General Instructions Nos. 35 and 36 of the Chart of Accounts for electric power utilities, interest and other charges, including the effects of monetary and exchange rate variations, related to third-party loans and financing applied to construction in progress, are recorded under this subgroup of accounts as cost.

b) Indirect costs of construction in progress

A portion of Central Management's expenses is allocated to construction in progress on a monthly basis. This allocation is limited to a maximum of 10% of direct personnel and outsourced labor costs, allocated to projects in progress.

3.2. General accounting policies

a) Short-term investments

Short-term investments are stated at cost, plus interest accrued through the balance sheet date.

b) Accounts receivable

Accounts receivable includes the amounts billed for the use of the electric power transmission systems (basic network and connections) by the electric power concessionaires.

c) Inventories

Inventories are stated at average acquisition cost, which does not exceed market value. Materials intended to be used in construction projects are classified as construction in progress.

d) Investments

Investment in subsidiary is accounted for under the equity method. Other investments are recorded at cost less allowance for losses, if applicable. The negative goodwill on investment acquisition is amortized over the subsidiary's concession term.

e) Property, plant and equipment, net

These assets are stated at acquisition and/or construction cost, monetarily adjusted through December 31, 1995, plus supplementary monetary adjustment in accordance with Law No. 8200, of June 28, 1991, interest on own capital through December 31, 1998, interest and monetary and exchange rate variations on loans and financing used in construction in progress, less accumulated depreciation and amortization. Depreciation is calculated under the straight-line method at the following annual rates: transmission system - 2% to 8.3%; furniture and fixtures - 10%; and vehicles - 20%, in accordance with ANEEL Resolution No. 002, of December 24, 1997, and Resolution No. 44, of March 17, 1999.

f) Assets and liabilities subject to monetary/exchange variation

Assets and liabilities are being monetarily adjusted at the indices stipulated by law or contracts through the balance sheet date.

g) Provision for social contribution and income tax

Social contribution and income taxes are calculated in accordance with the tax legislation, based on the net income adjusted by nondeductible expenses, nontaxable income and/or temporary differences.

h) Interest on own capital

Interest on own capital is charged to income, directly in stockholders' equity and, for tax purposes, it is treated as interest expense, reducing the tax bases of income tax and social contribution on profit for the period.

i) Net income per share

Net income per share is calculated based on the number of shares outstanding at the balance sheet date.

4. SHORT-TERM INVESTMENTS

Short-term investments are substantially represented by bank deposit certificates (CDBs).

<u>Financial institution</u>	<u>Type</u>	<u>Company</u>		<u>Consolidated</u>
		<u>2001</u>	<u>2000</u>	<u>2000</u>
Banco Nossa Caixa S.A.	RDB/CDB Floating CDI	216,822	114,106	205,082
Banco Nossa Caixa S.A.	CDB/Fixed term	48,740	42,456	42,456
Banco Nossa Caixa S.A.	Other	2,364	1,798	1,798
		<u>267,926</u>	<u>158,360</u>	<u>249,336</u>

5. ACCOUNTS RECEIVABLE

Concessionaires/Licensees

	<u>2001</u>			<u>2000</u>	<u>Consolidated</u>
	<u>Overdue</u>	<u>To be due</u>	<u>Total</u>	<u>Total</u>	<u>2000</u>
					<u>Total</u>
Basic network	-	53,401	53,401	30,080	49,734
Connections	<u>71</u>	<u>27,637</u>	<u>27,708</u>	<u>11,685</u>	<u>26,097</u>
	<u>71</u>	<u>81,038</u>	<u>81,109</u>	<u>41,765</u>	<u>75,831</u>

6. ACCOUNTS RECEIVABLE - STATE OF SÃO PAULO GOVERNMENT

	<u>2001</u>			<u>2000</u>	<u>Consolidated</u>
	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>	<u>Total</u>	<u>2000</u>
					<u>Total</u>
Benefits - Law No. 481/58	20,209	75,591	95,800	97,882	97,882
Agreement for Assignment of Credit Rights	<u>56,500</u>	<u>-</u>	<u>56,600</u>	<u>-</u>	<u>-</u>
	<u>76,709</u>	<u>75,591</u>	<u>152,300</u>	<u>97,882</u>	<u>97,882</u>

6.1. Benefits - Law No. 4819/58

These amounts relate to advances made by CESP from November 1981 to May 1983 in order to pay benefits to employees participating in the Pension and Retirement Plan of the State of São Paulo, in accordance with State Law No. 4819/58.

As a result of CESP's split-off, this account receivable was transferred to the Company, and on August 6, 1999 a contract was signed with the State Finance Secretary, to receive the amount in 84 monthly installments, monetarily adjusted by the General Market Price Index (IGP-M) variation, plus interest of 6% per year, from September 1999 through August 2006, estimated final maturity.

6.2. Contract for assignment of credit rights

On December 27, 2001, CTEEP and CESP executed a contract for assignment of credit rights, having the State Finance Secretary as consenting intervenor, whereby CESP assigns to CTEEP the right to receive a portion of the credits set forth under the instruments for acknowledgement and consolidation of debts entered into by and between CESP and the State Finance Secretary, on November 17 and December 1, 2000, which, in its turn, accepts and assigns to CESP the amount of R\$ 56,500 in a lump-sum payment, on the contract execution date.

The contract value will be monetarily adjusted monthly at the Interbank Deposit Certificate (CDI) rate, plus interest of 8% per year, to be received by CTEEP in 11 successive installments, beginning February 1 through December 2, 2002.

Once the final installment is received, a financial settlement will be agreed by the parties concerned to ensure remuneration of the funds disbursed by CTEEP, at the agreed contractual rate, since the installments disbursed by the State Finance Secretary are adjusted monthly by the IGP-M variation, plus interest of 6% per year.

6.3. Advances - Law No. 4819/58

In addition, CESP paid in advance monthly expenses of the supplementary pension and retirement plan and family allowance benefits, in accordance with State Law No. 4819/58. Upon CESP's split-off, this account receivable, totaling R\$ 42,890, has also been transferred to the Company and is recorded as long-term assets. The Company is negotiating the recovery of this amount with the State Finance Secretary.

7. DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES

7.1. Current assets

	2001			2000	Consolidated
	Income tax	Social contribution	Total	Total	2000 Total
Provision for contingencies - Social security	<u>1,093</u>	<u>401</u>	<u>1,494</u>	<u>4,838</u>	<u>4,838</u>

7.2. Long-term assets

	2001			2000	Consolidated
	Income tax	Social Contribution	Total	Total	2000 Total
Allowance for doubtful accounts	18,470	6,002	24,472	2,851	24,473
Provision for contingencies	16,886	6,098	22,984	-	18,254
Provision for labor contingencies	<u>4,885</u>	<u>1,758</u>	<u>6,643</u>	-	-
	<u>40,241</u>	<u>13,858</u>	<u>54,099</u>	<u>2,851</u>	<u>42,727</u>

Refer to tax credits that can be offset against future taxable income, calculated on temporarily nondeductible provisions as per part "B" of the Taxable Income Computation Book (LALUR).

8. SALE OF RIGHTS AND ASSETS

8.1 Assis - Taquaruçu - Transmission Lines

As a result of the invitation to bid on Taquaruçu - Assis - Sumaré transmission lines carried out by ANEEL, it was decided that CTEEP would be paid R\$ 3,240 as compensation for providing studies and related construction projects. This amount was received in August 2000.

Considering that the carrying value of such investment was R\$ 11,626, CTEEP is pleading from the concession authority an additional indemnity in the amount of R\$ 8,386, to protect the Company's economic and financial balance.

8.2 Centro Técnico de Manutenção de Equipamentos - Cetemeq

On April 13, 1998, a Private Instrument for Assignment and Transfer of Rights and Obligations was executed by and between EPTE, merged into the Company on November 9, 2001, and ELETROPAULO METROPOLITANA Eletricidade de São Paulo S.A. (ELETROPAULO METROPOLITANA), relating to the real property located at Rua Lavapés, 463, Cambuci, São Paulo, in the amount of R\$ 70,496, at market price, already including interest of 1% per month payable in 21 equal successive monthly installments, with maturity on the first business day of each month, beginning May 1998. In view of the contestation of ELETROPAULO METROPOLITANA, that it could not recognize the operation at the above-mentioned amount, and the fact that the installments had not been received, EPTE instituted collection proceedings on February 11, 1999 and October 18, 2000, in the 1st and 36th Civil District Court of the Central Jurisdiction of São Paulo, respectively.

In December 2000, net book value of such assets, in the amount of R\$ 4,904, was written off property, plant and equipment, and related sale, taxes on the gain, allowance for doubtful accounts and respective tax credits were recorded.

9. INVESTMENTS

	<u>Company</u>		<u>Consolidated</u>
	<u>2001</u>	<u>2000</u>	<u>2000</u>
Permanent investments			
Investments in subsidiary	-	397,003	-
Unamortized discount (negative goodwill)	-	(227,584)	-
	-	169,419	-
Other	<u>14,194</u>	<u>9,949</u>	<u>14,194</u>
	<u>14,194</u>	<u>179,368</u>	<u>14,194</u>

Investment in subsidiary relates to the interest held in former subsidiary Empresa Paulista de Transmissão de Energia Elétrica S.A. (EPTE), which was merged into CTEEP on November 9, 2001. The economic substance for the unamortized discount (negative goodwill) was provided by the economic valuation and future profitability study carried out upon such acquisition.

For consolidation purposes, the balance of unamortized discount (negative goodwill) account was classified in liabilities, under the caption Deferred income.

9.1. Subsidiary's data

	<u>12/31/2000</u>
Number of shares (thousands) :	
Common	14,705,370
Preferred	22,241,713
Capital stock	572,424
Stockholders' equity	2,035,914
Net income	10,352

9.2. Parent Company's investment

	<u>12/31/2000</u>
Number of common shares (thousands)	7,205,631
Percentage of interest (%)	
Voting capital	49,0
Total capital	19,5

9.3. Investment in subsidiary

	<u>12/31/2000</u>
Acquisition based on the equity accounting method	395,403
Equity in subsidiary	2,097
Dividends	(129)
Interest on own capital	<u>(368)</u>
	<u>397,003</u>
Negative goodwill on acquisition	(246,682)
Amortization of negative goodwill	<u>19,098</u>
	<u>(227,584)</u>
	<u>169,419</u>

9.4 Equity in subsidiary

	<u>12/31/01</u>	<u>12/31/00</u>
Investment in subsidiary	6,704	2,097
Amortization of negative goodwill	<u>18,118</u>	<u>19,098</u>
	<u>24,822</u>	<u>21,195</u>

Negative goodwill is being amortized over the subsidiary's concession term, expiring in December 2012, in 164 monthly installments, of which 33 have already been amortized.

9.5 Merger

At the Extraordinary General Meeting held on October 31, 2001, Empresa Paulista de Transmissão de Energia Elétrica S.A. - EPTE's and CTEEP's stockholders approved the merger of EPTE by the CTEEP, made effective on November 10, 2001.

Merged net assets is comprised as follows:

Current assets	162,295
Long-term assets	44,583
Permanent assets	2,113,597
Current liabilities	(84,734)
Long-term liabilities	<u>(288,755)</u>
Merged net assets	<u>1,946,986</u>

10. PROPERTY, PLANT AND EQUIPMENT

	2001			2000	Consolidated
	Monetarily adjusted cost	Accumulated depreciation	Net book value	Net book value	2000 Net book value
In operation					
Intangibles	56,596	-	56,596	49,819	56,571
Land	81,554	-	81,554	43,539	87,009
Buildings, construction and improvements	555,705	(242,990)	312,715	186,075	331,813
Machinery and equipment	4,360,743	(1,691,877)	2,668,866	1,034,975	2,780,818
Vehicles	34,093	(23,668)	10,425	11,897	13,172
Furniture and fixtures	<u>17,342</u>	<u>(8,109)</u>	<u>9,233</u>	<u>6,615</u>	<u>8,836</u>
	5,106,033	(1,966,644)	3,139,389	1,332,920	3,278,219
In progress	<u>313,071</u>	<u>-</u>	<u>313,071</u>	<u>52,627</u>	<u>191,474</u>
	<u>5,419,104</u>	<u>(1,966,644)</u>	<u>3,452,460</u>	<u>1,385,547</u>	<u>3,469,693</u>

As set forth in General Instruction No. 36 of the Chart of Accounts for electric power utilities, interest and other charges, including the effects of monetary and exchange rate variations, related to financing obtained from Banco Société Générale, applied to construction in progress, are recorded under this subgroup of accounts in the amounts of R\$ 8,166 (2001) and R\$ 5,665 (2000).

In accordance with articles 63 and 64 of Decree No. 41019, dated February 26, 1957, assets and installations used in electric power transmission, including sales are linked to such services and cannot be retired, disposed of, assigned or pledged as collateral without prior and express consent of the regulatory entity, ANEEL Resolution No. 20/99 sets forth provisions for the separation of assets from electric power concessions, granting a prior authorization for the separation of assets that are no longer used to perform the services under concession, where such assets are intended to be sold, and establishes that the disposal proceeds shall be deposited in a restricted bank account and applied to the concession operation.

Botucatu - Chavantes transmission line

With the enactment of Law No. 9074, of July 7, 1995, which sets forth rules for granting and extending public utility service concessions and licenses and other matters, notably for electric power services (generation, transmission and distribution), it was established that such services will be the subject of concessions through bidding processes, also in the form of auctions.

Within this context, the Company won the auction to build and operate the Botucatu - Chavantes transmission line, held by ANEEL on September 28, 2001 at the Rio de Janeiro Stock Exchange.

At the auctions, ANEEL stipulates the maximum price for the business project, and the interested party who makes the lowest bid in relation to the stipulated price is the winner.

In this specific case, the Company won the auction with a bid equal to the price stipulated by ANEEL.

Increase in the Company's revenues will be R\$ 6,910 per year.

The 230kV transmission line will be 137 km in extent, linking Botucatu Substation to Chavantes Power Plant Substation, both owned by the Company.

The Company's own funds, in the amount of R\$ 31,901, will be used in the construction project, scheduled to be completed by July 2003 and carried out to allow greater power flow between the South and Southeast Regions, as well as new imports of electricity from Argentina.

The transmission line concession contract is effective for 30 years.

11. TAXES

	<u>2001</u>	<u>2000</u>	<u>Consolidated</u> <u>2000</u>
Social contribution on capital gain	5,247	-	5,247
Real estate tax (IPTU)	4,636	-	4,632
Income tax (IRPJ)	2,107	-	-
Social security funding (COFINS)	1,246	653	1,439
Withholding income tax (IRRF) on interest on own capital	1,177	1,786	2,028
Public service employees savings program (PIS/PASEP)	448	228	398
Social Security (INSS)	284	101	2,176
Inspection fee – ANEEL	272	133	247
Income tax on inflationary profit – 6%	-	-	1,049
Other	<u>567</u>	<u>21</u>	<u>183</u>
	<u>15,984</u>	<u>2,922</u>	<u>17,399</u>

12. LOANS, FINANCING AND INTEREST - SHORT AND LONG-TERM

	2001				2000	Consolidated
	Interest	Principal		Total	Total	Total
		Short-term	Long-term			
Foreign currency						
Financial institution	<u>375</u>	<u>15,179</u>	<u>53,125</u>	<u>68,679</u>	-	<u>39,775</u>
Local currency						
Fundação CESP	-	13,134	27,914	41,048	39,905	46,819
ELETOBRÁS - PRONI	31	34	851	916	-	933
Other	-	-	-	-	-	83
	<u>31</u>	<u>13,168</u>	<u>28,765</u>	<u>41,964</u>	<u>39,905</u>	<u>47,835</u>
	<u>406</u>	<u>28,347</u>	<u>81,890</u>	<u>110,643</u>	<u>39,905</u>	<u>87,610</u>

12.1. Fundação CESP

Refers to two agreements for Acknowledgment of Debt and Other Covenants, executed in September and November 1997, having the Supplementary Pension Secretariat (SPC) as consenting intervenor, and effective through September 2002 and November 2005, respectively.

Interest and other charges are calculated based on the employee retirement and pension plan actuarial cost variation (IGP-DI plus interest of 6% per year) or the Interest Reference index (TR) plus interest of 8% per year, whichever is greater, and are added to the principal amount on a monthly basis. This year, balances were adjusted based on the actuarial cost variation by 17.70%.

12.2. Financial institutions

Refers to a loan agreement entered into as of April 14, 1998 with Banco Société Générale amounting to FRF 269,528 thousand (US\$ 41,500 thousand) and guaranteed by Banco Real S.A. This debt, which contributes to the investments in Transmission Plant - Ett Miguel Reale, under EPTE's responsibility, is subject to interest of 6.38% per year payable semiannually and a commitment fee of 0.5% per year on the funds to be released. Amortization will be calculated in 10 equal consecutive semiannual installments beginning November 2001. Release of funds by the bank is scheduled for May 2001, in accordance with the investment project. Through December 31, 2000, the Company had already received FRF 140,015 thousand. As a guarantee for such operation, the following commitments were assumed before Banco Real S.A.: a) a pre-shipment commission fee of 1% will be paid in advance on a semiannual basis, calculated on the amount to be released; and b) a post-shipment fee of 2.25% will be paid in advance on a semiannual basis, calculated on the funds actually released.

In connection with such loan agreement with Banco Société Générale, a letter of credit was obtained from Banco Real S.A. in the amount of FRF 40,008 thousand, corresponding to US\$ 6,160 thousand. This letter of credit is subject to a semiannual interest rate of 1.5% per year above Eurolibor, with a lump-sum payment in September 2000, and a 2.25% fee, which has been paid in advance on a semiannual basis.

12.3. Long-term amortization program

Maturity	Foreign currency	Local currency
2003	15,179	9,622
2004	15,179	9,622
2005	15,179	8,823
2006	7,588	51
2006	-	51
Thereafter	-	596
	<u>53,125</u>	<u>28,765</u>

Financial Instruction	Execution	Expiration	Number of installments/ amortization	Interest rates	2001 Principal
Société Générale	2001	2006	10, semiannually	Eurolibor	68,304
Fundação Cesp	1997	2005	96, monthly	IGP-DI	37,484
Fundação Cesp	1997	2002	60, monthly	IGP-DI	3,564
Eletrobrás - Proni	1994	2021	80, quarterly	Ufir	885
					<u>110,237</u>

13. ACCRUED LIABILITIES

	2001	2000	Consolidated 2000
Vacation pay and bonus	19,479	11,882	18,697
Payroll taxes on vacation pay and bonus	8,845	4,464	6,985
Other	<u>7,272</u>	-	-
	<u>35,596</u>	<u>16,346</u>	<u>25,682</u>

14. CONTINGENCIES - TAXES AND CONTRIBUTIONS

	<u>2001</u>	<u>2000</u>	<u>Consolidated</u> <u>2000</u>
INSS	4,372	14,229	14,229
COFINS	<u>13,186</u>	<u>7,049</u>	<u>7,049</u>
	<u>17,558</u>	<u>21,278</u>	<u>21,278</u>

14.1. Cofins

The Company is challenging in court the constitutionality of the changes introduced by Law No. 9718/99 that increased the COFINS rate from 2% to 3% and included interest income and nonoperating income in the COFINS basis.

While awaiting a final decision on this matter, the Company is recording an accrual and depositing in court the amounts under discussion.

14.2. INSS tax

a) Amounts recorded in 2001

On August 10, 2001, CTEEP received from the National Institute of Social Security (INSS) a tax assessment notice for nonpayment of social security on compensation paid to its employees by way of meal tickets, breakfast and food basket during the period from April 1999 through July 2001.

Considering that the likelihood of a successful outcome in this legal dispute is remote, the Company decided to record an accrual in the amount of R\$ 4,372.

b) Amounts recorded in 2000

On April 7, 1999, CESP received from the National Social Security Institute (INSS) a tax assessment notice for nonpayment of social security on indemnities paid to its employees during the period from October 1992 to December 1997, based on labor union bargaining agreements in past Federal Government economic plans. Considering that CESP has negotiated this debt under the Tax Recovery Program (Refis), and that the Company is also jointly liable for the debt, as established in the CESP split-off explanatory record, the amount accrued was paid in advance in May 2001, which entitled the Company to a reduction of R\$ 3,053.

15. OTHER LIABILITIES

	2001			2000	
	<u>Short-term</u>	<u>Long-term</u>	<u>Total</u>	<u>Total</u>	<u>Consolidated</u>
Fundação Cesp	11,757	174,168	185,925	114,098	234,019
Emae	<u>8,886</u>	<u>3,671</u>	<u>12,557</u>	-	<u>18,018</u>
	<u>20,643</u>	<u>177,839</u>	<u>198,482</u>	<u>114,098</u>	<u>252,037</u>

15.1. Fundação Cesp

Refers to amounts payable in monthly installments under the agreement for acknowledgement of debt and actuarial deficit financing with Fundação Cesp, relating to the Supplementary Benefit Plan (BSPS), with final maturity scheduled for 2017. The balance of this contract is monetarily adjusted by the actuarial cost variation (General Price Index - Internal Availability (IGP-DI), plus interest of 6% per year), which for this year, corresponded to 17.70%.

15.2. EMAE

Refers to amounts payable to Transmission Plant - ETT - Piratininga under the agreement signed on December 23, 1998 with EMAE - Empresa Metropolitana de Águas e Energia S.A. The principal balance is subject to interest of 0.75% per month, monetarily adjusted by the IGP-M variation, with grace period through June 2000 and amortization in 36 successive monthly installments.

16. PROVISIONS FOR CONTINGENCIES

	2001	2000	<u>Consolidated</u> 2000
	IPTU - Tax	63,015	-
Labor	44,007	20,799	22,422
Civil	<u>752</u>	-	<u>752</u>
	<u>107,774</u>	<u>20,799</u>	<u>74,258</u>

16.1. IPTU tax

Provision recorded to cover amounts due to the municipalities of São Paulo, São José dos Campos and Pindamonhangaba.

16.2. Labor

In accordance with the provisions of the Split-off Explanatory Record, the Company and its subsidiary assumed certain liabilities for administrative processes and procedures before different courts, arising from CESP's split-off, and from the normal course of business of the former company, ELETROPAULO - Eletricidade de São Paulo S.A., respectively.

In 2001, individual labor claims have been reviewed, which resulted in the provision recorded.

17. STOCKHOLDERS' EQUITY

17.1. Capital stock

Paid-in-capital is R\$ 462,000, (R\$ 242,001, in 2000) represented by 149,285,035 thousand shares (93,698,262 thousand shares, in 2000) - 62,558,663 thousand common shares (48,541,652 thousand, in 2000) and 86,726,372 thousand preferred shares (45,156,610 thousand, in 2000).

The Company's authorized capital is R\$ 1,469,090 representing R\$ 615,696 in common shares and R\$ 853,394 in preferred shares, all of which are book registered shares with no par value.

Preferred shares do not grant voting rights; however, their holders have priority in capital reimbursement and are entitled to receive noncumulative dividends of 10% per year calculated on paid-in preferred stock.

As of December 31, 2001, the principal stockholders of the Company are as follows:

	Number of shares - in thousands					
	Common	%	Preferred	%	Total	%
State of São Paulo Government and related companies:						
State Finance Secretary	33,134,661	52,97	6,321,252	7,29	39,455,913	26,43
Nossa Caixa/Nosso Banco S.A.	5,136,117	8,21	7,686,364	8,86	12,822,481	8,59
Companhia do Metropolitano de São Paulo - METRÔ	1,979,332	3,16	-	-	1,979,332	1,33
Other	<u>130,958</u>	<u>0,21</u>	<u>15,020</u>	<u>0,02</u>	<u>145,978</u>	<u>0,09</u>
	<u>40,381,068</u>	<u>64,55</u>	<u>14,022,636</u>	<u>16,17</u>	<u>54,403,704</u>	<u>36,44</u>
Other						
Centrais Elétricas Brasileiras S.A. -ELETROBRÁS	6,160,836	9,85	46,626,882	53,76	52,787,718	35,36
União Federal	9,556,151	15,28	-	-	9,556,151	6,40
BNDSPart. S.A. BNDESPAR	-	-	3,125,369	3,60	3,125,369	2,09
Caixa de Previdência dos Funcionários do Banco do Brasil	296,439	0,47	1,348,158	1,55	1,644,597	1,10
LightPar – Light Participações S.A	-	-	979,190	1,13	979,190	0,66
Fundação Petrobrás de Seguridade Social - Petros	-	-	849,200	0,98	849,200	0,57
Cypress Corporation	691,424	1,11	6,400	0,01	697,824	0,47
Serpros Fundo Multipatrocinado	-	-	353,700	0,41	353,700	0,24
The Bank of New York - ADR Department	36,999	0,06	145,105	0,17	182,104	0,12
Other	<u>5,435,746</u>	<u>8,68</u>	<u>19,269,732</u>	<u>22,23</u>	<u>24,705,478</u>	<u>16,55</u>
	<u>22,177,595</u>	<u>35,45</u>	<u>72,703,736</u>	<u>83,83</u>	<u>94,881,331</u>	<u>63,56</u>
	<u>62,558,663</u>	<u>100,00</u>	<u>86,726,372</u>	<u>100,00</u>	<u>149,285,035</u>	<u>100,00</u>

17.2. Capital reserves

	<u>2001</u>	<u>2000</u>
CRC accounts subsidies for investments	1,802,084	870,792
Remuneration on construction in progress - Company's own capital	633,053	162,552
Donations and subsidies for investments	150,589	154,592
Tax incentives - FINAM	6,743	225
Premium on shares subscription	-	945
	<u>2,592,369</u>	<u>1,189,106</u>

Remuneration on construction in progress - Company's own capital

Refers to credits arising from capitalization of the remuneration calculated based on the Company's own funds used during the construction work in progress which may be used for capital increase purposes only. Beginning 1999, the Company discontinued this procedure, as permitted by the Chart of Accounts for electric power utilities.

17.3. Income reserves

	<u>2001</u>	<u>2000</u>
Legal reserve	26,516	20,673
Statutory reserve	31,251	24,200
Unrealized income reserve	<u>142,261</u>	<u>146,772</u>
	<u>200,028</u>	<u>191,645</u>

a) Legal reserves

Recorded in the amount equivalent to 5% of net income for the year, before any allocation, up to a limit of 20% of the capital stock.

b) Statutory reserves

Pursuant to the Company's articles of incorporation, 20% of the net income, after legal reserve deduction and dividends or interest on own capital distribution, should be allocated to a statutory reserve, up to a limit of 10% of the paid-in capital.

c) Unrealized income reserve

Unrealized income originated primarily from monetary adjustment balances credited to net income until 1995. This reserve is being realized proportionally to depreciation and amortization of property, plant and equipment. The amounts realized are credited monthly to retained earnings accounts.

17.4. Income allocation

	<u>2001</u>	<u>2000</u>
Net income	70,959	34,052
Reserves:		
Legal reserve	(3,548)	(1,703)
Statutory reserves	(7,051)	-
Reversal of reserves:		
Income reserve - Merger account	-	-
Statutory reserve	-	134
Realization of unrealized income reserve - Supplementary monetary adjustment - Law 8200/91	<u>4,511</u>	<u>11,168</u>
Adjusted net income	64,871	43,651
Mandatory minimum dividend distribution	<u>(32,157)</u>	<u>(25,986)</u>
Interest on own capital computed as dividend	32,714	17,665
Supplementary dividends	<u>32,714</u>	<u>-</u>
	<u>-----</u>	<u>17,665</u>

a. Interest on own capital

Over 2001, interest on own capital paid to the Company's stockholders amounted to R\$ 32,157, corresponding exactly to the mandatory minimum dividend distribution for such year. This interest will be imputed to the dividends, as provided for by article 32, paragraph 2 of the Company's articles of incorporation.

b. Supplementary dividends

After the mandatory minimum dividend distribution, the balance of adjusted net income (which is the basis for minimum dividend distribution) amounts to R\$ 32,714. In order to make up the mandatory minimum dividend distribution, the Board proposes the payment of supplementary dividends which, together with interest on own capital, total R\$ 64,871, equivalent to 91.4% of net income for the year.

18. INTEREST INCOME (EXPENSES)

	<u>2001</u>	<u>2000</u>	<u>Consolidated</u> <u>2000</u>
Interest income			
Financial investments	32,905	18,897	30,264
Interest - São Paulo State Government	5,579	5,713	5,713
PIS/PASEP interest (MP 1858 - 9/24/99)	3,056	-	-
Other	<u>228</u>	<u>304</u>	<u>1,977</u>
	<u>41,768</u>	<u>24,914</u>	<u>37,954</u>
Interest expenses			
Interest - Fundação CESP	(12,950)	(5,890)	(7,160)
Interest and other charges related to debts	(9)	-	(5,347)
Interest and fines on taxes and social contributions	-	-	(3,914)
Provisional contributions on financial activities (CPMF)	(2,235)	(1,958)	(3,742)
Other	<u>(756)</u>	<u>(1,487)</u>	<u>(1,536)</u>
	<u>(15,950)</u>	<u>(9,335)</u>	<u>(21,699)</u>

19. INCOME AND SOCIAL CONTRIBUTION TAXES

The Company and its subsidiary record monthly provisions for income and social contribution taxes payable, on an accrual basis, and calculate such tax amounts based on interim balance sheets.

19.1. Reconciliation of income tax and social contribution on net profit (CSLL)

In 2001, tax expenses were determined based on the effective tax rate of 34% (25% for income tax and 9% for CSLL). In 2000, the effective tax rate was 37% (25% for income tax and 12% for CSLL) in January, and 34% (25% for income tax and 9% for CSLL) in the period from February through December.

	2001		2000	
	Income tax	CSLL	Income tax	CSLL
Income before income and social contribution taxes	55,749	55,749	17,246	17,246
COFINS tax payment supported by injunction	6,096	-	4,749	-
Provision for contingency - Labor	26,809	26,809	-	-
Provision for contingency - Tax	6,917	6,917	-	-
Provision for contingency - INSS	4,372	4,372	14,229	14,229
Allowance for doubtful accounts			8,386	8,386
Equity in subsidiary	(6,704)	(6,704)	(2,097)	(2,097)
Negative goodwill on investment acquisition - Amortization	(14,169)	282	(19,098)	-
Reversal of provision for contingency	(15,056)	(15,056)	-	-
Offset of the negative calculation basis - limited to 30%	-	-	-	(7,816)
Other	<u>269</u>	<u>66</u>	<u>86</u>	<u>-</u>
Taxable income - calculation basis	<u>64,283</u>	<u>72,435</u>	<u>23,501</u>	<u>29,948</u>
Tax rate of 15%	(9,642)	-	(3,525)	-
Tax rate of 10%	(6,404)	-	(2,326)	-
Tax rate of 12%	-	-	-	(737)
Tax rate of 9%	-	(6,519)	-	(2,695)
Prior year adjustments	-	-	(2)	(1,230)
Deferred income and social contribution taxes	<u>4,124</u>	<u>1,494</u>	<u>5,653</u>	<u>2,036</u>
Provision for income and social contribution taxes	<u>(11,922)</u>	<u>(5,025)</u>	<u>(200)</u>	<u>(2,626)</u>

20. EMPLOYEE RETIREMENT AND PENSION PLANS

The Company maintains plans to supplement the retirement and pension benefits of its employees through Fundação CESP.

20.1. Plan "A" - Retirement complementation

Governed by Law No. 4819/58, applicable to employees hired up to May 13, 1974, this plan covers retirement and pension complementation, paid leave, and family allowance. The funds required to support the responsibilities assumed under this plan are provided by the appropriate state authorities as per agreement signed by and between the São Paulo State Finance Secretary and the Company as of December 10, 1999, effective through September 30, 2003.

On the occasion, a contract was signed by and between the Company and Fundação CESP, aimed at establishing the responsibilities of both in processing the supplementation payroll.

20.2. Plans “B” and “B1” - Retirement Supplementation

Plans “B” and “B1”, governed by Law No. 6435/77 and managed by Fundação CESP, are sponsored by the Company and supplement the retirement and pension benefits. The reserves of such plans are determined by the capitalization system.

Plan “B” refers to the Supplementary Benefit Plan (BSPS), calculated as of December 31, 1997 in conformity with the regulation in effect. Its actuarial economic and financial balance is equated as required on the occasion. The Company is responsible for the annual actuarial technical result (deficit or surplus) of this plan.

Effective January 1, 1998, the Company implemented Plan “B1”, which provides for equal participation and responsibilities of the Company and participants in order to maintain the plan's actuarial economic and financial balance.

This plan provides retirement and pension benefits to employees, former employees and respective beneficiaries to supplement the government social security system. Structured as a mixed benefit plan, it is comprised 70% of defined benefits and 30% of defined contribution.

Based on the actuarial analysis prepared by independent actuaries as of December 31, 2001, in conformity with the criteria established by Resolution No. 371 from the Brazilian Securities and Exchange Commission (CVM), there are no additional liabilities to be recognized as of the Company's balance sheet date other than those already recognized under the acknowledgement of debt and loan related to retention of reserves, summarized as follows:

a) Retention of reserves

See Note 12.1

b) Acknowledgement of debt

See Note 15.1

Notwithstanding the merger of EPTE by the Company, for purposes of retirement supplementation plans, they remain as sponsors of two distinct plans, preserving their original conditions and characteristics. The main economic and financial information of the Company's plans, provided by Fundação CESP, showing the position of reserves and based on the actuaries' opinion as of December 31, 2001 is as follows:

	CTEEP			EPTE		
	Plan - B	Plan - B1		Plan - B	Plan - B1	
		Defined benefit	Defined contribution		Defined benefit	Defined contribution
Vested benefits	72,264	10,132	137	99,139	13,408	581
Unvested benefits	<u>275,624</u>	<u>44,698</u>	<u>4,079</u>	<u>146,738</u>	<u>29,190</u>	<u>6,664</u>
Mathematical reserves	347,888	54,830	4,216	245,877	42,598	7,245
Technical deficit	-	<u>9,110</u>	-	-	-	-
Nets assets	<u>347,888</u>	<u>63,940</u>	<u>4,216</u>	<u>245,877</u>	<u>42,598</u>	<u>7,245</u>

The Company's contribution to Fundação CESP recorded in the statement of income for the year amounted to R\$ 7,360 (2001) and R\$ 6,377 (2000).

In addition to the plan benefits, the Company offers other benefits to its employees, such as health and dental care, which are also managed by Fundação CESP.

Major premises for determination of actuarial liabilities, as of December 31, 2001, are as follows:

	%
Discount rate	15.54
Expect return on the plan assets (investment)	15.54
Future salary increase rate	12.27
Benefit adjustment rate	9.00
Expected inflation rate	9.00

21. CONCESSIONS

By operation of Ministry of Mining and Energy (MME) Administrative Ruling No. 185, of June 6, 2001, the concession held by the Company was extended for 20 years, beginning July 8, 1995, for the power transmission utility services related to the basic network, connections and other installations (subject of ANEEL Resolution No. 166, of May 31, 2000). Also, as provided for in its article 3, this ruling revoked MME Ruling No. 173, of July 4, 2000.

On June 20, 2001, the concession contract for electric power transmission utility services was executed by and between CTEEP and the concession authority, ANEEL, for a period of 20 years, beginning the date on which Law No. 9074, of July 7, 1995, will take effect, namely, July 7, 2015.

22. FINANCIAL INSTRUMENTS

The book values of financial instrument assets and liabilities, when compared to the amounts that could be obtained in an active market trading or, in their absence, to the net present value adjusted at the actual market interest rate, approximate their market value.

ATTACHMENT I

STATEMENTS OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000
(In thousands of Brazilian reais - R\$)

	2001	2000	<u>Consolidated</u> 2000
GENERATION OF VALUE ADDED			
Revenue from use of transmission network and service.....	448,903	361,709	650,148
Nonoperating income.....	2,510	1,170	71,667
	<u>451,413</u>	<u>362,879</u>	<u>721,815</u>
MATERIAL - OUTSOURCED SERVICES			
Outsourced services.....	47,192	34,288	50,886
Material.....	13,182	12,444	15,385
Other operating costs/recoveries.....	12,106	(18,509)	(5,626)
Nonoperating costs.....	5,230	11,980	88,661
	<u>77,710</u>	<u>40,203</u>	<u>149,306</u>
GROSS VALUE ADDED.....	<u>373,703</u>	<u>322,676</u>	<u>572,509</u>
RETENTION			
Depreciation.....	91,235	78,028	161,553
GENERATED VALUE ADDED, NET.....	<u>282,468</u>	<u>244,648</u>	<u>410,956</u>
VALUE ADDED UPON TRANSFER			
Equity in subsidiary.....	24,822	21,195	19,176
Interest income.....	41,768	24,914	37,954
UNDISTRIBUTED VALUE ADDED.....	<u>349,058</u>	<u>290,757</u>	<u>468,086</u>
DISTRIBUTION OF VALUE ADDED			
Work remuneration.....	193,251	193,488	311,217
Taxes and contributions.....	47,662	31,680	58,808
Interest and monetary variation.....	18,533	13,150	27,305
Leasing and rents.....	5,513	7,796	9,197
Intrasectorial - RGR and inspection fee - ANEEL.....	13,140	10,591	19,174
Minority interest.....	-	-	8,333
Dividends.....	64,871	25,986	25,986
Retained earnings.....	6,088	8,066	8,066
	<u>349,058</u>	<u>290,757</u>	<u>468,086</u>

ATTACHMENT II

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000
(In thousands of Brazilian reais - R\$)

	2001	2000	<u>Consolidated</u> 2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year.....	70,959	34,052	34,052
Expenses (revenues) not affecting cash:			
Depreciation.....	91,235	78,028	161,553
Amortization.....	-	-	6,172
Monetary and exchange variation, net.....	(9,209)	641	7,707
Write-off of permanent assets.....	3,635	22,048	27,071
Equity in subsidiary.....	(24,822)	(21,195)	(19,176)
Minority interest.....	-	-	8,333
Deferred income and social contribution taxes.....	(5,627)	(7,689)	(17,015)
Provision for contingencies.....	26,454	-	11,995
	<u>81,666</u>	<u>71,833</u>	<u>186,640</u>
(Increase) decrease in assets			
Accounts receivable.....	(39,344)	(4,914)	(3,544)
Inventories.....	2,877	(2,944)	(4,071)
Recoverable taxes and contributions.....	7,468	(5,602)	(4,824)
Adjustment - CVM Resolution No. 371/00.....	7,939	-	-
Merger account.....	77,561	-	-
Other.....	(1,746)	2,600	4,682
Long-term assets.....	(9,713)	(10,213)	(10,321)
	<u>45,042</u>	<u>(21,073)</u>	<u>(18,078)</u>
Increase (decrease) in liabilities			
Accounts payable.....	11,913	(1,277)	207
Taxes.....	13,062	126	9,323
Regulatory charges.....	1,536	990	1,000
Salaries and payroll contributions.....	21	241	117
Provision for employees' opportunity program.....	(10,205)	14,526	21,225
Accrued liabilities.....	19,250	(3,814)	(8,271)
Contingencies - taxes and contributions.....	(3,720)	19,021	19,021
Other.....	5,057	(5,307)	(6,330)
	<u>36,914</u>	<u>24,506</u>	<u>36,292</u>
Net cash provided by operations.....	<u>234,581</u>	<u>109,318</u>	<u>238,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in property, plant and equipment.....	(52,017)	(30,312)	(84,801)
Increase in deferred assets, net.....	-	-	(15,072)
Net cash used in investing activities.....	<u>(52,017)</u>	<u>(30,312)</u>	<u>(99,873)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans and financing.....	(27,165)	4,248	(3,660)
Interest on own capital/dividends.....	(45,281)	-	-
Minority interest.....	-	-	(2,259)
Net cash provided by (used in) financing activities.....	<u>(72,446)</u>	<u>4,248</u>	<u>(5,919)</u>
Net increase in cash and cash equivalents.....	<u>110,118</u>	<u>83,254</u>	<u>133,114</u>
Cash and cash equivalents at beginning of year.....	160,647	77,393	118,562
Cash and cash equivalents at end of year.....	<u>270,765</u>	<u>160,647</u>	<u>251,676</u>
Net increase in cash and cash equivalents.....	<u>110,118</u>	<u>83,254</u>	<u>133,114</u>