

NuStar Energy L.P.
Form 10-K
February 28, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-16417

NUSTAR ENERGY L.P.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

74-2956831

(I.R.S. Employer
Identification No.)

2330 North Loop 1604 West

San Antonio, Texas

(Address of principal executive offices)

78248

(Zip Code)

Registrant's telephone number, including area code (210) 918-2000

Securities registered pursuant to Section 12(b) of the Act: Common units representing partnership interests listed on the New York Stock Exchange.

Securities registered pursuant to 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☒

Accelerated filer ☐

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Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common units held by non-affiliates was approximately \$3,517 million based on the last sales price quoted as of June 30, 2011, the last business day of the registrant's most recently completed second quarter.

The number of common units outstanding as of January 31, 2012 was 70,756,078.

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PART I

Unless otherwise indicated, the terms “NuStar Energy L.P.,” “the Partnership,” “we,” “our” and “us” are used in this report to refer to NuStar Energy L.P., to one or more of our consolidated subsidiaries or to all of them taken as a whole. In the following Items 1., 1A. and 2., “Business, Risk Factors and Properties,” we make certain forward-looking statements, including statements regarding our plans, strategies, objectives, expectations, intentions and resources. The words “forecasts,” “intends,” “believes,” “expects,” “plans,” “scheduled,” “goal,” “may,” “anticipates,” “estimates” and similar expressions identify forward-looking statements. We do not undertake to update, revise or correct any of the forward-looking information. You are cautioned that such forward-looking statements should be read in conjunction with our disclosures beginning on page 37 of this report under the heading: “CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION.”

ITEM 1. BUSINESS, RISK FACTORS AND PROPERTIES

OVERVIEW

NuStar Energy L.P. (NuStar Energy), a Delaware limited partnership, completed its initial public offering of common units on April 16, 2001. Our common units are traded on the New York Stock Exchange (NYSE) under the symbol “NS.” Our principal executive offices are located at 2330 North Loop 1604 West, San Antonio, Texas 78248 and our telephone number is (210) 918-2000.

We are engaged in the terminalling and storage of petroleum products, the transportation of petroleum products and anhydrous ammonia, and petroleum refining and marketing. We divide our operations into the following three reportable business segments: storage, transportation, and asphalt and fuels marketing. As of December 31, 2011, our assets included:

- 66 terminal and storage facilities providing 84.6 million barrels of storage capacity;
- 5,480 miles of refined product pipelines with 21 associated terminals providing storage capacity of 4.5 million barrels and two tank farms providing storage capacity of 1.2 million barrels;
- 2,000 miles of anhydrous ammonia pipelines;
- 940 miles of crude oil pipelines with 1.9 million barrels of associated storage capacity;
- two asphalt refineries with a combined throughput capacity of 104,000 barrels per day and two associated terminal facilities with a combined storage capacity of 5.0 million barrels; and
- a fuels refinery with a throughput capacity of 14,500 barrels per day and 0.4 million barrels of aggregate storage capacity.

We conduct our operations through our wholly owned subsidiaries, primarily NuStar Logistics, L.P. (NuStar Logistics) and NuStar Pipeline Operating Partnership L.P. (NuPOP). Our revenues include:

- tariffs for transporting crude oil, refined products and anhydrous ammonia through our pipelines;
- fees for the use of our terminal and storage facilities and related ancillary services; and
- sales of asphalt and other refined petroleum products.

Our business strategy is to increase per unit cash distributions to our partners through:

- continuous improvement of our operations by improving safety and environmental stewardship, cost controls and asset reliability and integrity;
- internal growth through enhancing the utilization of our existing assets by expanding our business with current and new customers, as well as investments in strategic expansion projects;
- external growth from acquisitions that meet our financial and strategic criteria;
- identification of non-core assets that do not meet our financial and strategic criteria and evaluation of potential dispositions;
- complementary operations such as our fuels marketing operations, which provide us the opportunity to optimize the use and profitability of our assets; and
- growth and improvement of our asphalt operations to benefit from anticipated decreases in overall asphalt supply and higher asphalt margins.

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The term “throughput” as used in this document generally refers to the crude oil or refined product barrels or tons of ammonia, as applicable, that pass through our pipelines, terminals, storage tanks or refineries.

Our internet website address is <http://www.nustarenergy.com>. Information contained on our website is not part of this report. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K filed with (or furnished to)

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the Securities and Exchange Commission (SEC) are available on our internet website, free of charge, as soon as reasonably practicable after we file or furnish such material (select the “Investors” link, then the “Financial Reports SEC Filings” link). We also post our corporate governance guidelines, code of business conduct and ethics, code of ethics for senior financial officers and the charters of our board’s committees on our internet website free of charge (select the “Investors” link, then the “Corporate Governance” link). Our governance documents are available in print to any unitholder that makes a written request to Corporate Secretary, NuStar Energy L.P., 2330 North Loop 1604 West, San Antonio, Texas 78248.

RECENT DEVELOPMENTS

On December 9, 2011, we issued 6,037,500 common units representing limited partner interests at a price of \$53.45 per unit. We used the net proceeds from this offering of \$318.0 million, including a contribution of \$6.6 million from our general partner to maintain its 2% general partner interest, mainly to reduce outstanding borrowings under our five-year revolving credit agreement.

On April 19, 2011, we purchased certain refining and storage assets, inventory and other working capital items from AGE Refining, Inc. for \$62.0 million, including the assumption of certain environmental liabilities. The assets consist of a 14,500 barrel per day refinery in San Antonio, Texas and 0.4 million barrels of aggregate storage capacity.

On February 9, 2011, we acquired 75% of the outstanding capital of a Turkish company, which owns two terminals in Mersin,

Turkey, with an aggregate 1.3 million barrels of storage capacity, for approximately \$57.0 million. Both terminals are connected via pipelines to an offshore platform located approximately three miles off the Mediterranean Sea coast.

ORGANIZATIONAL STRUCTURE

Our operations are managed by NuStar GP, LLC, the general partner of our general partner. NuStar GP, LLC, a Delaware limited liability company, is a consolidated subsidiary of NuStar GP Holdings, LLC (NuStar GP Holdings) (NYSE: NSH).

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The following chart depicts our organizational structure at December 31, 2011.

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SEGMENTS

Our three reportable business segments are storage, transportation, and asphalt and fuels marketing. Detailed financial information about our segments is included in Note 23 in the Notes to Consolidated Financial Statements in Item 8.

“Financial Statements and Supplementary Data.”

The following map depicts our operations at December 31, 2011.

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STORAGE

Our storage segment includes terminal and storage facilities that provide storage, handling and other services for petroleum products, specialty chemicals, crude oil and other liquids and storage tanks used to store and deliver crude oil. As of December 31, 2011, we owned and operated:

- 54 terminal and storage facilities in the United States, with total storage capacity of 53.4 million barrels;
- A terminal on the island of St. Eustatius with tank capacity of 13.0 million barrels and a transshipment facility;
- A terminal located in Point Tupper with tank capacity of 7.4 million barrels and a transshipment facility;
- Six terminals located in the United Kingdom and one terminal located in Amsterdam, the Netherlands, with total storage capacity of approximately 5.6 million barrels;

- Two terminals in Mersin, Turkey with total storage capacity of 1.3 million barrels;
- and

- A terminal located in Nuevo Laredo, Mexico.

Description of Largest Terminal Facilities

St. Eustatius. We own and operate a 13.0 million barrel petroleum storage and terminalling facility located on the island of St. Eustatius in the Caribbean (formerly the Netherlands Antilles), which is located at a point of minimal deviation from major shipping routes. This facility is capable of handling a wide range of petroleum products, including crude oil and refined products, and it can accommodate the world's largest tankers for loading and discharging crude oil and other petroleum products. A two-berth jetty, a two-berth monopile with platform and buoy systems, a floating hose station and an offshore single point mooring buoy with loading and unloading capabilities serve the terminal's customers' vessels. The fuel oil and petroleum product facilities have in-tank and in-line blending capabilities, while the crude tanks have tank-to-tank blending capability and in-tank mixers. In addition to the storage and blending services at St. Eustatius, this facility has the flexibility to utilize certain storage capacity for both feedstock and refined products to support our atmospheric distillation unit. This unit is capable of processing up to 25,000 barrels per day of feedstock, ranging from condensates to heavy crude oil. We own and operate all of the berthing facilities at the St. Eustatius terminal. Separate fees apply for the use of the berthing facilities, as well as associated services, including pilotage, tug assistance, line handling, launch service, emergency response services and other ship services.

St. James, Louisiana. Our St. James terminal has a total storage capacity of 8.2 million barrels. Additionally, the facility has a rail-loading facility and three docks with barge and ship access. The facility is located on almost 900 acres of land, some of which is undeveloped.

Point Tupper. We own and operate a 7.4 million barrel terminalling and storage facility located at Point Tupper on the Strait of Canso, near Port Hawkesbury, Nova Scotia, which is located approximately 700 miles from New York City and 850 miles from Philadelphia. This facility is the deepest independent, ice-free marine terminal on the North American Atlantic coast, with access to the East Coast, Canada and the Midwestern United States via the St.

Lawrence Seaway and the Great Lakes system. With one of the premier jetty facilities in North America, the Point Tupper facility can accommodate substantially all of the world's largest, fully laden very large crude carriers and ultra large crude carriers for loading and discharging crude oil, petroleum products and petrochemicals. Crude oil and petroleum product movements at the terminal are fully automated. Separate fees apply for the use of the jetty facility, as well as associated services, including pilotage, tug assistance, line handling, launch service, spill response services and other ship services.

Piney Point, Maryland. Our terminal and storage facility in Piney Point is located on approximately 400 acres on the Potomac River. The Piney Point terminal has 5.4 million barrels of storage capacity and is the closest deep-water facility to Washington, D.C. This terminal competes with other large petroleum terminals in the East Coast water-borne market extending from New York Harbor to Norfolk, Virginia. The terminal currently stores petroleum products consisting primarily of fuel oils and asphalt. The terminal has a dock with a 36-foot draft for tankers and four berths for barges. It also has truck-loading facilities, product-blending capabilities and is connected to a pipeline that supplies residual fuel oil to two power generating stations.

Amsterdam. Our Amsterdam terminal has a total storage capacity of 3.8 million barrels. This facility is located at the Port of Amsterdam and primarily stores petroleum products including gasoline, diesel and fuel oil. This facility has two docks for vessels and five docks for inland barges.

Linden, New Jersey. We own 50% of ST Linden Terminal LLC, which owns a terminal and storage facility in Linden, New Jersey. The terminal is located on a 44-acre facility that provides it with deep-water terminalling capabilities at New York Harbor. This terminal primarily stores petroleum products, including gasoline, jet fuel and fuel oils. The facility has a total storage capacity of 4.0 million barrels and can receive and deliver products via ship, barge and pipeline. The terminal includes two docks and leases a third with draft limits of 36, 26 and 20 feet, respectively.

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Terminal and Storage Facilities

The following table sets forth information about our terminal and storage facilities as of December 31, 2011:

Facility	Tank Capacity (Barrels)	Primary Products Handled
U.S. Terminals and Storage Facilities:		
Mobile, AL (Blakely Island)	1,100,000	Crude oil and feedstocks
Mobile, AL (Chickasaw North)	294,000	Crude oil and feedstocks
Mobile, AL (Chickasaw South)	286,000	Crude oil and feedstocks
Montgomery, AL	162,000	Petroleum products
Moundville, AL	310,000	Petroleum products
Los Angeles, CA	606,000	Petroleum products
Benicia, CA (refinery tankage)	3,815,000	Crude oil and feedstocks
Pittsburg, CA	361,000	Asphalt
Selby, CA	2,829,000	Petroleum products, ethanol
Stockton, CA	676,000	Petroleum products, ethanol, fertilizer
Colorado Springs, CO	320,000	Petroleum products, ethanol
Denver, CO	100,000	Petroleum products, ethanol
Jacksonville, FL	2,505,000	Petroleum products, asphalt
Bremen, GA	178,000	Petroleum products
Macon, GA (a)	307,000	Petroleum products
Savannah, GA	857,000	Petroleum products, chemicals
Blue Island, IL	719,000	Petroleum products, ethanol
Indianapolis, IN	366,000	Petroleum products
St. James, LA	8,196,000	Crude oil and feedstocks
Andrews AFB, MD (a)	72,000	Petroleum products
Baltimore, MD	809,000	Chemicals, asphalt, petroleum products
Piney Point, MD	5,404,000	Petroleum products, asphalt
Wilmington, NC	304,000	Asphalt
Linden, NJ	353,000	Petroleum products
Linden, NJ (b)	3,957,000	Petroleum products
Paulsboro, NJ	69,000	Petroleum products
Alamogordo, NM (a)	120,000	
Total	600,322	(110,444) 489,878 491,821

The amortization of the intangible assets is performed during the term of the concession contracts of the assumed municipalities.

For the second quarter of 2007 and 2006, amortization expenses related to the intangible concession rights were R\$ 4,868 and R\$ 4,989, respectively. The amortization expenses for next five years is estimated in approximately R\$ 20,350 per year (information not revised by the independent auditors).

8. LOANS AND FINANCING

(i) Loans and financing balances

	June/07			March/07			Final Maturity	Annual Interest Rate	Accrued Interest
	Current	Non Current	Total	Current	Non Current	Total			
Local currency									
União Federal / Banco do Brasil	227,025	1,754,314	1,981,339	221,398	1,805,808	2,027,206	2014	8.5%	
Debentures 6 th Issue	231,813	402,992	634,805	231,813	401,591	633,404	2010	CDI+1.75% and 11%	
Debentures 7 th Issue	-	305,882	305,882	-	305,513	305,513	2010	CDI+1.5% and 10.8%	
Debentures 8 th Issue	-	715,094	715,094	-	713,824	713,824	2011	CDI+1.5% and 10.75%	
CEF	54,569	494,489	549,058	51,742	470,098	521,840	2007/2022	5 % to 9.5%	
FIDC - SABESP I	55,556	152,778	208,334	55,556	166,666	222,222	2011	CDI+0.7%	
BNDES	37,863	167,790	205,653	31,054	146,838	177,892	2013	3% + TJLP limit 6%	
Others	3,094	21,347	24,441	2,814	22,367	25,181	2009/2011	12% / CDI / TJLP+6%	
Accrued interest and financial charges	96,255	28,544	124,799	106,913	25,244	132,157			
Total local currency	706,175	4,043,230	4,749,405	701,290	4,057,949	4,759,239			
Foreign currency									

BIRD	-	-	-	4,597	-	4,597	2007	5.15%
BID US\$								
432,895 thousand	79,540	754,302	833,842	82,977	817,084	900,061	2007/2025	3% to 7.7%
Eurobonds US\$								
238,052 thousand	188,868	269,668	458,536	-	488,102	488,102	2008/2016	12% and 7.5%
JBIC Yen								
897,034 thousand	-	14,050	14,050	-	13,973	13,973	2029	1.8% and 2.5%
Accrued interests and financial charges	14,113	-	14,113	28,550	-	28,550		
Total foreign currency	282,521	1,038,020	1,320,541	116,124	1,319,159	1,435,283		
Total	988,696	5,081,250	6,069,946	817,414	5,377,108	6,194,522		

As of June 30, 2007 the Company did not have balances of short-term loans and financing.

Exchange rate as June 30, 2007: USD 1.9262; Yen 0.015663

UPR: Standard Reference Unit - TJLP : Long Term Interest Rate

CURRENCY BASKET VARIATION: Value referring to the BID and BIRD account - EUR: Euro

CDI: Interbanking Deposit Certificate - IGP-M: General Market Prices Index

(ii) On April 12, 2007, the Company made the payment of the last installment of the contract 3504 to the Bird.

(iii) Settlement schedule of loans and financing

Total debt to be paid until the end of 2007 is R\$560,712, being the amount denominated in United States dollars and in Euro of R\$60,169, and the amount of R\$500,543 refers to interest and principal of loans denominated in Brazilian reais.

INSTITUTION	2007	2008	2009	2010	2011	2012	2013 Onward	TOTAL
Local currency								
União Federal/Banco do Brasil	111,108	236,851	257,797	280,595	305,409	332,417	457,162	1,981,339
Caixa Econômica Federal - CEF	26,752	56,505	60,012	64,434	69,754	75,402	196,199	549,058
Debentures	231,813	-	756,064	302,811	365,093	-	-	-1,655,781
FIDC - SABESP I	27,778	55,556	55,556	55,556	13,888	-	-	208,334
BNDES	18,931	37,863	37,863	37,863	37,864	31,927	3,342	205,653
Others	1,545	5,142	6,512	5,866	5,376	-	-	24,441
Accrued interest and financial charges	82,616	18,829	10,379	10,379	2,596	-	-	124,799
Total local currency	500,543	410,746	1,184,183	757,504	799,980	439,746	656,703	4,749,405
Foreign currency								
BID	46,056	66,968	66,968	66,968	66,968	66,967	452,947	833,842
Eurobonds	-	-188,868	-	-	-	-	269,668	458,536
JBIC	-	-	-	-	325	781	12,944	14,050
Accrued interest and financial charges	14,113	-	-	-	-	-	-	14,113
Total foreign currency	60,169	255,836	66,968	66,968	67,293	67,748	735,559	1,320,541
Grand Total	560,712	666,582	1,251,151	824,472	867,273	507,494	1,392,262	6,069,946

(iv) Short-term debt structure

One of the Company's main goals is to reduce its foreign currency debt exposure, therefore minimizing costs and volatility over income.

(v) Covenants

At June 30, 2007 the Company was in compliance with all financial covenants.

9. TAXES AND CONTRIBUTIONS**(a) Balance sheet accounts**

	June/07	March/07		
In current assets ((b)(i))				
Deferred income tax	11,837	11,873		
Deferred social contribution	4,261	4,274		
	16,098	16,147		
In long-term assets ((b)(ii))				
Deferred income tax	249,720	255,854		
Deferred social contribution	92,219	94,427		
	341,939	350,281		
In current liabilities ((b)(iii))				
Deferred PASEP	22,265	21,877		
Deferred COFINS	53,578	51,793		
	75,843	73,670		
In long-term liabilities ((b)(iv))				
Deferred income tax	64,909	62,509		
Deferred social contribution	18,858	17,993		
Deferred PASEP	17,672	17,543		
Deferred COFINS	50,834	50,239		
	152,273	148,284		
	2 nd Qtr/07	1 st Sem/07	2 nd Qtr/06	1 st Sem/06
In income				
Income tax	(112,705)	(245,673)	(86,094)	(178,866)
Deferred income tax	(8,570)	4,791	7,048	10,380
	(121,275)	(240,882)	(79,046)	(168,486)
In income				
Social contribution	(41,159)	(89,268)	(28,545)	(52,097)
Deferred social contribution	(3,085)	1,725	(141)	(8,970)
	(44,244)	(87,543)	(28,686)	(61,067)

(b) Deferred

(i) In Current Assets

Mainly calculated on temporary differences in the amount of R\$47,348 (March/2007 - R\$47,491).

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(ii) In Non Current Assets

Mainly calculated on temporary differences in the amount of R\$998,881 (March/2007 - R\$1,023,416) related to income tax and R\$1,024,651 (March/2007 - R\$1,049,187) related to social contribution.

(iii) In current liabilities

Substantially calculated on amounts invoiced to government agencies, being the calculation of the liability and the set up of the provision made when the service was provided, and the settlement when the invoices were collected.

(iv) In non current liabilities

- Income tax and social contribution

Substantially calculated based on temporary differences in the amount of R\$259,635 (March/2007 - R\$250,034) relating to income tax and R\$209,529 (March/2007 - R\$199,928) relating to social contribution.

- Pasep and Cofins

Substantially calculated on amounts invoiced to government agencies, being the calculation of the liability and the set up of the provision made when the service was provided, and the settlement when the invoices were collected.

(c) Reconciliation of the effective tax rate

The amount recorded as income tax and social contribution expenses in the quarterly information is reconciled from the nominal rates provided by law, as shown below:

	2 nd Qtr/07	1 st Sem/07	2 nd Qtr/06	1 st Sem/06
Income before taxes on income	461,059	916,845	292,079	750,596
Statutory rate	34%	34%	34%	34%
Tax expense at statutory rate	(156,760)	(311,727)	(99,307)	(255,203)
Permanent differences				
Realization of revaluation reserve	(7,393)	(14,820)	(7,636)	(15,710)
Interest on shareholders' equity	-	-	-	44,058
Other differences	(1,366)	(1,878)	(789)	(2,698)
Income and social contribution taxes	(165,519)	(328,425)	(107,732)	(229,553)
Current income tax and social contribution	(153,864)	(334,941)	(114,639)	(230,963)
Deferred income tax and social contribution	(11,655)	6,516	6,907	1,410
Effective rate	36%	36%	37%	31%

10. PAES PROGRAM - SPECIAL TAX DEBT REFINANCING PROGRAM

The Company applied for enrollment in the Special Tax Debt Refinancing Program - PAES, on July 15, 2003, in accordance with Law No. 10,684, of May 30, 2003, including certain tax liabilities related to COFINS and PASEP subject of a legal action challenging the application of Law No. 9,718/98, and consolidated the previously outstanding balance of the Tax Recovery Program - REFIS. The total amount included in Paes was R\$ 316,953.

The debit is being paid within 120 months, being that the amount paid in the second quarter of 2007 was R\$ 10,690 (R\$ 10,560 in the first quarter of 2007) and R\$ 3,177 was accrued in the second quarter of 2007 and R\$6,482 in the first quarter of 2007 (R\$4,628 in the second quarter of 2006 and R\$9,917 in the first quarter of 2006) related to interests.

The assets pledged as guarantee under in the previous Refis Program, in the amount of R\$ 249,034 continue to secure amounts under the Paes Program.

11.PENSION AND HEALTH BENEFIT PLANS

The Company sponsors the Fundação Sabesp de Seguridade Social - Sabesprev, an entity organized in August 1990 with the main purpose of managing Sabesp's complementary pension and health benefit plans.

(a) Social Security Benefits

The monthly contributions related to the post-retirement program - defined benefit correspond to 2.10% of the Company and 2.26% from the participants.

The participants' contribution presented above is the average, since the value of the discount varies according to the salary range, between 1% and 8.5%.

In order to meet the provisions of CVM Resolution No. 371, of December 13, 2000, below is a description of the amounts of pension and retirement benefits granted and payable to which the employees will be entitled after service time.

At December 31, 2006, based on independent actuarial reports, Sabesp had a net actuarial liability of R\$321,212, representing the difference between the present value of the Company's benefit obligations to the participating employees, retired employees and pensioners, and the assets in guarantee.

The Company has elected to recognize the liability over five years beginning in 2002. The actuarial liability as of June 30, 2007, in the amount of R\$343,249 (March/2007 - R\$331,975), has been recorded in non current portion liabilities.

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For the fiscal year 2007 the expense estimate is R\$ 55,924, and the amount of R\$ 29,594 has been charged to income in the period from January to June, 2007, as follows:

	2 nd Qtr/07	1 st Sem/07	2 nd Qtr/06	1 st Sem/06
Transfer to Sabesprev	3,725	7,557	3,692	7,416
Actuarial liability recorded	11,274	22,037	11,294	22,560
Total recorded	14,999	29,594	14,986	29,976

(b) Assistance Plan:

The health benefit program, which is comprised of optional health benefit plans, free-election, is also funded by contributions from the sponsor and the participating employers, which were the following in the period:

Company: average of 7.40% on the payroll;

Participating employees: 3.21% of base salary and bonus, corresponding to 2.33% of the gross payroll, on average.

12. PROFIT SHARING

Based on the negotiations which took place in May 2007 between the Company and the entities representing the functional class, the Profit Sharing Plan was agreed upon, considering the period from January to December 2007, with the distribution of the amount corresponding to up to one payroll, according to the results achieved, with payment expected to 2008.

In the semester ended on June 30, 2007 the amount of R\$ 28,529 was accrued in the line item Salaries and Payroll Charges, in current liabilities, referring to six months of the period from January to December, 2007.

13. PROVISIONS FOR CONTINGENCIES

	March/07	Additions	Exclusions	Interests, Restatements and Reversals	June/07
Customer claims (i)	311,114	3,867	(17,024)	(11,348)	286,609
Contractor claims (ii)	175,274	243	(1,776)	(8,502)	165,239
Other civil claims (iii)	77,403	5,682	(8,772)	870	75,183
Tax claims (iv)	22,700	619	(512)	2,436	25,243
Labor claims (v)	60,979	1,502	(11,677)	1,324	52,128
Environmental claims (vi)	68,070	6,098	(111)	902	74,959
Subtotal	715,540	18,011	(39,872)	(14,318)	679,361
Escrow Deposits	(19,981)	(3,690)	11,744	-	(11,927)
Total	695,559	14,321	(28,128)	(14,318)	667,434

The Company has accrued as current liabilities, under Provisions, amounts related to judicial proceedings in phase of judgment. The balance presented of R\$39,568 (Mar/2007- R\$28,966) is net of values already judicially deposited in the amount of R\$7,781 (Mar/2007 - R\$18,525).

The Company, based on a joint analysis together with its legal counselors, recorded provisions in an amount considered sufficient to cover probable losses arising from judicial lawsuits, recorded in non current liabilities, under the caption Provisions, in the amount of R\$627,866 (March/2007 - R\$666,593), presented net of escrow deposits totaling R\$4,146 (March/2007 - R\$1,456).

(i) Customer claims - approximately 1,040 claims from customers have been filed by commercial customers claiming that their tariffs should be equal to those of other categories of consumers and, consequently, claim the refund of amounts imposed and charged by the Company. The Company has obtained final decisions, both favorable and adverse, in several different court levels, and has recorded provisions for cases which risk of loss has been assessed as probable.

(ii) Contractor claims - Filed by certain construction service contractors alleging underpayment of monetary adjustments, withholding of amounts relating to the effects of the Real Plan and monetary losses from economic-financial unbalance in the applicable contract. These lawsuits are in progress in several different court levels, and provisions are recorded for cases with probable risk of loss.

(iii) Other civil claims - Refer to claims for indemnifications for material damages, pain and suffering and loss of profits caused to third parties, in several different court levels, provisioned when classified as of probable loss.

(iv) Tax claims - the provisions for contingencies of tax nature refer mainly to questions related to the collection of taxes, questioned by reason of divergence of interpretation of the legislation by the legal counsels of the Company.

(v) Labor claims - the Company is party to several labor claims, related to overtime pay, health hazard and risk, prior notice period, job deviation, salary parity and others, most of the amounts involved being under provisional or definite execution, in several court levels, thus being classified as of probable loss and, consequently, duly provisioned.

(vi) Environmental claims - refer to various administrative and judicial processes filed by public entities, including by Companhia de Tecnologia de Saneamento Ambiental - Cetesb, the General Attorney's Office of the State of São Paulo and others, seeking to impose fines and penalties for environmental damages allegedly caused by the Company.

Lawsuits with possible risk of loss

The Company is a party to lawsuits and administrative proceedings relating to environmental, tax, civil and labor matters, which are assessed by its legal advisors to be of possible likelihood of loss and which are not provisioned. The aggregate amount referring to such proceedings is approximately R\$2,032,500 as of June 30, 2007 (March/2007 - R\$1,643,900). Among these proceedings, the Company appears together with other three parties in a lawsuit, in the current amount of R\$ 482 million at June 30, 2007, disputing the civil liability for supposed environmental damages occurred in the Billings dam, which is being refuted, as well as the estimated indemnity value, since the Company deems that there is no factual support. Despite the adverse result in the first instance, this decision, issued on July 30, 2007, is still subject to appeal, there being no assurance that the joint conviction imposed to it will be maintained. Previously classified as remote loss, this proceeding, as a result of the recent decision, started being assessed by the Company's lawyers as of possible loss.

14. SHAREHOLDERS' EQUITY

(a) Authorized Capital

The Company is authorized to increase its capital stock up to the limit of R\$ 4,100,000, divided into common shares, all recorded with no par value.

Grouping of shares

The Shareholders' Meeting held on April 30, 2007 approved the proposal to effectuate the reverse share split. The shares started being grouped in the proportion of 125 (one hundred and twenty-five) shares for 1 (one) share, and, as of June 4, 2007 they started to be negotiated in Reais per share. The capital stock started being represented by 227,836,623 registered common book-entry shares, with no par value, remaining unchanged the amount of Sabesp's capital stock.

Simultaneously to the reverse share split, the American Depositary Receipts (ADR s) started being negotiated in the proportion of 1 (one) ADR per each 2 (two) shares.

(b) Subscribed and paid-up capital

Subscribed and paid-up capital is represented by 227,836,623 registered common shares, without par value, as follows:

Shareholders	June/07		March/07	
	Number of shares	%	Number of shares	%
Secretaria da Fazenda	114,508,087	50.26	14,313,511,861	50.26
Companhia Brasileira de Liquidação e Custódia	62,711,173	27.52	7,946,582,851	27.90
The Bank Of New York ADR Department (Equivalent to stock) (*)	50,389,316	22.12	6,190,924,500	21.74
Other	228,047	0.10	28,558,615	0.10
	227,836,623	100	28,479,577,827	100

(*) Each ADR equals 2 shares

(c) Distribution of earnings

Shareholders are entitled to a mandatory minimum dividend distribution of 25% of adjusted net income, calculated in conformity with Brazilian Corporate Law.

Interests on shareholders' equity declared in 2006, in the amount of R\$270,841, were paid on June 29, 2007, net of withholding income tax.

(d) Capital reserve

Capital reserve comprises fiscal incentives and donations from governmental entities and private institutions.

(e) Revaluation reserve

As provided by CVM Instruction No. 197/93, the Company elected not to recognize income tax and social contribution on the revaluation reserve of property, plant and equipment carried out until 1991.

The reserve has been realized with a corresponding entry to retained earnings, to the same proportion of the depreciation and write-off of the assets to which it is related.

(f) Changes in Retained Earnings Account

	June/07	March/07
Previous balance	314,723	-
Realization of Revaluation Reserve	21,746	21,843
Result of the Period	295,540	292,880
Current Balance	632,009	314,723

(g) Reserve for Investments

The reserve for investments has been specifically set up from the portion corresponding to own resources that will be intended to the enhancement of the water supply and sewage sanitation systems,

15. FINANCIAL INSTRUMENTS

(a) Market value of financial instruments

The determination of the market value of financial instruments is performed on an annual by basis Company Management.

(b) Credit risk concentration

A significant portion of sales is made to a geographically dispersed customer base. In relation to those clients, credit risk is mitigated due to the large portfolio and to the control procedures which monitor this risk.

The doubtful accounts are properly covered by provision to face eventual losses in their realization

(c) Foreign Currency

Transactions in foreign currency consist of borrowings to specific improvement works and expansion of the Company's water supply and sewage collection and treatment services.

16. OPERATING REVENUES

	2 nd Qtr/07	1 st Sem/07	2 nd Qtr/06	1 st Sem/06
São Paulo Metropolitan Region	1,196,921	2,387,049	1,088,431	2,176,914
Regional systems (i)	366,786	759,882	333,633	701,907
Total	1,563,707	3,146,931	1,422,064	2,878,821

(i) It comprises the municipalities operated in the interior and coastal area of the State of São Paulo.

17. OPERATING COSTS AND EXPENSES

	2 nd Qtr/07	1 st Sem/07	2 nd Qtr/06	1 st Sem/06
Cost of sales and services:				
Payroll and related charges	(245,427)	(476,620)	(263,123)	(477,287)
General supplies	(32,035)	(61,834)	(28,063)	(54,046)
Treatment supplies	(29,489)	(64,995)	(26,657)	(59,230)
Outside services	(87,741)	(170,052)	(70,547)	(139,274)
Electric power	(124,003)	(241,672)	(109,077)	(213,930)
General expenses	(5,243)	(12,815)	(8,909)	(14,963)
Depreciation and amortization	(153,143)	(302,894)	(146,502)	(288,404)
	(677,081)	(1,330,882)	(652,878)	(1,247,134)
Selling expenses:				
Payroll and related charges	(40,385)	(77,933)	(43,655)	(78,987)
General supplies	(1,418)	(2,664)	(1,232)	(2,346)
Outside services	(21,708)	(41,599)	(18,586)	(37,071)
Electric power	(188)	(376)	(194)	(401)
General expenses	(14,253)	(28,832)	(14,686)	(28,549)
Depreciation and amortization	(1,737)	(2,450)	(694)	(1,394)
Bad debt expense, net of recoveries - 4(c)	(72,983)	(149,286)	(55,896)	(124,118)
	(152,672)	(303,140)	(134,943)	(272,866)
Administrative expenses:				
Payroll and related charges	(34,973)	(67,138)	(35,779)	(63,385)
General supplies	(1,475)	(2,499)	(1,004)	(2,099)
Outside services	(25,726)	(50,275)	(16,810)	(36,900)
Electric power	(339)	(671)	(275)	(552)
General expenses	(31,200)	(53,868)	(18,648)	(21,349)
Depreciation and amortization	(3,970)	(7,615)	(3,936)	(8,048)
Tax expenses	(7,924)	(16,636)	(9,061)	(16,937)
	(105,607)	(198,702)	(85,513)	(149,270)

	2 nd Qtr/07	1 st Sem/07	2 nd Qtr/06	1 st Sem/06
Costs, selling and administrative expenses:				
Payroll and related charges	(320,785)	(621,691)	(342,557)	(619,659)
General supplies	(34,928)	(66,997)	(30,299)	(58,491)
Treatment supplies	(29,489)	(64,995)	(26,657)	(59,230)
Outside services	(135,175)	(261,926)	(105,943)	(213,245)
Electric power	(124,530)	(242,719)	(109,546)	(214,883)
General expenses	(50,696)	(95,515)	(42,243)	(64,861)
Depreciation and amortization	(158,850)	(312,959)	(151,132)	(297,846)
Tax expenses	(7,924)	(16,636)	(9,061)	(16,937)
Bad debt expense, net of recoveries	(72,983)	(149,286)	(55,896)	(124,118)
	(935,360)	(1,832,724)	(873,334)	(1,669,270)
Financial expenses:				
Interest and other charges on loans and financing - local currency	(114,656)	(232,863)	(131,068)	(269,485)
Interest and other charges on loans and financing - foreign currency	(16,472)	(34,700)	(25,419)	(47,432)
Interest on shareholders' equity	-	-	-	(129,582)
Interest on shareholders' equity (reversal)	-	-	-	129,582
Other expenses on loans and financing	-	-	(2)	(5)
Income tax on remittances abroad	(1,706)	(3,309)	(2,375)	(4,452)
Other financial expenses	(26,033)	(30,975)	(11,273)	(18,452)
Monetary variations on loans and financing	(12,587)	(34,430)	(18,098)	(38,231)
Other monetary and foreign exchange variations	(3,764)	(4,493)	(55)	(545)
Provisions	14,318	(11,182)	11,612	(7,944)
	(160,900)	(351,952)	(176,678)	(386,546)
Financial income:				
Monetary Variation Income	6,582	17,100	10,029	17,396
Income from financial investments	18,998	28,376	14,931	27,645
Interest	10,777	24,790	15,807	25,577
Other	3	3	4	6
	36,360	70,269	40,771	70,624
Financial expenses, before foreign exchange variations	(124,540)	(281,683)	(135,907)	(315,922)
Foreign Exchange, net				
Exchange variations on loans and financing	74,276	121,141	(11,234)	78,020

Foreign Exchange Income	7	(160)	(297)	(280)
	74,283	120,981	(11,531)	77,740
Financial result, net	(50,257)	(160,702)	(147,438)	(238,182)

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18. CASH FLOW

The statement of cash flows reflects the Company's operating, investing and financing activities derived from accounting records prepared in accordance with Brazilian Corporate Law and has been presented in accordance with International Accounting Standards (IAS) No. 7 - Cash Flow Statements.

	Explanatory Notes	2 nd Qtr/07	1 st Sem/07	2 nd Qtr/06	1 st Sem/06
Cash flow from operating activities:					
Net income for the period		295,540	588,420	175,566	503,482
Adjustments to reconcile net income:					
Deferred Taxes and Contributions		14,553	(3,449)	(6,414)	(3,187)
Provisions for Contingencies		29,479	76,778	10,119	25,556
Reversal of provision for losses		(44)	(44)	-	-
Other provisions		89	89	-	-
Pension obligation		14,999	29,594	14,986	29,977
Write-off of property, plant and equipment	6(b)	2,431	4,391	956	2,321
Write-off of deferred Assets		475	1,276	863	863
Gain in the sale of property, plant and equipment		-	-	-	(1,007)
Depreciation and Amortization	17	158,850	312,959	151,132	297,846
Interests calculated on loans and financing payable	17	132,834	270,872	158,862	321,369
Monetary and Foreign Exchange variation from loans and financings	17	(61,689)	(86,711)	29,333	(39,789)
Expenses from interests and monetary variation	10	3,177	6,482	4,628	9,917
Income from interests and monetary variation		(3,495)	(7,911)	(2,032)	(6,911)
Allowance for doubtful accounts	3(c(ii)) e 17	72,983	149,286	55,896	124,118
Adjusted Net Profit		660,182	1,342,032	593,895	1,264,555
Changes in Working Capital:					
Customers Accounts Receivable		(32,371)	(108,372)	(17,075)	(217,379)
Accounts Receivable from Shareholders		(5,212)	33,672	(25,097)	97,084
Inventories		2,087	9,059	(1,302)	4,035
Taxes Recoverable		25,485	23,295	429	(2,465)
Other Accounts Receivable		(10,555)	(20,510)	(7,125)	(17,410)
Change in Non-current Assets					
Accounts Receivable from Customers		(990)	(30,706)	(52,275)	(86,182)
Accounts Receivable from Shareholders		(24,406)	(47,949)	(23,326)	(46,243)
Judicial Deposits		(530)	(2,503)	2,832	(6,866)
Other Accounts Receivable		(1,596)	(2,732)	(1,645)	(15,959)

	Explanatory Notes	2 nd Qtr/07	1 st Sem/07	2 nd Qtr/06	1 st Sem/06
Change in Current Liabilities:					
Suppliers		31,150	(71,352)	79,639	24,596
Salaries, provisions and social contributions		37,590	7,993	82,103	106,919
Taxes and Contributions Payable		(76,610)	5,227	18,189	17,555
Services Received		27,642	(9,474)	3,514	(23,010)
Other Obligations		2,386	(7,475)	673	(71,784)
Contingencies		(65,658)	(74,494)	(17,293)	(20,000)
Pension Fund	11	(3,725)	(7,557)	(3,692)	(7,416)
Change in non-current liabilities					
Other Obligations		(38)	677	1,142	76,117
Cash Flow from Operating Activities		564,831	1,038,831	633,586	1,076,147
Cash Flow from Investment Activities:					
Acquisition of fixed asset items		(201,451)	(305,586)	(232,751)	(339,154)
Increase in intangibles		(2,925)	(4,711)	(1,949)	(6,697)
Sale of Fixed Asset Items		-	-	-	2,188
Increase in Deferred Asset		-	-	(28)	(55)
Net Cash invested in investment activities		(204,376)	(310,297)	(234,728)	(343,718)
Cash Flow from financing activities					
Loans and Financing - Long Term:					
Funding		92,630	125,442	29,265	320,528
Payments		(280,433)	(555,797)	(587,482)	(838,963)
Payment of interest on shareholders' equity		(115,082)	(115,084)	(148,769)	(158,155)
Net cash applied in financing activities		(302,885)	(545,439)	(706,986)	(676,590)
Increase (decrease) in cash & cash equivalents					
		57,570	183,095	(308,128)	55,839
Cash & Cash equivalents in the beginning of the year		453,731	328,206	644,140	280,173
Cash & Cash equivalents at the end of the year		511,301	511,301	336,012	336,012
Change in cash & cash equivalents		57,570	183,095	(308,128)	55,839

Supplementary cash flow information:

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Interests and fees paid on loans and financings		162,377	282,466	206,085	346,245
Capitalized interests and financial charges	6(c)	(7,918)	(10,589)	6,284	(6,829)
Income Tax and Social Contribution paid		182,172	269,916	100,509	221,150
Fixed Assets received in donations		1,922	8,640	8,018	21,940
Cofins and Pasep paid		125,415	239,876	106,746	219,429

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**PUBLIC FEDERAL SERVICE
CVM - SECURITIES EXCHANGE COMMISSION
ITR - QUARTERLY INFORMATION
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

**Corporate Law
Base Date: 06/30/2007**

01444-3 CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO 43.776.517/0001-80

05.01 - COMMENTS ON THE COMPANY'S PERFORMANCE IN THE QUARTER

1. GROWTH OF 10.2% IN NET REVENUES IN THE 2Q07 AND 13.5% IN THE EBITDA.

	in millions of R\$			
	2nd Qtr/06	2nd Qtr/07	Variation	%
(+)Gross operating revenues	1,422.0	1,563.7	141.7	10.0
(-) COFINS e PASEP	108.6	115.9	7.3	6.7
(=)Net operating revenues	1,313.4	1,447.8	134.4	10.2
(-) Costs and expenses	873.3	935.3	62.0	7.1
(=)Income before financial expenses (EBIT*)	440.1	512.5	72.4	16.5
(+)Depreciation and amortization	151.1	158.8	7.7	5.1
(=)EBITDA**	591.2	671.3	80.1	13.5
EBITDA Margin %	45.0	46.4		
Net income	175.6	295.5	119.9	68.3
Net income per one thousand shares in R\$ (***)	0.77	1.30		

	1st Sem/06	1st Sem/07	Variation	%
(+)Gross operating revenues	2,878.8	3,146.9	268.1	9.3
(-) COFINS e PASEP	220.8	234.4	13.6	6.2
(=)Net operating revenues	2,658.0	2,912.5	254.5	9.6
(-) Costs and expenses	1,669.3	1,832.8	163.5	9.8
(=)Income before financial expenses (EBIT*)	988.7	1,079.7	91.0	9.2
(+)Depreciation and amortization	297.9	313.0	15.1	5.1
(=)EBITDA**	1,286.6	1,392.7	106.1	8.2
EBITDA Margin %	48.4	47.8		
Net income	503.5	588.4	84.9	16.9
Net income per one thousand shares in R\$ (***)	2.21	2.58		

(*) Income before interests and taxes

(**) Income before interests, taxes, depreciation and amortization.

(***) The net earnings per share consider the reverse share split in all periods presented in order to allow comparison.

In the 2Q07 the net operating revenues totaled R\$1.4 billion, a 10.2% growth in relation to the same period in the previous year. The costs and expenses in the amount of R\$935.3 million were 7.1% higher than 2Q06, although comparatively to net revenues they reached 64.6% in the 2Q07 against 66.5% in the same period last year.

The result before financial expenses presented an increase of 16.5%, from R\$440.1 million in the 2Q06 to R\$512.5 million in the 2Q07. The EBITDA increased from R\$591.2 million in the 2Q06 to R\$671.3 million in the 2Q07, with a 13.5% increase and margin from 45.0% to 46.4% .

Net income reached R\$295.5 million, 68.3% superior to R\$175.6 million achieved in the 2Q06.

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05.01 - COMMENTS ON THE COMPANY S PERFORMANCE IN THE QUARTER**2. Operating Revenue**

The gross operating revenue was R\$1.6 billion, with R\$141.7 million, or 10.0%, increase in relation to the 2Q06. The main factors for this growth were:

3.2% increase in the volume of water and sewage invoiced; and

6.71% tariff adjustment beginning on August 2006.

3. Volume invoiced

The following tables demonstrate the volumes of water and sewage invoiced, according to the category of use and region in the 2Q06 and 2Q07 and in the first semester of 2006 and 2007.

QUARTER

VOLUME INVOICED ⁽¹⁾ OF WATER AND SEWAGE BY CATEGORY OF USE - millions of m ³									
By Category	Water			Sewage			Water + Sewage		
	2 nd Qtr/06	2 nd Qtr/07	Var. %	2 nd Qtr/06	2 nd Qtr/07	Var. %	2 nd Qtr/06	2 nd Qtr/07	Var. %
Residential	323.7	329.6	1.8	255.2	262.5	2.9	578.9	592.1	2.3
Commercial	36.7	37.6	2.5	33.7	34.6	2.7	70.4	72.2	2.6
Industrial	8.6	8.7	1.2	8.2	8.3	1.2	16.8	17.0	1.2
Public	12.2	12.6	3.3	9.7	10.0	3.1	21.9	22.6	3.2
Total retail	381.2	388.5	1.9	306.8	315.4	2.8	688.0	703.9	2.3
Wholesale	65.2	67.5	3.5	-	5.8	-	65.2	73.3	12.4
Grand Total	446.4	456.0	2.2	306.8	321.2	4.7	753.2	777.2	3.2

SIX-MONTH PERIOD

VOLUME INVOICED ⁽¹⁾ OF WATER AND SEWAGE BY CATEGORY OF USE - millions of m ³									
By Category	Water			Sewage			Water + Sewage		
	1 st Sem/06	1 st Sem/07	Var. %	1 st Sem/06	1 st Sem/07	Var. %	1 st Sem/06	1 st Sem/07	Var. %
Residential	656.7	668.9	1.9	514.8	530.4	3.0	1,171.5	1,199.3	2.4
Commercial	73.7	75.3	2.2	67.2	68.8	2.4	140.9	144.1	2.3
Industrial	17.3	17.4	0.6	16.2	16.6	2.5	33.5	34.0	1.5
Public	23.1	23.6	2.2	18.4	18.8	2.2	41.5	42.4	2.2
Total retail	770.8	785.2	1.9	616.6	634.6	2.9	1,387.4	1,419.8	2.3
Wholesale	130.3	134.2	3.0	-	11.9	-	130.3	146.1	12.1
Grand Total	901.1	919.4	2.0	616.6	646.5	4.8	1,517.7	1,565.9	3.2

QUARTER

VOLUME INVOICED ⁽¹⁾ OF WATER AND SEWAGE BY CATEGORY OF USE - millions of m ³									
By Category	Water			Sewage			Water + Sewage		
	2 nd Qtr/06	2 nd Qtr/07	Var. %	2 nd Qtr/06	2 nd Qtr/07	Var. %	2 nd Qtr/06	2 nd Qtr/07	Var. %
Metropolitan	255.8	258.9	1.2	209.4	214.6	2.5	465.2	473.5	1.8
Regional ⁽²⁾	125.4	129.6	3.3	97.4	100.8	3.5	222.8	230.4	3.4
Total retail	381.2	388.5	1.9	306.8	315.4	2.8	688.0	703.9	2.3
Wholesale	65.2	67.5	3.5	-	5.8	-	65.2	73.3	12.4
Grand Total	446.4	456.0	2.2	306.8	321.2	4.7	753.2	777.2	3.2

SIX-MONTH PERIOD

VOLUME INVOICED ⁽¹⁾ OF WATER AND SEWAGE BY CATEGORY OF USE - millions of m ³									
By Category	Water			Sewage			Water + Sewage		
	1 st Sem/06	1 st Sem/07	Var. %	1 st Sem/06	1 st Sem/07	Var. %	1 st Sem/06	1 st Sem/07	Var. %
Metropolitan	512.7	521.1	1.6	417.8	430.5	3.0	930.5	951.6	2.3
Regional ⁽²⁾	258.1	264.1	2.3	198.8	204.1	2.7	456.9	468.2	2.5
Total retail	770.8	785.2	1.9	616.6	634.6	2.9	1,387.4	1,419.8	2.3
Wholesale	130.3	134.2	3.0	-	11.9	-	130.3	146.1	12.1
Grand Total	901.1	919.4	2.0	616.6	646.5	4.8	1,517.7	1,565.9	3.2

(1) Unaudited

(2) Comprised by coastal and interior regions

4. Costs, selling and administrative expenses:

in millions of R\$

COSTS AND EXPENSES	2 nd Qtr/06	2 nd Qtr/07	Variation		1 st Sem/06	1 st Sem/07	Variation	
			R\$	%			R\$	%
Payroll and related charges	342.6	320.8	(21.8)	(6.4)	619.7	621.6	1.9	0.3
General Supplies	30.3	34.9	4.6	15.2	58.5	67.0	8.5	14.5
Treatment supplies	26.7	29.5	2.8	10.5	59.2	65.0	5.8	9.8
Outside Services	105.9	135.2	29.3	27.7	213.2	262.0	48.8	22.9
Electric power	109.5	124.5	15.0	13.7	214.9	242.8	27.9	13.0
General expenses	42.2	50.7	8.5	20.1	64.9	95.5	30.6	47.1
Depreciation and amortization	151.1	158.8	7.7	5.1	297.9	313.0	15.1	5.1
Bad-debt expenses	55.9	73.0	17.1	30.6	124.1	149.3	25.2	20.3
Tax expenses	9.1	7.9	(1.2)	(13.2)	16.9	16.6	(0.3)	(1.8)
Costs, selling and administrative expenses	873.3	935.3	62.0	7.1	1,669.3	1,832.8	163.5	9.8
Percentage on Net Revenue	66.5	64.6			62.8	62.9		

In the 2Q07, costs, administrative and selling expenses presented an increase of R\$62.0 million, or 7.1% .

The main variances identified in the period were:

4.1. Payroll and related charges

In the 2Q07 the number of employees was reduced from 17,289 to 16,922. The amount of connections per employee grew from 664 in the 2Q06 to 695 to 2Q07 (4.6% growth), which signalizes an increase of the productivity per employee of 4.7% .

In the quarter there was a decrease of R\$21.8 million, or 6.4% in salaries and payroll charges, from R\$342.6 million to R\$320.8 million, which is related to the following factors:

In the 2Q06 there was the provision of bônus referring to performance assessment in the amount of R\$40.8 million;

As of May, 2007 there was an increase in payroll, related charges and benefits expenses as a result of 3.37% salary adjustment; and

Increase in pension obligation pursuant to Resolution CVM 371, with increase in the amount of R\$13.3 million due mainly to the change in the mortality table and increase of the average time to achieve retirement.

4.2. General Materials

In the 2Q07 there was an increase of R\$4.6 million, or 15.2%, from R\$30.3 million to R\$34.9 million, mainly related to the following factors:

Maintenance of networks and water and sewage residential connections and higher allocation of resources in the loss reduction program, in the amount of R\$2.3 million;

Supplies used in safety and protection for compliance to the norms that set forth conditions to ensure safety of the employees, in the amount of R\$0.7 million, according to the international norms of health and safety management; and

Materials related to data processing in the amount of R\$ 0.5 million.

4.3. Treatment Materials

Presented a R\$ 2.8 million, or 10.5%, increase, from R\$26.7 million to R\$29.5 million in the 2Q07, caused by an 8.7% increase in the consumption and a 2.8% average price adjustment.

The main variance was in the consumption of copper sulfate due to the proliferation of algae, causing an R\$1.4 million increase. The proliferation of algae results from natural causes, as increase of insulation and some nutrients, which favor their growth. If not combated in the fountainhead, algae may cause problems related to taste and smell.

4.4. Services

In the 2Q07, this item presented an increase of R\$29.3 million, or 27.7%, from R\$105.9 million to R\$135.2 million. The main factors that conditioned this performance were:

Maintenance of residential connections and water and sewage networks in the São Paulo Metropolitan region, in the amount of R\$7.8 million, due to the increase in the execution of services related to the Global Sourcing contract and higher allocation of resources in the loss reduction program;

Detection of non visible leakages in the São Paulo Metropolitan Region, as a part of the loss reduction program, in the amount of R\$1.7 million;

Services related to the installation of software specific for the redesign of the corporate site and data storage, occurred in the 2Q07, in the amount of R\$7.6 million, non recurring;

Marketing and advertising expenses in the amount of R\$4.5 million, with broadcast of advertising campaigns focused in the social and environmental policies and actions according to the new strategic guidelines of the Company;

Increase of R\$3.8 million referring to the maintenance of the ETE's (Sewage Treatment Stations), cargo, transportation and final disposal services of solid waste and mud conditioning; and

Reading of hydrometers and delivery of bills in the amount of R\$2.2 million, resulting from the expansion in the information technology area in the municipalities of the São Paulo Metropolitan Region.

4.5. Electric Power

Presented a R\$15.0 million, or 13.7%, increase, from R\$ 109.5 million to R\$124.5 million, associated to the 10.1% weighted average increase in tariff prices, and to 1.1% the increase in the consumption of electric power.

4.6. General Expenses

In the 2Q07 there was an increase of R\$8.5 million, or 20.1%, from R\$42.2 million to R\$50.7 million, mainly in the provisions related to legal proceedings.

4.7. Depreciation and Amortization

Presented an increase of R\$7.7 million, or 5.1%, from R\$151.1 million to R\$158.8 million, in view of the transfer of construction in progress to property, plant and equipment in operation in the 2Q07.

4.8. Credits Write-off

Presented a R\$17.1 million, or 30.6%, increase, from R\$55.9 million to R\$73.0 million, mainly caused by:

9% tariff increase in August, 2005, that impacted the accounts written-off in the 2Q07 and

Provision resulting from an R\$8.0 million agreement breached.

4.9. Tax Expenses

In the 2Q07, the tax expenses presented a decrease of R\$1.2 million, or 13.2%, in relation to the 2Q06, from R\$9.1 million to R\$7.9 million, as a result of the payment of debts in the capital markets in the 2Q06, which caused the payment of CPMF in the amount of R\$0.9 million in this period.

5. Financial Income and Expenses

In the 2Q07, these presented a decrease of R\$13.1 million or 10.3%, according to the following table:

Financial	in millions of R\$		Variation	
	2 nd Qtr/06	2 nd Qtr/07	R\$	%
Financial Expenses				
Interests and charges on local currency loans and financing	131.1	114.6	(16.5)	(12.6)
Interests and charges on foreign currency loans and financing	25.4	16.5	(8.9)	(35.0)
Other financial expenses	13.7	27.7	14.0	102.2
Provisions	(11.7)	(14.3)	(2.6)	22.2
Total financial expenses	158.5	144.5	(14.0)	(8.8)
Financial income	30.7	29.8	(0.9)	(2.9)
Financial expenses, net of financial income	127.8	114.7	(13.1)	(10.3)

With regards to the internal financings, the following factors may be highlighted:

Decrease of R\$16.5 million in the provision of interests on local financings due mainly to the anticipated payment of the 5th issued of debentures, 1st series, on April 2006; payment of the 4th issue of debentures during 2006, being settled on December 2006; payment of principal in the Banco do Brasil contract, that impacted the calculation of interests, and drop of the DI rate, contributing to the reduction of interests on the 6th, 7th and 8th issue of debentures and the FIDC.

As to the external financings, it may be highlighted:

R\$6.3 million reduction due to the early settlement, in November 2006, of part of the Eurobonds 2008. With the new funding, Eurobonds 2016, in replacement to the Eurobonds 2008, there was a reduction in the interest rate from 12% per year to 7.5% per year, which, coped with the drop in the dollar rate, contributed to the reduction of the outstanding balance (basis for interest calculation), and

R\$2.5 million reduction in the interests calculated in the agreements with the Inter-American Development Bank BID, mainly as a consequence of the drop in the dollar rate.

In other financial expenses:

The R\$11.4 million increase refers to the provision and update of legal proceedings.

6. Monetary Variation Income and Expenses

Monetary variation	2 nd Qtr/06	2 nd Qtr/07	in millions of R\$	
			Variation	
			R\$	%
Monetary variation on loans and financings	12.3	9.5	(2.8)	(22.8)
Exchange variation on loans and financings	11.2	(74.2)	(85.4)	(762.5)
Other monetary variation	5.9	6.8	0.9	15.3
Monetary variation expenses	29.4	(57.9)	(87.3)	(296.9)
Monetary variation income	9.7	6.6	(3.1)	(32.0)
Monetary/Foreign Exchange variation, net	19.7	(64.5)	(84.2)	(427.4)

6.1. Monetary Variation Income

In the 2Q07 presented a decrease of R\$87.3 million due to:

A R\$3.2 million reduction in the monetary variations calculated on debentures, resulting mainly from the lower variation of the IGPM in the 2Q07, from 0.34% against 0.71% in the 2Q06;

A R\$2.3 million reduction in the monetary restatement of the contract with the Federal Government/Banco do Brasil due mainly to the lower variation of the TR, 0.39% in the 2Q07 versus 0.47% in the 2Q06, in addition to the reduction of the outstanding balance due to the payments made of the installments maturing in the period, and

An R\$85.4 million reduction in the foreign exchange variations calculated on the loans and financings due mainly to the significant drop in the dollar rate that presented a negative variance of 6.06% in the 2Q07 against a negative variance of 0.37% in the 2Q07, being:

R\$ 27.7 million related to the Eurobonds, and

R\$ 57.4 million related to the agreements with the BID, resulting from the variation of the dollar and the amortization made and the reduction of the currency basket rate, with negative variation of 0.9% in the 2Q07 against a positive variation of 0.2% in the 2Q06.

6.2. Monetary Variation Income

The R\$3.1 million, or 32.0%, decrease is mainly due to the agreement with the Municipality of Diadema, occurred in the 2Q06.

7. Non operating Expenses

Presented a R\$2.5 million increase resulting from:

Tax incentives to use the Rouanet Law benefits in the amount of R\$1.0 million, and

Write-off of real estate properties, in the amount of R\$1.5 million.

8. Operating Indicators (*)

The following table shows the continuous enhancement of the services provided by the Company.

	2nd Qtr/06	2nd Qtr/07	Variation %
Water connections (1)	6,538	6,690	2.3
Sewage connections (1)	4,938	5,077	2.8
Population directly served with water (2)	22.6	22.8	1.1
Population served with sewage collection (2)	18.4	18.7	1.5
Number of employees	17,289	16,922	(2.1)
Operating productivity (3)	664	695	4.7

(1) In thousands of units at the end of the period

(2) In millions of inhabitants at the end of the period. It does not include wholesale supply.

(3) Number of water and sewage connections per employee

(*) Unaudited

01.01 - IDENTIFICATION

1 - CVM CODE 01444-3	2 - COMPANY'S NAME CIA SANEAMENTO BÁSICO SÃO PAULO ESTADO	3 - CNPJ 43.776.517/0001-80
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10.01 - CHARACTERISTICS OF THE PUBLIC OR PRIVATE ISSUE OF DEBENTURES

1 - ITEM	01
2 - ORDER NUMBER	6
3 - CVM REGISTRATION NUMBER	CVM/SRE/DEB/2004/031
4 - DATE OF REGISTRATION WITH CVM	09/17/2004
5 - ISSUED SERIES	1
6 - TYPE OF ISSUE	SIMPLE
7 - NATURE OF ISSUE	PUBLIC
8 - ISSUE DATE	09/01/2004
9 - DUE DATE	09/01/2007
10 - TYPE OF DEBENTURE	WITHOUT PREFERENCE
11 - REMUNERATION CONDITIONS	DI + 1.75%
12 - PREMIUM/DISCOUNT	
13 - NOMINAL VALUE (reais)	1,045.19
14 - AMOUNT ISSUED (Thousand of reais)	242,288
15 - DEBENTURES ISSUED (Units)	231,813
16 - OUTSTANDING SECURITIES (Units)	231,813
17 - TREASURY DEBENTURES (Units)	0
18 - SURRENDERED DEBENTURES (Units)	0
19 - CONVERTED DEBENTURES (Number)	0
20 - DEBENTURES TO PLACE (Number)	0
21 - DATE OF LAST NEGOTIATION	
22 - DATE OF NEXT EVENT	09/01/2007

01.01 - IDENTIFICATION

1 - CVM CODE 01444-3	2 - COMPANY'S NAME CIA SANEAMENTO BÁSICO SÃO PAULO ESTADO	3 - CNPJ 43.776.517/0001-80
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10.01 - CHARACTERISTICS OF THE PUBLIC OR PRIVATE ISSUE OF DEBENTURES

1 - ITEM	02
2 - ORDER NUMBER	6
3 - CVM REGISTRATION NUMBER	CVM/SRE/DEB/2004/032
4 - DATE OF REGISTRATION WITH CVM	09/17/2004
5 - ISSUED SERIES	2
6 - TYPE OF ISSUE	SIMPLE
7 - NATURE OF ISSUE	PUBLIC
8 - ISSUE DATE	09/01/2004
9 - DUE DATE	09/01/2009
10 - TYPE OF DEBENTURE	WITHOUT PREFERENCE
11 - REMUNERATION CONDITIONS	IGPM + 11%
12 - PREMIUM/DISCOUNT	
13 - NOMINAL VALUE (reais)	1,191.01
14 - AMOUNT ISSUED (Thousand of reais)	224,227
15 - DEBENTURES ISSUED (Units)	188,267
16 - OUTSTANDING SECURITIES (Units)	188,267
17 - TREASURY DEBENTURES (Units)	0
18 - SURRENDERED DEBENTURES (Units)	0
19 - CONVERTED DEBENTURES (Number)	0
20 - DEBENTURES TO PLACE (Number)	0
21 - DATE OF LAST NEGOTIATION	
22 - DATE OF NEXT EVENT	09/01/2007

01.01 - IDENTIFICATION

1 - CVM CODE 01444-3	2 - COMPANY'S NAME CIA SANEAMENTO BÁSICO SÃO PAULO ESTADO	3 - CNPJ 43.776.517/0001-80
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10.01 - CHARACTERISTICS OF THE PUBLIC OR PRIVATE ISSUE OF DEBENTURES

1 - ITEM	03
2 - ORDER NUMBER	6
3 - CVM REGISTRATION NUMBER	CVM/SRE/DEB/2004/033
4 - DATE OF REGISTRATION WITH CVM	09/17/2004
5 - ISSUED SERIES	3
6 - TYPE OF ISSUE	SIMPLE
7 - NATURE OF ISSUE	PUBLIC
8 - ISSUE DATE	09/01/2004
9 - DUE DATE	09/01/2010
10 - TYPE OF DEBENTURE	WITHOUT PREFERENCE
11 - REMUNERATION CONDITIONS	IGPM + 11%
12 - PREMIUM/DISCOUNT	
13 - NOMINAL VALUE (reais)	1,191.01
14 - AMOUNT ISSUED (Thousand of reais)	214,286
15 - DEBENTURES ISSUED (Units)	179,920
16 - OUTSTANDING SECURITIES (Units)	179,920
17 - TREASURY DEBENTURES (Units)	0
18 - SURRENDERED DEBENTURES (Units)	0
19 - CONVERTED DEBENTURES (Number)	0
20 - DEBENTURES TO PLACE (Number)	0
21 - DATE OF LAST NEGOTIATION	
22 - DATE OF NEXT EVENT	09/01/2007

01.01 - IDENTIFICATION

1 - CVM CODE 01444-3	2 - COMPANY'S NAME CIA SANEAMENTO BÁSICO SÃO PAULO ESTADO	3 -CNPJ 43.776.517/0001-80
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10.01 - CHARACTERISTICS OF THE PUBLIC OR PRIVATE ISSUE OF DEBENTURES

1 - ITEM	04
2 - ORDER NUMBER	7
3 - CVM REGISTRATION NUMBER	CVM/SRE/DEB/2005/006
4 - DATE OF REGISTRATION WITH CVM	03/10/2005
5 - ISSUED SERIES	1
6 - TYPE OF ISSUE	SIMPLE
7 - NATURE OF ISSUE	PUBLIC
8 - ISSUE DATE	03/01/2005
9 - DUE DATE	03/01/2009
10 - TYPE OF DEBENTURE	WITHOUT PREFERENCE
11 - REMUNERATION CONDITIONS	DI + 1.5%
12 - PREMIUM/DISCOUNT	
13 - NOMINAL VALUE (reais)	1,044.35
14 - AMOUNT ISSUED (Thousand of reais)	208,870
15 - DEBENTURES ISSUED (Units)	200,000
16 - OUTSTANDING SECURITIES (Units)	200,000
17 - TREASURY DEBENTURES (Units)	0
18 - SURRENDERED DEBENTURES (Units)	0
19 - CONVERTED DEBENTURES (Number)	0
20 - DEBENTURES TO PLACE (Number)	0
21 - DATE OF LAST NEGOTIATION	
22 - DATE OF NEXT EVENT	09/01/2007

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01.01 - IDENTIFICATION

1 - CVM CODE 01444-3	2 - COMPANY'S NAME CIA SANEAMENTO BÁSICO SÃO PAULO ESTADO	3 - CNPJ 43.776.517/0001-80
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10.01 - CHARACTERISTICS OF THE PUBLIC OR PRIVATE ISSUE OF DEBENTURES

1 - ITEM	05
2 - ORDER NUMBER	7
3 - CVM REGISTRATION NUMBER	CVM/SRE/DEB/2005/007
4 - DATE OF REGISTRATION WITH CVM	03/10/2005
5 - ISSUED SERIES	2
6 - TYPE OF ISSUE	SIMPLE
7 - NATURE OF ISSUE	PUBLIC
8 - ISSUE DATE	03/01/2005
9 - DUE DATE	03/01/2010
10 - TYPE OF DEBENTURE	WITHOUT PREFERENCE
11 - REMUNERATION CONDITIONS	IGPM + 10.8%
12 - PREMIUM/DISCOUNT	
13 - NOMINAL VALUE (reais)	1,095.19
14 - AMOUNT ISSUED (Thousand of reais)	109,519
15 - DEBENTURES ISSUED (Units)	100,000
16 - OUTSTANDING SECURITIES (Units)	100,000
17 - TREASURY DEBENTURES (Units)	0
18 - SURRENDERED DEBENTURES (Units)	0
19 - CONVERTED DEBENTURES (Number)	0
20 - DEBENTURES TO PLACE (Number)	0
21 - DATE OF LAST NEGOTIATION	
22 - DATE OF NEXT EVENT	03/01/2008

10.01 - CHARACTERISTICS OF THE PUBLIC OR PRIVATE ISSUE OF DEBENTURES

1 - ITEM	06
2 - ORDER NUMBER	8
3 - CVM REGISTRATION NUMBER	CVM/SRE/DEB/2005/032
4 - DATE OF REGISTRATION WITH CVM	06/22/2005
5 - ISSUED SERIES	1
6 - TYPE OF ISSUE	SIMPLE
7 - NATURE OF ISSUE	PUBLIC
8 - ISSUE DATE	06/01/2005
9 - DUE DATE	06/01/2009
10 - TYPE OF DEBENTURE	WITHOUT PREFERENCE
11 - REMUNERATION CONDITIONS	DI + 1.5%
12 - PREMIUM/DISCOUNT	
13 - NOMINAL VALUE (reais)	1,009.69
14 - AMOUNT ISSUED (Thousand of reais)	353,391
15 - DEBENTURES ISSUED (Units)	350,000
16 - OUTSTANDING SECURITIES (Units)	350,000
17 - TREASURY DEBENTURES (Units)	0
18 - SURRENDERED DEBENTURES (Units)	0
19 - CONVERTED DEBENTURES (Number)	0
20 - DEBENTURES TO PLACE (Number)	0
21 - DATE OF LAST NEGOTIATION	
22 - DATE OF NEXT EVENT	12/01/2007

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10.01 - CHARACTERISTICS OF THE PUBLIC OR PRIVATE ISSUE OF DEBENTURES

1 - ITEM	07
2 - ORDER NUMBER	8
3 - CVM REGISTRATION NUMBER	CVM/SRE/DEB/2005/033
4 - DATE OF REGISTRATION WITH CVM	06/22/2005
5 - ISSUED SERIES	2
6 - TYPE OF ISSUE	SIMPLE
7 - NATURE OF ISSUE	PUBLIC
8 - ISSUE DATE	06/01/2005
9 - DUE DATE	06/01/2011
10 - TYPE OF DEBENTURE	WITHOUT PREFERENCE
11 - REMUNERATION CONDITIONS	IGPM + 10.75%
12 - PREMIUM/DISCOUNT	
13 - NOMINAL VALUE (reais)	1,051.18
14 - AMOUNT ISSUED (Thousand of reais)	367,913
15 - DEBENTURES ISSUED (Units)	350,000
16 - OUTSTANDING SECURITIES (Units)	350,000
17 - TREASURY DEBENTURES (Units)	0
18 - SURRENDERED DEBENTURES (Units)	0
19 - CONVERTED DEBENTURES (Number)	0
20 - DEBENTURES TO PLACE (Number)	0
21 - DATE OF LAST NEGOTIATION	
22 - DATE OF NEXT EVENT	06/01/2008

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16.01 - OTHER INFORMATION DEEMED BY THE COMPANY TO BE RELEVANT SUPPLEMENTARY**1. EVOLUTION OF SHAREHOLDER INTEREST BY THE CONTROLLING SHAREHOLDER, DIRECTORS AND EXECUTIVE OFFICERS FROM 06/30/2006 TO 06/30/2007**

	Position as of 06/30/2006		New members	Changes in Common Shares	Left the Company ON Shares	Position as of 06/30/2007	
	Number of Shares	%				Number of Shares	%
Shareholders							
Controlling shareholder	14,313,511,867	50.3				114,508,087*	50.3
Directors	758,485		7	158,475**	(16)	4,808*	
Executive Officers							
Members of the Audit Committee	1			1***		-	
Outstanding shares	14,165,307,475	49.7				113,323,728*	49.7
Total shares	28,479,577,827	100.0	7	158,476	(16)	227,836,623*	100.0

* Difference resulting from the reverse shares split occurred in June/2007.

** Difference resulting from the transaction of 158,468 shares of a Board Member and the change in the

composition of members of the Board of Administration, in the Special Shareholders Meeting of 01/16/2007 and General Shareholders Meeting of 04/30/2007.

*** Board member had one share before the reverse share split, to which he did not adhere to.

2. STOCK POSITION AS OF 06/30/2007

	Common Shares	%
Shareholders holding more than 5% of shares		
State of São Paulo Department of Finance	114,508,087	50.3

	Common Shares	%
Shareholders		
CONTROLLING SHAREHOLDER	114,508,087	50.3
MANAGEMENT		
Board of Directors	4,808	
Board of Executive Officers	-	
Statutory Audit Committee	-	
TREASURY SHARES	-	
TOTAL	227,836,623	100.0
OUTSTANDING SHARES	113,323,728	49.7

3. ARBITRATION COMMITMENT CLAUSE

The Company and its shareholders, the officers and members of the Fiscal Council undertake to resolve, by means of arbitration, any and all dispute and controversy that arises between them, related or resulting, specially, from the application, validity, effectiveness, interpretation, violation and their effects, of the provisions contained in the Corporation Law, the Company's By-Laws, the norms enacted by the National Monetary Council, by the Central Bank of Brazil and by the Securities and Exchange Commission (CVM), as well as other norms related to the operation of the capital markets in general, in addition to those contained in the Listing Regulation of the New Market. The referred arbitration must be carried out at the Arbitration Chamber of the Market set up by the Sao Paulo Stock Exchange - BOVESPA, in accordance with the Listing Regulation of the New Market, with the observation that the Company's By-Laws contains express exception to the unavailable rights.

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17.01 - SPECIAL REVIEW REPORT

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

INDEPENDENT ACCOUNTANTS REVIEW REPORT

To the Management and Shareholders of
Companhia de Saneamento Básico do Estado de São Paulo - SABESP
São Paulo - SP

1. We have performed a special review of the accompanying interim financial statements of Companhia de Saneamento Básico do Estado de São Paulo - SABESP (the Company), consisting of the balance sheet as of June 30, 2007, the related statements of operations for the quarter and six-month period then ended and the performance report, all expressed in Brazilian reais and prepared in accordance with Brazilian accounting practices under the responsibility of the Company's management.
2. Our review was conducted in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, and consisted principally of: (a) inquiries of and discussions with certain officials of the Company who have responsibility for accounting, financial and operating matters about the criteria adopted in the preparation of the interim financial statements; and (b) review of the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company.
3. Based on our special review, we are not aware of any material modifications that should be made to the interim financial statements referred to in paragraph 1 for them to be in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of mandatory interim financial statements.
4. Our review was conducted for the purpose of issuing a review report on the interim financial statements referred to in paragraph 1 taken as a whole. The accompanying statements of cash flows for the six-month periods ended June 30, 2007 and 2006 are presented for purposes of additional analysis and are not a required part of the basic interim financial statements. Such information has been subjected to the review procedures described in paragraph 2 and, based on our special review, we are not aware of any material modifications that should be made for it to be fairly presented, in all material respects, in relation to the interim financial statements for the six-month periods ended June 30, 2007 and 2006 taken as a whole.
5. As mentioned in Note 5 to the interim financial statements, the Company is negotiating with the State of São Paulo Government the reimbursement of the amounts for supplementary retirement and pension paid by the Company and the future flow of these payments to be reimbursed by the State of São Paulo Government.

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6. We have previously reviewed the balance sheet as of March 31, 2007 and the statements of operations for the quarter and six-month period ended June 30, 2006, presented for comparative purposes, and issued unqualified review reports thereon, containing emphasis-of-matter paragraphs similar to the matter described in paragraph 5, dated May 15, 2007, except for Note 20 as to which the date is June 21, 2007, and August 14, 2006, respectively.

7. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, August 9, 2007

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Marco Antonio Brandão Simurro
Engagement Partner

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01.01 - IDENTIFICATION

1 - CVM CODE 01444-3	2 - COMPANY'S NAME CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO	3 -CNPJ 43.776.517/0001- 80
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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city São Paulo, Brazil.

Date: August 16, 2007

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

By: /S/ Rui de Britto Álvares Affonso

Name: Rui de Britto Álvares Affonso

Title: Chief Financial Officer and Investor Relations Officer

FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.
