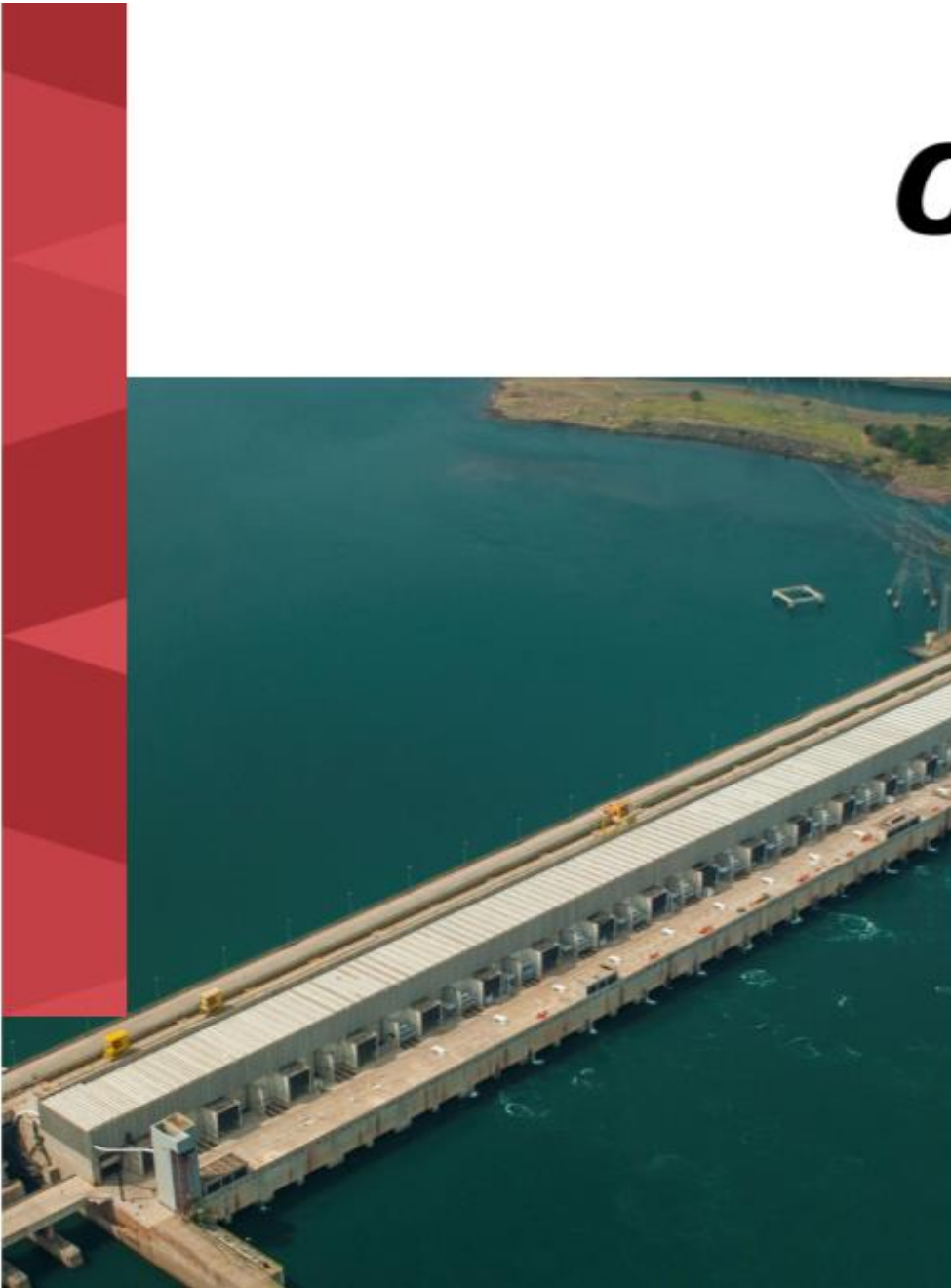


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CESP – COMPANHIA ENERGÉTICA DE SÃO PAULO



CONDENSED PARENT COMPANY AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT SEPTEMBER 30, 2020 AND INDEPENDENT AUDITOR'S REPORT ON REVIEW OF QUARTERLY INFORMATION

(A free translation of the original in Portuguese)

Companhia Energética de São Paulo - CESP

**Quarterly Information (ITR) at
September 30, 2020
and report on review of
quarterly information**



(A free translation of the original in Portuguese)

Report on review of quarterly information

To the Board of Directors and Stockholders
Companhia Energética de São Paulo - CESP

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Companhia Energética de São Paulo - CESP ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2020, comprising the balance sheet as at that date and the statements of operations and comprehensive income (loss) for the quarter and nine-month period then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company and consolidated interim accounting information in accordance with the accounting standard CPC 21 - "Interim Financial Reporting", of the Brazilian Accounting Pronouncements Committee (CPC), and International Accounting Standard (IAS) 34 - "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and ISRE 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.



Companhia Energética de São Paulo - CESP

Emphasis of matter - Indemnification assets

Note 8 to the interim accounting information details that the Company recorded R\$ 1,719,390 thousand as "Indemnification assets", net of provision, receivable from the Federal Government for indemnifications on terminated concession contracts of the Três Irmãos, Jupia, and Ilha Solteira power plants. The Company is seeking redress through the courts to determine the amounts of indemnifiable assets and means of receipt. Our review report is not qualified in respect of this matter.

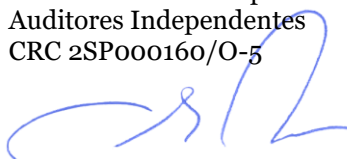
Other matters

Statements of value added

The quarterly information includes the parent company and consolidated statements of value added for the nine-month period ended September 30, 2020. These statements are the responsibility of the Company's management and are presented as supplementary information for the purposes of IAS 34. These statements have been submitted to the same review procedures carried out together with the review of the quarterly information, with the purpose of concluding whether they are reconciled with the interim accounting information and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement Value Added". Based on our review, nothing has come to our attention that causes us to believe that these statements of value added have not been prepared, in all material respects, in accordance with the criteria established in CPC 09 and in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

São Paulo, October 28, 2020

PRICEWATERHOUSECOOPERS
PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5


Carlos Eduardo Guaraná Mendonça
Contador CRC 1SP196994/O-2

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CESP – COMPANHIA ENERGÉTICA DE SÃO PAULO

CONDENSED INTERIM STATEMENT OF OPERATIONS

Periods ended September 30

All amounts in thousands of reais unless otherwise stated

(A free translation of the original in Portuguese)

	Note	Parent company		Consolidated		Parent company		Consolidated	
				Quarters ended				Nine month periods ended	
		9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Net revenue	22	312,308	414,466	470,527	414,466	1,075,069	1,138,461	1,416,599	1,138,461
Cost of electricity services	23	(168,602)	(258,322)	(312,967)	(258,322)	(529,517)	(819,951)	(820,358)	(819,951)
Cost of electricity		(63,514)	(154,259)	(207,879)	(154,259)	(205,865)	(510,714)	(496,706)	(510,714)
Cost of operation		(105,088)	(104,063)	(105,088)	(104,063)	(323,652)	(309,237)	(323,652)	(309,237)
Gross profit		143,706	156,144	157,560	156,144	545,552	318,510	596,241	318,510
Operating income (expenses)	23								
General and administrative		(24,675)	(43,097)	(27,420)	(43,097)	(66,662)	(221,343)	(74,284)	(221,343)
Other operating income, net		11,774	14,069	3,364	14,069	104,446	26,963	118,268	26,963
		(12,901)	(29,028)	(24,056)	(29,028)	37,784	(194,380)	43,984	(194,380)
Operating profit before equity results and finance results		130,805	127,116	133,504	127,116	583,336	124,130	640,225	124,130
Results from equity investments									
Equity in the results of investees		2,005				38,333			
		2,005				38,333			
Finance result, net	24								
Finance income		6,212	9,085	6,550	9,085	23,783	63,173	25,004	63,173
Finance costs		(188,212)	(138,940)	(188,223)	(138,940)	(410,144)	(347,604)	(410,213)	(347,604)
Foreign exchange losses, net			(6,068)	(6,068)	(6,068)		(3,128)		(3,128)
		(182,000)	(135,923)	(181,673)	(135,923)	(386,361)	(287,559)	(385,209)	(287,559)
Profit (loss) before income tax and social contribution		(49,190)	(8,807)	(48,169)	(8,807)	235,308	(163,429)	255,016	(163,429)
Income tax and social contribution	25								
Current		(17,182)		(21,273)		(71,182)		(88,205)	
Deferred		7,847	951	10,917	951	(31,040)	(6,672)	(33,725)	(6,672)
Profit (loss) for the period		(58,525)	(7,856)	(58,525)	(7,856)	133,086	(170,101)	133,086	(170,101)
Basic earnings (loss) per thousand shares, in reais		(0.18)	(0.02)	(0.18)	(0.02)	0.41	(0.52)	0.41	(0.52)

The accompanying notes are an integral part of these condensed interim financial statements.

CESP – COMPANHIA ENERGÉTICA DE SÃO PAULO

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Periods ended September 30

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Quarters ended		Parent company and Consolidated	
				Nine month periods ended	
		9/30/2020	9/30/2019	9/30/2020	9/30/2019
Profit (loss) for the period		(58,525)	(7,856)	133,086	(170,101)
Other components of comprehensive loss to be subsequently reclassified to profit or loss					
Operating hedge accounting	21.5	10,601	1,847	(149,168)	1,847
Other components of comprehensive income that will not be reclassified to profit or loss					
Adjustment of post-employment benefits - CPC 33 (R1)	13		2,519		6,885
Total comprehensive loss for the period		(47,924)	(3,490)	(16,082)	(161,369)

The accompanying notes are an integral part of these condensed interim financial statements.

CESP – COMPANHIA ENERGÉTICA DE SÃO PAULO

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

Nine month periods ended September 30

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Share capital (Note 21.1)	Capital reserves (Note 21.2)	Revenue reserves (Note 21.3)	Carrying value adjustments (Note 21.4)	Other comprehensive income (Note 21.5)	Retained earnings	Total equity
At January 1, 2019		5,975,433	1,929,098	554,588	(976,752)	(380,301)		7,102,066
Realization of carrying value adjustment (depreciation)					18,274		(18,274)	
Loss for the period							(170,101)	(170,101)
Operating hedge accounting						1,847		1,847
Adjustment of post-employment benefits - CPC 33 (R1)	13					6,885		6,885
At September 30, 2019		5,975,433	1,929,098	554,588	(958,478)	(371,569)	(188,375)	6,940,697
At January 1, 2020		5,975,433	1,929,098	1,084,883	(948,623)	(895,886)		7,144,905
Realization of carrying value adjustment (depreciation)					30,804		(30,804)	
Profit for the period							133,086	133,086
Operating hedge accounting	21.5					(149,168)		(149,168)
At September 30, 2020		5,975,433	1,929,098	1,084,883	(917,819)	(1,045,054)	102,282	7,128,823

The accompanying notes are an integral part of these condensed interim financial statements.

CESP – COMPANHIA ENERGÉTICA DE SÃO PAULO

CONDENSED INTERIM STATEMENT OF CASH FLOWS

Nine month periods ended September 30

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		9/30/2020	9/30/2019	9/30/2020	9/30/2019
Cash flow from operating activities					
Profit (loss) before income tax and social contribution		235,308	(163,429)	255,016	(163,429)
Adjustments to items that do not represent changes in cash and cash equivalents					
Depreciation and amortization	23	295,479	267,420	295,647	267,420
Equity in the results of investees		(38,333)			
Interest and indexations	12.3	69,321	112,861	69,321	112,861
Recognition of borrowing costs	12.3	16,751	2,355	16,751	2,355
Present value adjustment of leases		218	146	218	146
Provision (reversal) for legal claims	18	(129,240)	(7,488)	(129,240)	(7,488)
Indexation of provision for legal claims	18	226,443	225,710	226,443	225,710
Reversal of provision for impairment of storeroom supplies	23	(66)	(7,789)	(66)	(7,789)
Premium on renegotiation of hydrological risk	23.1	12,554	11,266	12,554	11,266
Disposal of property, plant and equipment	9	541	1,062	541	1,062
Indexation of judicial deposits	24	(6,709)	(9,502)	(6,709)	(9,502)
Judicial deposits write-off	23 and 24	68,713		68,713	
Present value adjustment - Use of public assets	16	6,138	3,777	6,138	3,777
Provision for impairment of trade receivables	23		364		364
Reversal of PIS/COFINS on Indexation of judicial deposits	23	(464)	122	(464)	122
Operating hedge accounting	26.5	48,233	2,798	79,558	2,798
Indexation of post-employment benefits	13	44,351	10,116	44,351	10,116
Electric power futures contracts	20			(13,836)	
Present value adjustment of social and environmental obligations	24	6,512		6,512	
		855,750	449,789	931,448	449,789
Decrease (increase) in assets					
Trade receivables	4	29,325	58,140	(38,563)	58,140
Taxes recoverable	5	(6,571)	54,891	(12,760)	54,891
Storeroom supplies		1,636	7,031	1,636	7,031
Prepaid expenses		(4,502)	(5,913)	(4,502)	(5,913)
Collaterals and judicial deposits		13,236	294	13,236	294
Derivative financial instruments		(37,202)	(2,704)	(63,112)	(2,704)
Other assets		(1,431)	20,021	(1,132)	20,021
Increase (decrease) in liabilities					
Trade payables		(2,683)	(4,049)	(2,661)	(4,049)
Taxes payable		1,290	10,228	12,335	10,228
Payments to pension fund entities	13	(349)	(3,231)	(349)	(3,231)
Sector charges	15	(1,161)	(49,634)	(1,161)	(49,634)
Payments of legal claims	18	(52,495)	(177,126)	(52,495)	(177,126)
Social and environmental obligations		(6,865)		(6,865)	
Payments of use of public assets	16	(18,289)		(18,289)	
Estimated obligations and payroll		(1,732)	(2,849)	(958)	(2,849)
Other liabilities		(68,216)	70,480	(68,235)	70,480
Electricity purchased for resale	11	(26,650)	(129,597)	27,078	(129,597)
Cash from operations		673,091	295,771	714,651	295,771
Interest paid on borrowings and debentures	12.3	(57,595)	(70,870)	(57,595)	(70,870)
Income tax and social contribution paid		(41,022)		(55,511)	
Net cash provided by operating activities		574,474	224,901	601,545	224,901
Cash flow from investing activities					
Acquisitions of investments			(1,000)		(1,000)
Acquisitions of property, plant and equipment	9	(7,582)	(4,368)	(7,582)	(4,368)
Acquisitions of intangible assets	10	(2,511)	(177)	(2,511)	(177)
Grant payment	10		(1,398,703)		(1,398,703)
Net cash used in investment activities		(10,093)	(1,404,248)	(10,093)	(1,404,248)
Cash flow from financing activities					
New borrowings, net of borrowing costs	12.3	1,450,167	1,777,982	1,450,167	1,777,982
Repayment of borrowing	12.3	(1,500,033)	(171,005)	(1,500,033)	(171,005)
Repayment of leasing contracts		(793)	(487)	(793)	(487)
Dividends paid		(409,644)	(297,164)	(409,644)	(297,164)
Net cash provided by (used in) financing activities		(460,303)	1,309,326	(460,303)	1,309,326
Increase in cash and cash equivalents		104,078	129,979	131,149	129,979
Cash and cash equivalents at the beginning of the period		690,276	410,886	741,444	410,886
Cash and cash equivalents at the end of the period		794,354	540,865	872,593	540,865

The accompanying notes are an integral part of these condensed interim financial statements.

CESP – COMPANHIA ENERGÉTICA DE SÃO PAULO

CONDENSED INTERIM STATEMENT OF VALUE ADDED

Nine month periods ended September 30

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		9/30/2020	9/30/2019	9/30/2020	9/30/2019
Generation of value added					
Gross revenue	22	1,243,194	1,333,413	1,622,023	1,333,413
Estimated loss on doubtful accounts	23		(364)		(364)
		1,243,194	1,333,049	1,622,023	1,333,049
Inputs					
Electricity purchased	23	205,865	510,714	496,706	510,714
Outsourced services		19,095	34,733	19,901	34,733
Materials		857	3,701	1,239	3,701
Other operating costs		8,405	7,623	8,405	7,623
		234,222	556,771	526,251	556,771
Gross value added		1,008,972	776,278	1,095,772	776,278
Retentions					
Depreciation and amortization	23	295,479	267,420	295,647	267,420
Electric power futures contracts	23			(13,836)	
		295,479	267,420	281,811	267,420
Net value added generated by the Company		713,493	508,858	813,961	508,858
Value added received through transfers					
Finance income	24	23,783	63,173	25,004	63,173
Foreign exchange gains (losses), net	24		(3,128)		(3,128)
Post-employment benefits	23	366	(10,116)	366	(10,116)
Equity in the results of investees		38,333			
Taxes recovery	23	12,268		12,268	
Deferred income tax and social contribution	25	(31,040)	(6,672)	(33,725)	(6,672)
		43,710	43,257	3,913	43,257
Other					
Reversal of provision for legal claims	23	129,240	7,488	129,240	7,488
Legal claims expenses		(46,806)		(46,806)	
Reversal of provision for impairment of storeroom supplies		66	7,789	66	7,789
Reversal of PIS/COFINS on monetary restatement of judicial deposits		464	(122)	464	(122)
Insurance		(4,892)	(1,584)	(4,892)	(1,584)
Other income (expenses), net		6,396	6,490	5,848	6,490
		84,468	20,061	83,920	20,061
Total value added to distribute		841,671	572,176	901,794	572,176
Distribution of value added					
Personnel					
Payroll		50,592	185,922	56,078	185,922
Compensation of key management personnel	19	3,721	1,168	3,721	1,168
		54,313	187,090	59,799	187,090
Lenders and leases					
Interest and debt charges	24	69,321	112,088	69,321	112,088
Other finance costs	24	340,823	235,516	340,892	235,516
Rentals	23	1,337	1,559	1,364	1,559
		411,481	349,163	411,577	349,163
Intrasectoral - Regulatory charges					
Financial compensation for use of water resources - CFURH	22	34,515	35,956	34,515	35,956
Global Reserve for Reversion - RGR		1,910	25,460	1,910	25,460
Research and Development - R&D		10,293	11,393	10,293	11,393
Electric energy service inspection charge - TFSEE		3,343	2,783	3,343	2,783
		50,061	75,592	50,061	75,592
Taxes and contributions					
Federal		192,665	130,331	247,206	130,331
State	22	65	101	65	101
		192,730	130,432	247,271	130,432
Stockholders					
Profit (loss) for the period		133,086	(170,101)	133,086	(170,101)
		133,086	(170,101)	133,086	(170,101)
Value added distributed		841,671	572,176	901,794	572,176

The accompanying notes are an integral part of these condensed interim financial statements.

OPERATING REVENUES

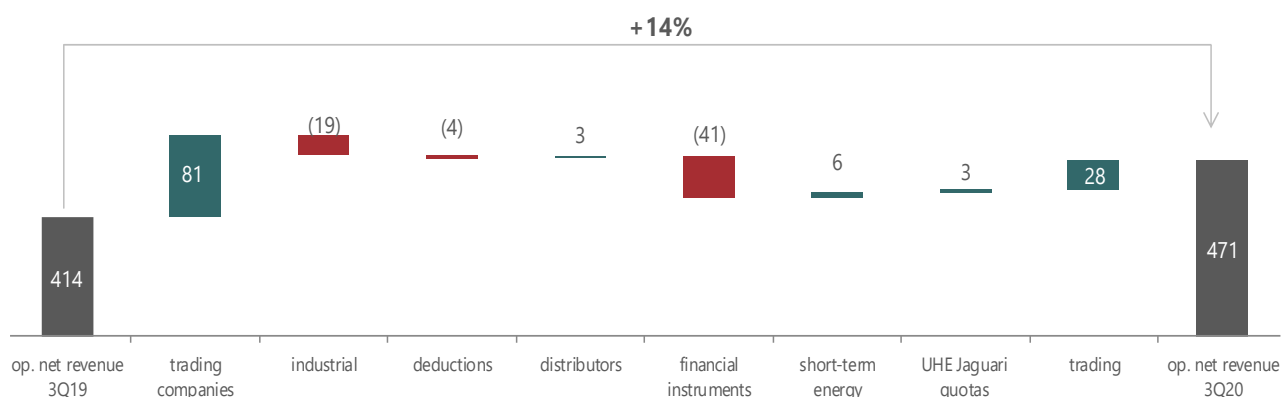
Net Operating Revenues in 3Q20 amounted to BRL471 million, up by BRL56 million (+14%) against BRL414 million in 3Q19, mainly due to:

- **Trading companies:** Increase of BRL81 million mainly from: (i) contractual conditions previously agreed with the counterparties (seasonality of the energy sold); (ii) settlement of the balance in the CCEE, in the amount of approximately BRL13 million and (iii) adjustments of contracts indexed to the US dollar.
- **Trading:** beginning of the trading operations by CESP Trading Company, with revenues of BRL28 million in 3Q20,
- **Short-term energy:** Increase of BRL6 million due to the new strategy for equalizing the Company’s energy balance, combined with optimum management of CCEE receivables in view of systemic default.
- **Distributors:** Increase of BRL3 million due to contractual adjustment clause.

These effects were partially compensated by:

- **Derivative Instruments:** Decrease of BRL41 million as a result of the settlement of derivative financial instruments contracted to hedge exchange rate exposure of free market contracts, which are indexed to the US dollar.
- **Industrial:** Decrease of BRL19 in sales volume, due to contractual conditions previously agreed with the counterparties (flexibility, seasonality and renegotiations).

Net Operating Revenues 3Q19 vs. 3Q20 (BRL million)



OPERATING COSTS AND EXPENSES

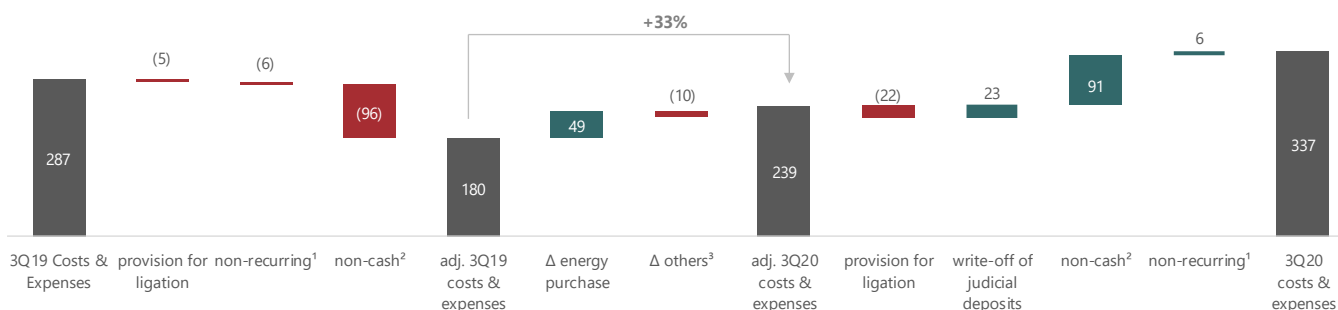
The operating costs and expenses amounted to BRL337 million in 3Q20 compared to BRL287 million recorded in 3Q19, 17% growth in the comparison between the periods.

In both quarters, there were non-recurring and non-cash effects as described below:

- **Reversal of provision for litigation:** A provision of BRL22 million was reversed in 3Q20, line with our strategy to continuously review risk forecasts for court cases and amounts under discussion, to supplement the procedural strategy for reducing contingent liabilities. A provision of BRL5 million was set up in 3Q19.
- **Voluntary Dismissal Program:** In 3Q20, there was non-recurring expense impact at BRL6 million related a medical expense of CESP’s Voluntary Dismissal program (“PDV”) 2019 and new voluntarily signed agreements.
- **Write-off of judicial deposits:** In 3Q20, expense of BRL23 million were recognized regarding the write-off of court deposits to counterparties. These expenses were not recorded at that time, and they were identified upon reconciliation of court deposits. It is important to note that the recording of these deposits was the result of improvements in the analysis of contingent liabilities and court deposits corresponding to the proceedings.
- **Non-cash effects:** It includes depreciation/amortization, warehouse provisions and marking-to-market of energy futures. In 3Q20, the non-cash amount was BRL91 million explained by the depreciation of BRL 95 million plus marking-to-market of trading contracts in the amount of BRL 8 million, partially compensated by the recognition of BRL 12 million extemporaneous credits of PIS/COFINS on inputs from 2015. In 3Q19, the non-cash effects amounted to BRL96 million explained by the value of depreciation and amortization in the period.

Excluding the non-recurring and non-cash effects, the operating costs and expenses in 3Q20 totaled BRL239 million, up by 33% increase compared to 3Q19, when BRL180 million were reported.

Cost and Expenses 3Q20 vs. 3Q19 (BRL million)



(1) PDV expenses considered | (2) Depreciation/amortization and provision (reversal) for impairment of warehouses, provision for PIS/COFINS on judicial deposits and market marking of future energy contracts considered. | (3) Costs of purchased energy not considered.

- **Energy purchases :** Increase of 40% against 3Q19, as a result of seasonality strategy with less allocation of physical guarantee in 3Q20 vs. 3Q19 and increased sales volume allocated in

CESP

PERFORMANCE COMMENTS

Periods ended September 30

3Q20 vs. 3Q19, in line with the energy balance strategy. In the 3Q20, 355 average MW were acquired, 53% above the volume of 3Q19 (232 average MW) at an average price of BRL213/MWh, 8% lower than last year's price.

It is important to note that the Company took various measures to gain operating efficiency and rationalize its costs and expenses.

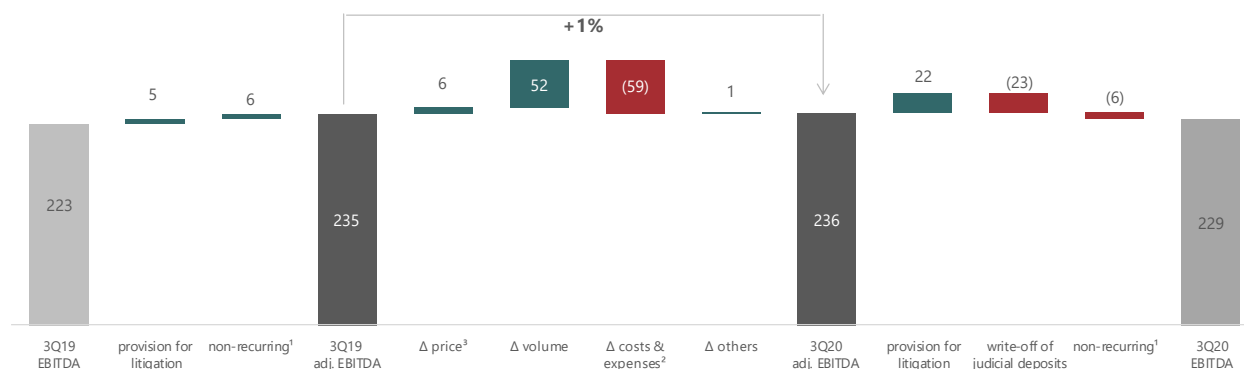
- **Personnel and Management** Reduction by 22% due to a fall of approximately 50% in staff, and changes in professional profiles, as well as reformulation of targets, performance assessment, development and professional training, management recognized for the second consecutive year with seal the Great Place to Work – GPTW label.
- **Third-party services, materials and rents:** Fall of 37% due to renegotiation of contracts and review of processes, enabling efficiency gains in costs and operations.

EBITDA

CONSOLIDATED EBIT / EBITDA BRL thousand	3Q20	3Q19	Chg. (%)	9M20	9M19	Chg. (%)
Net Income	(58,525)	(7,856)	n.m.	133,086	(170,101)	n.m.
Net IR/CSLL	10,356	(951)	n.m.	121,930	6,672	n.m.
Financial Result	181,673	135,923	34%	385,209	287,559	34%
= EBIT	133,504	127,116	5%	640,225	124,130	n.m.
Depreciation / amortization	95,376	96,289	-1%	295,647	267,420	11%
EBITDA	228,880	223,405	2%	935,872	391,550	139%
VDP - Voluntary Dismissal Program	5,961	5,955	0%	5,961	110,746	-95%
Reversal of provision for litigation	(22,052)	5,259	n.m.	(129,240)	(7,488)	n.m.
Write-off of judicial deposits	23,163	-	n.m.	46,806	-	n.m.
Adjusted EBITDA	235,952	234,619	1%	859,399	494,808	74%
Adjusted EBITDA margin	50%	57%	-6 p.p.	61%	43%	17 p.p.

Adjusted EBITDA amounted to BRL236 million in 3Q20 with 50% margin in line with the same period in 2019. The increase in the net revenues was partially compensated by the increase in the energy purchase cost.

EBITDA 3Q19 vs. 3Q20 (BRL million)



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PERFORMANCE COMMENTS

Periods ended September 30

(1) PDV expenses considered | (2) Non-cash items not considered: provision for PIS/COFINS judicial deposits and market marking of future energy contracts | (3) derivative financial instruments considered.

FINANCIAL INCOME

Financial Income – BRL thousand	3Q20	3Q19	Var. (%)	9M20	9M19	Var. (%)
Financial Revenues	6,550	9,085	-28%	25,004	63,173	-60%
Financial Expenses	(188,223)	(145,008)	30%	(410,213)	(350,732)	17%
Debt charges	(22,954)	(37,522)	-39%	(69,321)	(112,088)	-38%
Provision for litigation	(110,651)	(96,237)	15%	(226,443)	(225,710)	0%
Write-off of judicial deposits	(5,874)	-	n.m.	(21,907)	-	n.m.
Exchange variation, net	-	(6,068)	n.m.	-	(3,128)	n.m.
Other financial expenses	(48,744)	(5,181)	n.m.	(92,542)	(9,806)	n.m.
Financial income	(181,673)	(135,923)	34%	(385,209)	(287,559)	34%

The net financial income in 3Q20 recorded expenses at BRL182 million compared to the expenses of BRL136 million in 3Q19. The 34% increase in the quarter comparison can be explained mainly by:

- **Other financial expenses:** Increase by BRL44 million due to: (i) the adjustment of the balance of actuarial liabilities (CPC 33) in the amount of BRL15 million, (ii) payment of the prepaid settlement premium of the 11th Debenture at the amount of BRL11 million.
- **Update of the litigation provision balance:** Increase by BRL14 million, due to the update of the provision balance for litigation mainly with IGPM as index.
- **Write-off of judicial deposits:** Expenses of BRL6 million on the reversal of monetary adjustments of court deposits received by the counterparties.
- **Financial revenues:** Reduction of BRL3 million as a result of lower levels of CDI, to which the Company's investments are indexed.

The items above were partially offset by:

- **Debt charges:** Reduction of BRL15 million as a result of lower levels of CDI, to which the Company's investments are indexed.

INCOME TAX (IR) AND SOCIAL CONTRIBUTION (CSLL)

IR and CSLL ("taxes") amount for the year include current and deferred taxes. Taxes are calculated on an accrual basis, according to the legislation in effect. The Company adopts the annual taxable income regime, with payments based on monthly estimates, which may result in a mismatch between the payment and the calculation of the taxes, being adjusted in the annual calculations of IR and CSLL.

CESP

PERFORMANCE COMMENTS

Periods ended September 30

Deferred tax assets arising from tax losses and deductible temporary differences are recorded based on the probability that future taxable income will be available and may be used. Their recognition is based on an impairment test, as provided for in CVM Instruction 371/2002.

The Company and its subsidiary have a balance of BRL1,096 million referring to deferred tax assets on tax loss and negative basis and temporary differences recorded in its balance sheet on September 30, 2020.

IR and CSLL expenses in 3Q20 were BRL10 million, namely BRL21 million related to current IR and CSLL and reversal of BRL11 million related to the deferred taxes. The value paid for taxes in 3Q20, calculated by estimation, was BRL24 million (cash) and the effective tax rate for the period was 21%.

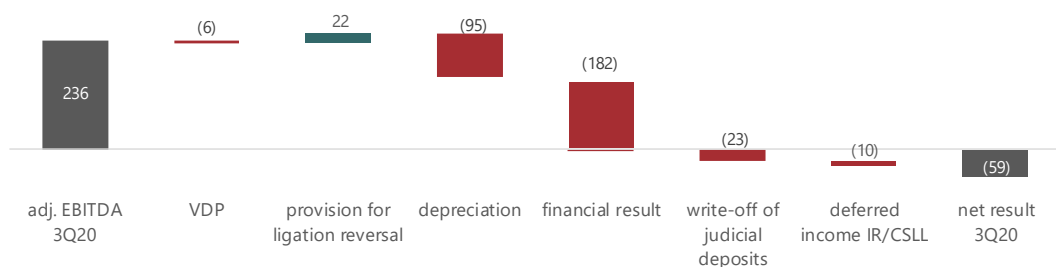
It is important to highlight that CESP has a tax loss to be offset in the amount of BRL3 billion, of which BRL 372 million has already been recorded in the Company's balance sheet as a deferred tax at a rate of 34%, which can be offset through the realization of results.

There is also a BRL 2.6 billion tax loss, not recorded in the financial statements (off-balance), which may be recognized as deferred tax to be offset, as soon as its realization is envisaged.

Additionally, tax losses may be offset in each reporting period at the limit of 30% of the actual or taxable income = EBT (earnings before taxes) +/- temporary and permanent adjustments.

NET RESULT

The net income in 3Q20 was loss of BRL59 million compared to the loss of BRL8 million in 3Q19. The graphic below shows the main factors that influenced the net income in 3Q20, based on



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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT SEPTEMBER 30, 2020

All amounts in thousands of reais unless otherwise stated

1. General information

1.1 Operations

CESP - Companhia Energética de São Paulo ("CESP" or "the Company") is a publicly held corporation headquartered in the city of São Paulo. The Company's controlling shareholder is VTRM Energia Participações S.A. ("VTRM"). Together with its subsidiary CESP Comercializadora de Energia ("CESP Comercializadora"), its main activities are the planning, construction and operation of power generation systems and power trading. It carries other complementary operational activities, such as forestation, reforestation and fish farming, as a means of protecting environments modified by the construction of its hydro dams and facilities.

The Company's shares are traded on B3 S.A. - Brasil, Bolsa, Balcão ("B3") and, since July 28, 2006, they have been traded on B3's Corporate Governance Level 1. The Company's Management continuously seeks to enhance information provided, according to the best market practices.

The Company is included in the IBra, IBRX 100, IEE, IGCT, ICG, ITAG and UTIL indexes.

The Company currently has two hydroelectric power plants that operate under a price regime, and one which operates under a quota regime (Note 1.2 (c)), with a total installed capacity of 1,655 MW and mean physical guarantee of 948 MW.

The Company's classification was changed from a power generation utility under public concession to an independent power generation concession holder upon executing a new concession agreement for the Engenheiro Sérgio Motta Hydroelectric Power Plant (Porto Primavera) ("HPP Porto Primavera"), which extended the concession period to 2049. It continues to be regulated and supervised by the National Electric Energy Agency ("ANEEL"), linked to the Ministry of Mines and Energy ("MME"). The operations of its plants are integrated with the National Operator of the Electric System ("ONS"). Optimal distribution of power generated by the plant is managed by ONS, as per the table below which shows gross power generation:

Plants	2020				2019			
	1 st Quarter	2 nd Quarter	3 rd Quarter	Accumulated	1 st Quarter	2 nd Quarter	3 rd Quarter	Accumulated
Porto Primavera	2,387,980	2,016,725	2,115,856	6,520,561	2,302,154	2,009,596	2,079,903	6,391,653
Paraibuna	23,401	74,572	135,665	233,638	22,718	56,530	125,780	205,028
Jaguari	3,007	19,510	47,289	69,806	2,710	7,070	31,676	41,456
Total	2,414,388	2,110,807	2,298,810	6,824,005	2,327,582	2,073,196	2,237,359	6,638,137

(*) Data related to power and energy volumes not reviewed by independent auditors

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT SEPTEMBER 30, 2020

All amounts in thousands of reais unless otherwise stated

1.2 Main events occurring during the period ended September 30, 2020

a) Startup of operations of CESP Comercializadora

In January 2020, CESP Comercializadora started its operations in the power trading market, thereby optimizing the management of CESP's energy matrix, its hydrological and market risks and streamlining the Company's commercial strategy.

b) Approval of the proposal for payment of dividends

The Ordinary Shareholders' Meeting held on March 30, 2020 approved Management's proposal for payment of dividends for the year ended December 31, 2019, of R\$ 605,880, to be paid in Brazilian Reais in two installments, the first of R\$ 409,375 on April 22, 2020 and the second of R\$ 196,505 on October 22, 2020. Dividends were paid based on the existing shareholding positions at close of B3's trading session on April 2, 2020 ("the base date"), taking into consideration trades of such shares carried out up to that date, inclusive. The Company's shares were traded on an "ex-dividend" basis as from April 3, 2020, inclusive.

c) Temporary operation of HPP Jaguari

On May 19, 2020, MME published Ordinance No. 218/2020, which defined CESP as the temporary operator of the Jaguari Hydroelectric Power Plant ("HPP Jaguari"), in the physical guarantee quota regime, as of May 21, 2020, until a new concession is awarded to a bidder by the Federal Government. HPP Jaguari, whose physical guarantee represents less than 2% of the Company's total assured energy, now operates pursuant to applicable protocols including for the generation of energy in a quota regime. ANEEL ratified the Annual Initial Generation Revenue ("Initial RAG") of the Jaguari HPP for the cycle ended on June 30, 2020, which resulted in annual net revenue of R\$ 9,032, adjusted yearly for inflation after the end of each cycle, for the next cycle.

d) I-REC certificates

In June 2020, the Company was authorized to issue International Renewable Energy Certificates ("I-RECs") certifying the clean energy origin and environmental traceability of its energy. The certificates can be issued according to the physical guarantee of HPP Porto Primavera, each I-REC being equivalent to 1 MWh.

e) TUST approval

Resolution No. 2,726 of July 14, 2020, established the value of the Charges for Use of the Electricity Transmission System ("TUST"), components of the National Interconnected System in effect from July 1, 2020 to June 30, 2021. The new tariff applied to HPP Porto Primavera is R\$ 8.721/kWh, an increase of 13.4% in relation to the tariff of the previous cycle (R\$ 7.693/kWh).

f) Issuance of debentures

On August 21, 2020, the Company raised R\$ 1,500,000 through the 12th issue of infrastructure debentures, not convertible into shares. The proceeds from this placement were used to prepay part of the 11th issue of simple debentures, which, in turn, were issued on December 19, 2018 to finance the payment of the renewal grant of the concession of HPP Porto Primavera, as well as related expenses. The debentures have a 10-year term and will be amortized in three consecutive annual installments with a 7-year grace period.

g) Effects from the COVID-19 (coronavirus) pandemic

Owing to the COVID 19 pandemic, as declared by the World Health Organization ("WHO"), affecting Brazil and countries worldwide by increasing public health risks and impacting economies, the Company took preventive and risk mitigation measures consistent with guidelines issued by national and international health authorities, seeking to minimize, as far as possible, any detrimental effects on the health and safety of its employees, extended family, partners and communities and to assure the continuity of its operations and business.

Since power generation is an essential activity, the Company has adopted contingency protocols to assure the health of its professionals, safe access to workplaces, respecting recommended distancing and conditions of hygiene and providing access to protective equipment. This has enabled it to fully maintain the operations of its three hydroelectric power plants. Currently, 82% of employees are working from home.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT SEPTEMBER 30, 2020

All amounts in thousands of reais unless otherwise stated

This scenario has been taken into account when making the following estimates for the interim financial statements:

g.1 - Expected credit losses due to COVID-19

A potentially significant risk for the Company from COVID-19 arises from the default of customers and other counterparties in electric energy purchase agreements. Accordingly, the Company maintains regular contact with its main trading partners. The position of the Company's trade receivables at September 30, 2020, adjusted by a provision for impairment of trade receivables, reflects Management's best estimate of the quality and solvency of such receivables.

g.2 - Impairment of tangible and intangible assets

The Company assessed its assets for indicators of impairment from the pandemic and concluded that there is no change to the recoverable amount of its property, plant and equipment and intangible asset.

g.3 - Recoverability of deferred tax assets

The Company and its subsidiary recorded R\$ 1,096,857 for deferred tax assets on income tax and social contribution tax losses and on temporary differences in the balance sheet as at September 30, 2020. The Company maintained the balances at December 31, 2019 and did not identify the need for a provision for impairment.

g.4 - Compliance with obligations assumed with customers and suppliers

Despite the economic effects of the pandemic, there have been no defaults by clients. The few contractual renegotiations in course should not materially affect the Company's results and are structured to preserve the nature of the original contracts. The Company also evaluated its main supply and supplier contracts, and concluded that, despite the pandemic, the contractual obligations are still being fulfilled and there is no evidence or formalization of insolvency or any discontinuity.

g.5 - Compliance with obligations in debt contracts - Covenants

At September 30, 2020, the Company evaluated the covenants contained in debt contracts and concluded that it was in compliance with the required ratios.

The management of the Company's energy balance for this year has been adjusted and the Company is well positioned to meet any potentially unfavorable changes in the GSF (Generation Scaling Factor or MRE's adjustment factor) and significant changes in energy market prices. In addition, CESP currently has a robust cash position and few significant financial obligations falling due over the next two years.

COVID-19 has had no material impact on the operations and settlement of receivables and payables. However, management cannot assert that the operations or results of operations will not be affected in the future by effects arising from the pandemic causing operational risks to the health of its employees and third parties and legal and market restrictions.

2. Presentation of parent company and consolidated financial statements and summary of significant accounting policies

The condensed parent company and consolidated interim financial statements at September 30, 2020 have been prepared in accordance with the accounting pronouncement CPC 21 (R1) - Interim Financial Reporting and the international accounting standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission of Brazil ("CVM"). Accordingly, this quarterly information considers circular letter CVM/SNC/SEP 003 of April 28, 2011, which allows entities to present selected explanatory notes, avoiding duplication of information already disclosed in the annual financial statements.

These financial statements, therefore, do not incorporate all the notes and disclosures required by the standards for the annual financial statements and should be read in conjunction with the annual financial statements at December 31, 2019, available on the Investor Relations page (ri.cesp.com.br) and by consulting companies that are listed on B3, prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and in accordance with the accounting practices adopted in Brazil that follow the pronouncements issued by the Accounting Pronouncements Committee ("CPC").

All applicable information significant to the condensed interim financial statements is disclosed and is consistent with the information utilized by management in the performance of its duties.

The Company's Board of Directors approved the parent company and consolidated condensed interim financial statements for issue on October 28, 2020.

CESP NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT SEPTEMBER 30, 2020

All amounts in thousands of reais unless otherwise stated

2.1 Consolidation

The Company obtained authorization from ANEEL to operate as an electricity-trading agent within the scope of the Power Trading Chamber ("CCEE"), through CESP Comercializadora (Note 1.2 (a)). Upon starting its electricity trading operations in January 2020, the Company now also discloses its consolidated financial statements.

The Company consolidates CESP Comercializadora over which it has control and is exposed or has rights to variable returns from its involvement with the investee and the ability to direct the significant activities of the investee.

Transactions, balances and gains or losses on transactions between the subsidiary and the Company are eliminated.

2.2 Main accounting policies

The condensed interim financial statements were prepared in a manner consistent with the accounting policies disclosed in the annual financial statements for the year ended December 31, 2019.

2.3 New standards, changes and interpretations of standards issued by the CPC and IASB

There were no changes, interpretations or new accounting standards and practices in the period ended September 30, 2020, when compared with the annual financial statements for the year ended December 31, 2019.

2.4 Main accounting judgments and sources of uncertainty in estimates

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There was no change in estimates and assumptions that presented a significant risk, with the probability of causing a material adjustment in the carrying amounts of assets and liabilities for the period ended September 30, 2020 in relation to those detailed in the latest annual financial statements for the year ended December 31, 2019, except for the first time adoption for estimates detailed in Note 20 – Electric power futures contracts.

3. Cash and cash equivalents

	Average rate of remuneration	Parent company		Consolidated	
		9/30/2020	12/31/2019	9/30/2020	12/31/2019
Cash					
Bank deposits		626	286	739	317
Financial investments					
Bank Deposit Certificates ("CDBs")	101,8% of CDI	781,089	630,744	844,069	681,881
Repurchase agreements	81,2% of CDI	12,222	55,390	27,368	55,390
Investment funds	45,3% of CDI	417	3,856	417	3,856
		793,728	689,990	871,854	741,127
		794,354	690,276	872,593	741,444

The increase in the balance of cash and cash equivalents refers mainly to operating activities, partially offset by the payment of dividends.

CESP NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT SEPTEMBER 30, 2020

All amounts in thousands of reais unless otherwise stated

8. Indemnification assets

	Parent company and Consolidated				
	9/30/2020				12/31/2019
	Três Irmãos	Ilha Solteira	Jupiá	Total	Total
Breakdown of indemnification asset					
Indemnification asset	3,529,080	2,165,858	642,318	6,337,256	6,337,256
Impairment adjustment		(1,657,484)	(337,826)	(1,995,310)	(1,995,310)
Contingent asset adjustment	(1,811,718)	(506,346)	(304,492)	(2,622,556)	(2,622,556)
Total provisions	(1,811,718)	(2,163,830)	(642,318)	(4,617,866)	(4,617,866)
Indemnification asset (net)	1,717,362	2,028		1,719,390	1,719,390

Refers to the amount receivable from the Federal Government for the indemnification for concession contracts terminated at the Três Irmãos, Jupiá and Ilha Solteira plants. Note 12 to the financial statements for the year ended December 31, 2019 provides further details. The Company is seeking redress through the courts to determine the amounts of indemnifiable assets and means of receipt. It has recorded the asset balance for the portion management considers not to be controversial. No significant progress made in the period ended September 30, 2020.

9. Property, plant and equipment

9.1 Breakdown

	Parent company and Consolidated				
	Annual average rates %	Total cost	Accumulated depreciation	9/30/2020	12/31/2019
				Net	Net
In operation					
Land	3.3%	273,351	(13,514)	259,837	267,453
Reservoirs, dams and water mains	2.0%	8,054,347	(3,816,552)	4,237,795	4,376,995
Buildings and improvements	2.3%	2,086,009	(1,491,510)	594,499	632,413
Machinery and equipment	2.9%	2,281,171	(1,457,328)	823,843	879,058
Vehicles	5.4%	6,123	(4,586)	1,537	1,778
Furniture and fittings	3.9%	2,888	(971)	1,917	468
Social and environmental costs	10.0%	157,936	(27,639)	130,297	142,142
		12,861,825	(6,812,100)	6,049,725	6,300,307
In progress					
Buildings and improvements		1,541		1,541	1,541
Machinery and equipment		7,804		7,804	2,831
Other		514		514	1,264
		9,859		9,859	5,636
		12,871,684	(6,812,100)	6,059,584	6,305,943

9.2 Changes

	Parent company and Consolidated					
	1/1/2020	Additions	Disposals	Activations	Depreciation	9/30/2020
In operation						
Land	267,453		(441)		(7,175)	259,837
Reservoirs, dams and water mains	4,376,995				(139,200)	4,237,795
Buildings and improvements	632,413		(40)	1,294	(39,168)	594,499
Machinery and equipment	879,058		(53)	524	(55,686)	823,843
Vehicles	1,778				(241)	1,537
Furniture and fittings	468		(7)	1,541	(85)	1,917
Social and environmental costs	142,142				(11,845)	130,297
	6,300,307		(541)	3,359	(253,400)	6,049,725
In progress						
Buildings and improvements	1,541					1,541
Machinery and equipment	2,831	7,313		(2,340)		7,804
Other	1,264	269		(1,019)		514
	5,636	7,582		(3,359)		9,859
	6,305,943	7,582	(541)		(253,400)	6,059,584

	Parent company and Consolidated					
	1/1/2019	Additions	Disposals	Activations	Depreciation	9/30/2019
In operation						
Land	309,281		(19)		(3,989)	305,273
Reservoirs, dams and water mains	3,842,287			111	(141,119)	3,701,279
Buildings and improvements	955,412				(35,051)	920,361
Machinery and equipment	1,244,302		(588)	3,110	(57,078)	1,189,746
Vehicles	2,104				(245)	1,859
Furniture and fittings	1,008		(452)		(58)	498
	6,354,394		(1,059)	3,221	(237,540)	6,119,016
In progress						
Reservoirs, dams and water mains	69			(69)		
Buildings and improvements		1,542				1,542
Machinery and equipment	2,152	1,480		(3,097)		535
Other	2	1,346		(55)		1,293
	2,223	4,368		(3,221)		3,370
	6,356,617	4,368	(1,059)		(237,540)	6,122,386

CESP NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT SEPTEMBER 30, 2020

All amounts in thousands of reais unless otherwise stated

9.3 Deemed cost

9.3.1 Breakdown

Plant	Parent company and Consolidated		
	Property, plant and equipment	Deferred taxes	Equity
HPP Porto Primavera (step down)	(1,418,807)	484,579	(934,228)
HPP Paraibuna	20,000	(7,545)	12,455
HPP Jaguari	6,406	(2,452)	3,954
	(1,392,401)	474,582	(917,819)

9.3.2 Changes

	Parent company and Consolidated		
	Property, plant and equipment	Deferred taxes	Equity
Opening balance at 01/01/2009	3,553,278	(1,208,115)	2,345,163
Realization	(4,992,352)	1,698,566	(3,293,786)
Closing balance at 12/31/2019	(1,439,074)	490,451	(948,623)
Realization in the period (depreciation)	46,673	(15,869)	30,804
Closing balance at 9/30/2020	(1,392,401)	474,582	(917,819)

10. Intangible assets

10.1 Breakdown

	Parent company and Consolidated				
	Annual average rates %	Total cost	Accumulated amortization	9/30/2020	12/31/2019
				Net	Net
In operation					
Software and use license	4.9%	26,048	(18,059)	7,989	11,724
Renegotiation of hydrological risk	8.1%	26,533	(9,998)	16,535	18,101
Use of public assets	3.3%	184,066	(8,827)	175,239	177,468
Grant	3.3%	1,398,304	(67,650)	1,330,654	1,365,678
		1,634,951	(104,534)	1,530,417	1,572,971
In progress					
Software and use license		4,840		4,840	2,329
		4,840		4,840	2,329
		1,639,791	(104,534)	1,535,257	1,575,300

10.2 Changes

	Parent company and Consolidated					
	1/1/2020	Additions	Disposals	Activations	Amortization	9/30/2020
In operation						
Software and use license	11,724				(3,735)	7,989
Renegotiation of hydrological risk	18,101				(1,566)	16,535
Use of public assets	177,468	2,307			(4,536)	175,239
Grant	1,365,678				(35,024)	1,330,654
	1,572,971	2,307			(44,861)	1,530,417
In progress						
Software and use license	2,329	2,511				4,840
	2,329	2,511				4,840
	1,575,300	4,818			(44,861)	1,535,257

	Parent company and Consolidated					
	1/1/2019	Additions	Disposals	Activations	Amortization	9/30/2019
In operation						
Software and use license	15,880		(3)	731	(3,639)	12,969
Renegotiation of hydrological risk	20,166			23	(1,565)	18,624
Use of public assets		181,760			(2,777)	178,983
Grant		1,398,703			(21,369)	1,377,334
	36,046	1,580,463	(3)	754	(29,350)	1,587,910
In progress						
Software and use license	754	177		(754)		177
	754	177		(754)		177
	36,800	1,580,640	(3)		(29,350)	1,588,087

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT SEPTEMBER 30, 2020

All amounts in thousands of reais unless otherwise stated

11. Electricity purchased for resale

	Parent company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Electricity purchased for resale	9,105	33,634	52,470	33,634
Electricity purchased for resale - Related parties (Note 19)		2,121	2,141	2,121
Trading operations			8,222	
	9,105	35,755	62,833	35,755

12. Borrowings and debentures

12.1 Breakdown

Annual financial charges	Parent company and Consolidated							
	9/30/2020			12/31/2019				
	Charges	Current Principal	Non-current Principal	Total	Charges	Current Principal	Non-current Principal	Total
Local currency								
Debentures - 11 th issuance (a) CDI + 1.64% p.y.	3,123	(483)	297,946	300,586	2,969		1,781,123	1,784,092
Debentures - 12 th issuance (a) IPCA + 4.30% p.y.	6,803	(4,984)	1,460,331	1,462,150				
Eletrobras (RGR and IRD) Fixed rate of 5% and 8% p.y.						33		33
	9,926	(5,467)	1,758,277	1,762,736	2,969	33	1,781,123	1,784,125

- (a) On August 21, 2020, the Company raised R\$ 1,500,000 through the 12th issue of infrastructure debentures, not convertible into shares (Note 1.2 (f)). The debentures have a 10-year term from the issue date, that is, August 15, 2030, other than for cases of early maturity in the deed of issue, amortization will occur in three consecutive annual installments in 2028, 2029 and 2030. The nominal unit value is inflation indexed to the National Wide Consumer Price Index ("IPCA"), plus interest on the nominal unit value corresponding to 4.30% per year, based on 252 working days, to be paid in the months of February and August each year

The borrowing costs of the debentures to be appropriated to results over the 10-year contract term was R\$ 49,833.

Proceeds from this issuance were used to prepay part of the 11th issue of debentures; this settlement generated an additional payment of R\$ 11,326 as loan prepayment premium, as well as an appropriation of borrowing cost of R\$ 14,465, both recognized in finance result.

At September 30, 2020, the Company assessed its debt covenants and concluded that it was in compliance with the required ratios. The calculation of the financial ratio linked to the debentures is presented in Note 26.1. The contract determines that the net debt-to-EBITDA ratio must be less than or equal to 3.5.

12.2 Repayment schedule of borrowing and debentures in non-current liabilities

	Local currency
2022	75,000
2023	75,000
2024	75,000
2025	75,000
2026	
2027	
2028	501,590
2029	501,590
2030	501,590
Borrowing costs	(46,493)
	1,758,277

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12.3 Changes in borrowing and debentures

	Parent company and Consolidated
	Local currency
Opening balance at 1/1/2020	1,784,125
New loans	1,500,000
Borrowing costs on new loans	(49,833)
Interest and commissions	69,321
Borrowing costs	2,286
Borrowing costs - Prepayment of 11 th issue of debentures	14,465
Payments - principal	(1,500,033)
Payments - interest	(57,595)
Closing balance at 9/30/2020	1,762,736

	Parent company and Consolidated		
	Local currency	Foreign currency	Total
Opening balance at 1/1/2019	4,754	210,882	215,636
New borrowings	1,800,000		1,800,000
New borrowing costs	(22,018)		(22,018)
Interest and commissions	102,365	7,368	109,733
Borrowing costs	2,355		2,355
Foreign exchange variation		3,128	3,128
Payments - principal	(3,864)	(167,141)	(171,005)
Payments - interest	(63,329)	(7,541)	(70,870)
Closing balance at 9/30/2019	1,820,263	46,696	1,866,959

13. Post-employment benefits

	Parent company and Consolidated	
	9/30/2020	12/31/2019
Net actuarial obligation	6,709,815	6,665,813
Fair value of plan assets	(5,866,462)	(5,866,462)
Effect of ceiling for recognition of defined benefit asset	37,644	37,644
Total net liability	880,997	836,995

13.1 Changes in actuarial liabilities

	Parent company and Consolidated	
	9/30/2020	12/31/2019
Opening balance	836,995	
Current service cost	(366)	10,116
Interest cost on the obligation	44,717	
Contributions paid	(349)	(3,231)
Actuarial (gains) / losses		(6,885)
Closing balance	880,997	

13.2 Actuarial income (expenses)

The estimated actuarial expenses for 2020 are shown below, based on the 2019 actuarial appraisal:

	Parent company and Consolidated			
	BSPS	DB	VC	2020 Total
Current service cost		(667)	178	(489)
Interest cost on the obligation	388,022	63,703	9,082	460,807
Expected return on plan assets	(330,368)	(66,705)	(6,807)	(403,880)
Expense/(Income) on the "asset ceiling"		2,695		2,695
Estimated (income)/expense for the year	57,654	(974)	2,453	59,133

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14. Taxes payable

	Parent company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Income tax - IRPJ	26,184		29,105	20
Social Contribution on net income - CSLL	3,974		3,588	12
Withholding taxes	2,182	4,178	2,209	4,178
Social Contribution on revenue - COFINS	14,932	5,464	17,825	5,472
Social Integration Program - PIS	6,462	4,408	7,089	4,409
State tax - ICMS	1,201	9,433	8,740	9,433
Other payable taxes	9	11	9	11
	54,944	23,494	68,565	23,535

The increase in the balances of income tax and social contribution payable reflect the taxable profit in the period ended on September 30, 2020, net of prepayments made on an estimated basis by the Company and its subsidiary.

The increase in the PIS and COFINS balances is due to the postponement of due dates for taxes due to the Federal Revenue, according to ordinances of the Ministry of Economy no. 139 of April 3, 2020 and no. 245 of June 15, 2020, to take account of the effects of the COVID-19 pandemic.

15. Sector charges

	Parent company and Consolidated	
	9/30/2020	12/31/2019
Current		
Global Reserve for Reversion - RGR	149	137
Financial Compensation for Use of Water Resources - CFURH	8,613	8,459
Electric energy service inspection charge - TFSEE	1,233	2,377
Quotas for R&D - FNDCT	872	1,316
Quotas for R&D - MME	441	282
R&D - Projects	83,896	87,036
Electricity network usage charges	19,308	16,066
	114,512	115,673
Noncurrent		
R&D - Projects	12,014	12,014
	12,014	12,014
	126,526	127,687

16. Use of public assets

16.1 Breakdown

	Parent company and Consolidated							
	9/30/2020				12/31/2019			
	Intangible assets (Note 10)	Liabilities		Total	Intangible assets (Note 10)	Liabilities		Total
	Current	Noncurrent		Current	Noncurrent			
Plant								
Porto Primavera	175,239	46,003	131,783	177,786	177,468	29,275	158,355	187,630
	175,239	46,003	131,783	177,786	177,468	29,275	158,355	187,630

The change in the classification between current and noncurrent liabilities between December 31, 2019 and September 30, 2020 reflects the payments to ANEEL from May 2020.

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16.2 Changes

	Parent company and Consolidated			
	Assets		Liabilities	
	Intangible assets (Note 10)	Use of public assets	(-) Present value adjustment	Total
Opening balance at 1/1/2020	177.468	212.308	(24.678)	187.630
Amortization	(4.536)			
Realization of present value adjustment			6.138	6.138
Remeasurement	2.307	1.770	537	2.307
Payments		(18.289)		(18.289)
Closing balance at 9/30/2020	175.239	195.789	(18.003)	177.786

	Parent company and Consolidated			
	Assets		Liabilities	
	Intangible assets (Note 10)	Use of public assets	(-) Present value adjustment	Total
Opening balance at 4/15/2019	181,760	212,308	(30,548)	181,760
Amortization	(2,777)			
Realization of present value adjustment			3,777	3,777
Closing balance at 9/30/2019	178,983	212,308	(26,771)	185,537

17. Other liabilities

	Parent company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Current				
Vivest (Note 19)		564		564
Extrajudicial settlement with the State of MS	5,924	5,440	5,924	5,440
Court settlements - Expropriation payables	10,000	57,346	10,000	57,346
Provision for services	3,325	8,940	3,325	8,940
Down payments	3,103	5,157	3,103	5,157
Provision for education fund expenses	5,579	6,001	5,581	6,001
Other liabilities	2,000	4,590	2,001	4,590
	29,931	88,038	29,934	88,038
Noncurrent				
Extrajudicial settlement with the State of MS	35,874	38,078	35,874	38,078
Global Reserve for Reversion - RGR (amortization/reversal)	5,266	13,709	5,266	13,709
Provision for PIS/COFINS on monetary restatement of judicial deposits	2,718	3,182	2,718	3,182
Other liabilities	542		542	
	44,400	54,969	44,400	54,969
	74,331	143,007	74,334	143,007

18. Provision for legal claims

18.1 Breakdown and changes

At September 30, 2020, legal claims, of varying nature, were assessed and classified according to the economic and financial risk and the consequent likelihood of estimated loss for the Company, as shown below.

	Parent company and Consolidated				
	1/1/2020	Changes			9/30/2020
	Balance	Interest and indexation accruals	Provision / (Reversal)	(-) Payments	Balance
Labor	138,597	11,398	4,182	(33,757)	120,420
Tax	5,435	391	(1,261)	(143)	4,422
Environmental	443,627	33,997	(310,158)	(2,157)	165,309
Civil	1,226,716	180,657	177,997	(16,438)	1,568,932
	1,814,375	226,443	(129,240)	(52,495)	1,859,083

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	Parent company and Consolidated				9/30/2019
	1/1/2019	Changes		9/30/2019	
	Balance	Interest and indexation accruals	Provision / (Reversal)	(-) Payments	Balance
Labor	247,663	17,569	(40,115)	(38,512)	186,605
Tax	5,828	392	505	(301)	6,424
Environmental	189,136	22,096	10,202		221,434
Civil	1,713,535	185,653	21,920	(138,313)	1,782,795
	2,156,162	225,710	(7,488)	(177,126)	2,197,258

The Company, under advice of its legal counsel, reclassified the nature of some lawsuits previously classified as environmental to civil. This reclassification of R\$ 334.172 reflects the reparations which are of a financial nature, without claims for environmental restoration. Management believes this is consistent with the classifications in its financial statements.

The reversal in the period follows the strategy of constant review of projected risks of cash outgoings and of amounts under discussion, in addition to the efforts to reduce contingent liabilities. The change in the provision reflects: (i) revision of the amount attributed to strategic cases resulting from changes linked to the actual progress of the lawsuits that occurred in the period; and (iii) new processes received by the Company.

In relation to contingencies arising from lawsuits assessed as involving a remote unfavorable outcome, the Company has elected to maintain the practice historically adopted in the preparation of its financial statements, disclosing the total amount of the lawsuits corresponding to this type of contingency. However, despite disclosures being consistent, among the various lawsuits being of a remote risk of loss, some claims are clearly unrealistic not necessarily representing the amount that would be due if the Company's defense does not prevail.

Currently, contingencies arising from legal claims, at judicial or administrative level, are classified as follows:

Nature	Likelihood of loss			Total
	Probable	Possible	Remote	
Labor	120,420	52,565	9,384	182,369
Tax	4,422	450,541	152,325	607,288
Environmental	165,309	275,914	574,477	1,015,700
Civil	1,568,932	1,846,749	6,105,177	9,520,858
Total at September 30, 2020	1,859,083	2,625,769	6,841,363	11,326,215
Total at December 31, 2019	1,814,375	2,528,446	7,062,373	11,405,194

19. Related-party transactions

19.1 Breakdown

Companies	Note	Nature of transaction	Assets				Parent company	
			Current	Noncurrent	Current	Noncurrent	9/30/2020	9/30/2019
							Equity	Profit or loss
Votener - Votorantim Comercializadora de Energia Ltda.	4	Purchase and sale of electricity	8,168					55,881
CESP Comercializadora de Energia S.A.	4	Purchase and sale of electricity	6,073					254,070
VTRM Energia Participações S.A.		Dividends payable			78,577			
Votorantim S.A.		Shared services						(2,547)
Winvest		Post-employment benefits	12,034					366
Banco Votorantim		Financial investments and derivative financial instruments	112,360		16,761		(8,253)	(3,279)
			138,635		95,338		(8,253)	304,491

Companies	Note	Nature of transaction	Assets				Consolidated	
			Current	Noncurrent	Current	Noncurrent	9/30/2020	9/30/2019
							Equity	Profit or loss
Votener - Votorantim Comercializadora de Energia Ltda.	4	Purchase and sale of electricity	8,168		2,141			53,939
VTRM Energia Participações S.A.		Dividends payable			78,577			
Votorantim S.A.		Shared services						(2,647)
Winvest		Post-employment benefits	12,034					366
Banco Votorantim		Financial investments and derivative financial instruments	112,360		50,486	7,446	(33,641)	(5,982)
			132,562		131,204	7,446	(33,641)	45,676

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			Parent company and Consolidated					
			12/31/2019		9/30/2019			
Companies	Note	Nature of transaction	Assets		Liabilities		Profit or loss	
			Current	Noncurrent	Current	Noncurrent	Equity	Income/ (expense)
Votener - Votorantim Comercializadora de Energia Ltda.	4	Purchase and sale of electricity	3,931		2,121			22,887
VTRM Energia Participações S.A.		Dividends payable			121,176			
SF Ninety Two Participações Societárias S.A.		Dividends payable			121,176			
Votorantim S.A.		Shared services			35,755			
Eletrobras - Centrais Elétricas Brasileiras S.A.	12	Loans			33			(158)
Vivest		Post-employment benefits	8,824		564			(10,133)
Banco Votorantim		Financial investments and derivative financial instruments	8,408	5,743			8,890	78
			21,163	5,743	280,825		8,890	12,674

In 2019, the Company hired consultancy services from Compart Serviços e Assessorias Ltda., a subsidiary of Votorantim S.A., for implementation of SAP ERP. The amount paid in December 2019 was R\$ 1,375 and was booked as an intangible asset in the balance sheet, being amortized together with software.

Banco Votorantim ("BV") was hired by the Company as one of the coordinators of the 12th issue of debentures, under the terms of the deed signed on August 14, 2020. BV was responsible for intermediating R\$ 150,000 of the total debenture placement, having received an amount of R\$ 4,971 of borrowing costs, which will be appropriated to the finance result in proportion to the term of the contract.

In the third quarter of 2020, the entity responsible for administering the post-employment benefit plans sponsored by CESP changed its corporate name from Fundação CESP to Vivest.

19.2 Compensation of key management personnel

Compensation of key management personnel of the Company and its subsidiary, which includes the Board of Directors, Statutory Executive Board, Statutory Audit Committee and Supervisory Board, was R\$ 3,721 in the period ended September 30, 2020 (R\$ 1,168 in the period ended September 30, 2019), of which R\$ 3,023 is related to fixed and variable compensation (R\$ 991 in the period ended September 30, 2019) and R\$ 698 related to social charges (R\$ 177 in the period ended September 30, 2019).

20. Electric power futures contracts

CESP Comercializadora carries out power trading operations in an active market that meet the definition of financial instruments, as they are settled in electric energy and readily convertible into a known cash amount. Such contracts are recorded in the balance sheet at fair value, on the date they are entered, and remeasured at fair value at the balance sheet date, matched against operating income (expenses).

The fair value of such financial instruments is estimated partly based on price quotations in an active market, to the extent that observable market inputs exist, and partly by using valuation techniques considering: (i) prices set in purchase and sale transactions, (ii) risk margin in the power supply and (iii) market price projected in the availability period. Whenever the fair value at the initial recognition of these contracts differs from the transaction price, a fair value gain or loss is recorded in other operating income (expenses), net.

Until September 30, 2020, the Company booked a gain from the mark-to-market of future energy contracts of R\$ 13,836, with a corresponding entry in the balance sheet of R\$ 11,085 in current assets and R\$ 2,751 in non-current assets.

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21. Equity

21.1 Share capital

The paid-up capital of R\$ 5,975,433 is divided into 109,167,801 common shares (CESP3), 7,386,323 class A preferred shares (CESP5) and 210,948,549 class B preferred shares (CESP6).

The Company's major shareholders at September 30, 2020 were the following:

	Common shares		Preferred shares Class A		Preferred shares Class B		Number of shares - In units	
		%		%		%	Total	%
Stockholders								
VTRM Energia e Participações S/A	102,091,755	93.52			28,928,300	13.71	131,020,055	40.01
	102,091,755	93.52			28,928,300	13.71	131,020,055	40.01
Other								
Treasury shares	3		1		2,560		2,564	
Shares outstanding	7,076,043	6.48	7,386,323	100.00	182,017,689	86.29	196,480,054	59.99
	7,076,046	6.48	7,386,323	100.00	182,020,249	86.29	196,482,618	59.99
	109,167,801	100.00	7,386,323	100.00	210,948,549	100.00	327,502,673	100.00
Paid-up capital per share in R\$ thousand	1,991,815		134,767		3,848,851		5,975,433	

21.2 Capital reserves

	Parent company and Consolidated	
	9/30/2020	12/31/2019
Remuneration of property, plant and equipment in progress - Own capital	1,929,098	1,929,098

21.3 Revenue reserve

	Controladora e Consolidado	
	6/30/2020	12/31/2019
Legal reserve	171.751	171.751
Statutory reserve	506.805	506.805
Profit retention	406.327	406.327
	1.084.883	1.084.883

21.4 Carrying value adjustments (deemed cost)

	Controladora e Consolidado		
	Property, plant and equipment	Deferred taxes	Equity
Opening balance at 1/1/2020	(1,439,074)	490,451	(948,623)
Realization in the period (depreciation)	46,673	(15,869)	30,804
Closing balance at 9/30/2020	(1,392,401)	474,582	(917,819)

21.5 Other comprehensive income

	Parent company and Consolidated	
	9/30/2020	9/30/2019
Opening balance	(895,886)	(380,301)
Operating hedge accounting		
Provision for operating hedge accounting	(226,012)	2,798
(-) Deferred income tax and social contribution	76,844	(951)
	(149,168)	1,847
Adjustment CPC 33 (R1) in the period		6,885
Closing balance	(1,045,054)	(371,569)

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22. Revenue

22.1 Electricity Trading Agreements in the Regulated Market – CCEAR's and price updates (not reviewed by independent auditor)

The Company has contracts with 33 energy distributors for the supply of energy awarded in auctions. These contracts are inflation indexed to the IPCA, applied on the energy distributors' adjustment dates by ANEEL, as follows:

Tariff adjustments in 2020	Month of adjustment	Products and prices R\$/MWh		Adjustment in the year (%)
		2009 to 2038	2010 to 2039	
Concessionaires				
Energisa Borborema	February	258.81	243.92	4.19
Ampla e CPFL Jaguarí	March	259.45	259.45	4.00
Light	March	259.45	259.45	4.00
Celpe, Coelba, Coelce, Cosern, CPFL Paulista, Energisa MS, Energisa MT e Energisa SE	April	259.63	244.70	3.30
Cemig	May	258.83	243.95	2.40
Copel e RGE	June	257.85	243.02	1.88
Eletropaulo, Energisa Sul-Sudeste e Energisa TO	July	258.52	243.65	2.13
Cellesc, Celpa, Cemar, EDP ES, Elektro Redes e Energisa PB	August	259.45	244.53	2.31
Ceal	September	260.07	245.12	2.44

Tariff adjustments in 2019	Month of adjustment	Products and prices R\$/MWh		Adjustment in the year (%)
		2009 to 2038	2010 to 2039	
Concessionaires				
Energisa Borborema	February	248.39	234.11	3.78
Ampla e CPFL Jaguarí	March	249.46	235.12	3.89
Light	March	249.46	235.12	3.89
Celpe, Coelba, Coelce, Cosern, CPFL Paulista, Energisa MS, Energisa MT e Energisa SE	April	251.33	236.88	4.58
Cemig	May	252.77	238.23	4.94
Copel e RGE	June	253.09	238.54	4.66
Energisa Sul-Sudeste	July	234.58	221.09	4.17
Celtins e Eletropaulo	July	234.58	221.09	3.00
Cellesc, Celpa, Cemar, EDP ES, Elektro Redes e Energisa PB	August	253.60	239.02	3.22
Ceal	September	253.88	239.28	3.43

22.2 Electricity sold

Electricity sold in the period, as well as distributed power in MWh and corresponding amounts by class of consumption and by trading environment, was as follows:

Electricity sold in the 3 rd Quarter	MWh (*)		R\$ thousand		Parent company R\$/MWh (Average) (*)	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Free market						
Free consumers - Industrial	465,488	1,124,255	99,684	216,021	214.15	192.15
Trading agents	771,758	718,231	147,152	129,988	190.67	180.98
	1,237,246	1,842,486	246,836	346,009	199.50	187.79
Regulated market						
Electricity auctions - Electricity distributors	490,249	493,735	121,596	119,047	248.03	241.12
Spot market electricity	704,331	615,659	16,134	10,438	22.91	16.95
	1,194,580	1,109,394	137,730	129,485	115.30	116.72
	2,431,826	2,951,880	384,566	475,494	158.14	161.08

Electricity sold in the 3 rd Quarter	MWh (*)		R\$ thousand		Consolidated R\$/MWh (Average) (*)	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Free market						
Free consumers - Industrial	875,072	1,124,255	197,185	216,021	225.34	192.15
Trading agents	1,016,993	718,231	210,665	129,988	207.14	180.98
Trading operations	193,488		28,191		145.70	
	2,085,553	1,842,486	436,041	346,009	209.08	187.79
Regulated market						
Electricity auctions - Electricity distributors	490,249	493,735	121,596	119,047	248.03	241.12
Spot market electricity	704,331	615,659	16,134	10,438	22.91	16.95
	1,194,580	1,109,394	137,730	129,485	115.30	116.72
	3,280,133	2,951,880	573,771	475,494	174.92	161.08

Electricity sold until September, 30	MWh (*)		R\$ thousand		Parent company R\$/MWh (Average) (*)	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Free market						
Free consumers - Industrial	1,429,172	2,901,808	293,314	571,875	205.23	197.08
Trading agents	3,060,838	1,898,325	584,661	344,752	191.01	181.61
	4,490,010	4,800,133	877,975	916,627	195.54	190.96
Regulated market						
Electricity auctions - Electricity distributors	1,501,512	1,495,690	368,935	355,385	245.71	237.61
Spot market electricity	1,337,341	2,046,827	38,145	59,468	28.52	29.05
	2,838,853	3,542,517	407,080	414,853	143.40	117.11
	7,328,863	8,342,650	1,285,055	1,331,480	175.34	159.60

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Electricity sold until September, 30	MWh (*)		R\$ thousand		Consolidated R\$/MWh (Average) (*)	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Free market						
Free consumers - Industrial	2,760,404	2,901,808	610,213	571,875	221.06	197.08
Trading agents	2,995,057	1,898,325	609,115	344,752	203.37	181.61
Trading operations	421,248		68,801		163.33	
	6,176,709	4,800,133	1,288,129	916,627	208.55	190.96
Regulated market						
Electricity auctions - Electricity distributors	1,501,512	1,495,690	368,935	355,385	245.71	237.61
Spot market electricity	1,337,341	2,046,827	38,145	59,468	28.52	29.05
	2,838,853	3,542,517	407,080	414,853	143.40	117.11
	9,015,562	8,342,650	1,695,209	1,331,480	188.03	159.60

(*) Information not reviewed by independent auditors.

22.3 Net revenue

Reconciliation between gross revenue for tax purposes and net revenue presented in the statement of operations:

	Parent company		Consolidated	
	Quarters ended			
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Gross revenue				
Revenue from electricity				
Free consumers - Industrial	99,684	216,021	197,185	216,021
Trading agents	147,152	129,988	210,665	129,988
Trading operations			28,191	
Electricity auctions - Electricity distributors	121,596	119,047	121,596	119,047
Spot market electricity	16,134	10,438	16,134	10,438
	384,566	475,494	573,771	475,494
Derivative financial instruments	(27,343)	(94)	(41,310)	(94)
Supply in quota regime - HPP Jaguari	3,090		3,090	
Other income	705	748	705	748
	(23,548)	654	(37,515)	654
	361,018	476,148	536,256	476,148
Deductions from revenue				
Quota for Global Reserve for Reversion - RGR	(223)	(843)	(223)	(843)
Research and Development - R&D	(2,349)	(4,164)	(2,349)	(4,164)
Service tax (ISS)	(21)	(32)	(21)	(32)
PIS on operating revenues	(6,407)	(7,726)	(9,443)	(7,726)
COFINS on operating revenues	(29,512)	(35,583)	(43,495)	(35,583)
Financial Compensation for Use of Water Resources - CFURH	(9,294)	(12,119)	(9,294)	(12,119)
Electric energy service inspection charge - TFSEE	(904)	(1,215)	(904)	(1,215)
	(48,710)	(61,682)	(65,729)	(61,682)
Net revenue	312,308	414,466	470,527	414,466

	Parent company		Consolidated	
	Nine month periods ended			
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Gross revenue				
Revenue from electricity				
Free consumers - Industrial	293,314	571,875	610,213	571,875
Trading agents	584,661	344,752	609,115	344,752
Trading operations			68,801	
Electricity auctions - Electricity distributors	368,935	355,385	368,935	355,385
Spot market electricity	38,145	59,468	38,145	59,468
	1,285,055	1,331,480	1,695,209	1,331,480
Derivative financial instruments (Note 26.5)	(48,233)	(94)	(79,558)	(94)
Supply in quota regime - HPP Jaguari	4,324		4,324	
Other income	2,048	2,027	2,048	2,027
	(41,861)	1,933	(73,186)	1,933
	1,243,194	1,333,413	1,622,023	1,333,413
Deductions from revenue				
Quota for Global Reserve for Reversion - RGR	(1,910)	(25,460)	(1,910)	(25,460)
Research and Development - R&D	(10,293)	(11,393)	(10,293)	(11,393)
Service tax (ISS)	(65)	(101)	(65)	(101)
PIS on operating revenues	(21,048)	(21,273)	(27,702)	(21,273)
COFINS on operating revenues	(96,951)	(97,986)	(127,596)	(97,986)
Financial Compensation for Use of Water Resources - CFURH	(34,515)	(35,956)	(34,515)	(35,956)
Electric energy service inspection charge - TFSEE	(3,343)	(2,783)	(3,343)	(2,783)
	(168,125)	(194,952)	(205,424)	(194,952)
Net revenue	1,075,069	1,138,461	1,416,599	1,138,461

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Changes in revenue from trading agents is substantially due to startup of CESP Comercializadora's operations (Note 1.2 (a)).

The result of derivative financial instruments is from cash flow hedges used to protect foreign exchange exposure arising from energy sales contracts denominated in US dollars (Note 26.2).

The reduction of RGR is due to the change of UHE Porto Primavera from a public utility concessionaire for electricity generation to an independent electricity utility, as of April 23, 2019.

23. Costs and expenses

					Parent company
					In the quarter ended 9/30/2020
Nature of costs and expenses	Cost of electricity	Cost of operation	General and administrative expenses	Other operating income (expenses), net	Total
Depreciation and amortization		(93,383)	(1,914)	(19)	(95,316)
Sector charges	(39,461)				(39,461)
Electricity purchased	(24,053)				(24,053)
Reversal of provision for legal claims				22,052	22,052
Judicial deposits write-off				(23,163)	(23,163)
Personnel		(5,947)	(10,311)		(16,258)
Voluntary Termination Program		(715)	(5,246)		(5,961)
Outsourced services		(1,449)	(4,585)		(6,034)
Taxes recovery				12,268	12,268
Insurance			(723)		(723)
Post-employment benefits			122		122
Rentals		(108)	(148)		(256)
Materials		(111)	(112)		(223)
Management			(1,251)		(1,251)
Reversal of provision for PIS/COFINS on monetary restatement of judicial deposits		(3,375)		164	164
Other operating income (expenses), net			(507)	472	(3,410)
Total	(63,514)	(105,088)	(24,675)	11,774	(181,503)

					Consolidated
					In the quarter ended 9/30/2020
Nature of costs and expenses	Cost of electricity	Cost of operation	General and administrative expenses	Other operating income (expenses), net	Total
Depreciation and amortization		(93,383)	(1,974)	(19)	(95,376)
Sector charges	(39,461)				(39,461)
Electricity purchased	(168,418)				(168,418)
Reversal of provision for legal claims				22,052	22,052
Judicial deposits write-off				(23,163)	(23,163)
Electric power futures contracts				(8,405)	(8,405)
Personnel		(5,947)	(12,555)		(18,502)
Voluntary Termination Program		(715)	(5,246)		(5,961)
Outsourced services		(1,449)	(4,865)		(6,314)
Taxes recovery				12,268	12,268
Insurance			(723)		(723)
Post-employment benefits			122		122
Rentals		(108)	(175)		(283)
Materials		(111)	(116)		(227)
Management			(1,251)		(1,251)
Reversal of provision for impairment of storeroom supplies				12	12
Reversal of provision for PIS/COFINS on monetary restatement of judicial deposits		(3,375)		164	164
Other operating income (expenses), net			(637)	455	(3,557)
Total	(207,879)	(105,088)	(27,420)	3,364	(337,023)

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Parent company and Consolidated					
In the quarter ended 9/30/2019					
Nature of costs and expenses	Cost of electricity	Cost of operation	General and administrative expenses	Other operating income (expenses), net	Total
Depreciation and amortization		(94,458)	(1,819)	(12)	(96,289)
Sector charges	(34,345)				(34,345)
Electricity purchased	(119,914)				(119,914)
Provision for legal claims				(5,259)	(5,259)
Personnel		(4,696)	(20,401)		(25,097)
Voluntary Termination Program		(1,067)	(4,888)		(5,955)
Outsourced services		(3,390)	(5,826)		(9,216)
Insurance				(894)	(894)
Post-employment benefits			(3,364)		(3,364)
Rentals		(18)	(80)		(98)
Materials		(583)	(948)		(1,531)
Management			(364)		(364)
Other charges - ONS / CCEE			(868)	(448)	(1,316)
Reversal of the quota difference of RGR 2018 and 2017				23,152	23,152
Reversal of provision for impairment of storeroom supplies				339	339
Reversal of provision for PIS/COFINS on monetary restatement of judicial deposits				91	91
Other operating income (expenses), net		149	(4,539)	(2,900)	(7,290)
Total	(154,259)	(104,063)	(43,097)	14,069	(287,350)

Parent company					
In the period ended 9/30/2020					
Nature of costs and expenses	Cost of electricity	Cost of operation	General and administrative expenses	Other operating income (expenses), net	Total
Depreciation and amortization		(289,598)	(5,823)	(58)	(295,479)
Sector charges	(108,819)				(108,819)
Electricity purchased	(97,046)				(97,046)
Reversal of provision for legal claims (Note 18)				129,240	129,240
Judicial deposits write-off				(46,806)	(46,806)
Personnel		(18,949)	(29,166)		(48,115)
Voluntary Termination Program		(715)	(5,246)		(5,961)
Outsourced services		(4,972)	(14,123)		(19,095)
Taxes recovery				12,268	12,268
Insurance			(4,892)		(4,892)
Post-employment benefits			366		366
Rentals		(400)	(937)		(1,337)
Materials		(613)	(244)		(857)
Management			(3,721)		(3,721)
Reversal of provision for impairment of storeroom supplies				66	66
Reversal of provision for PIS/COFINS on monetary restatement of judicial deposits				464	464
Other operating income (expenses), net		(8,405)	(2,876)	9,272	(2,009)
Total	(205,865)	(323,652)	(66,662)	104,446	(491,733)

Consolidated					
In the period ended 9/30/2020					
Nature of costs and expenses	Cost of electricity	Cost of operation	General and administrative expenses	Other operating income (expenses), net	Total
Depreciation and amortization		(289,598)	(5,991)	(58)	(295,647)
Sector charges	(108,819)				(108,819)
Electricity purchased	(387,887)				(387,887)
Reversal of provision for legal claims (Note 18)				129,240	129,240
Judicial deposits write-off				(46,806)	(46,806)
Electric power futures contracts				13,836	13,836
Personnel		(18,949)	(34,871)		(53,820)
Voluntary Termination Program		(715)	(5,246)		(5,961)
Outsourced services		(4,972)	(14,929)		(19,901)
Taxes recovery				12,268	12,268
Insurance			(4,892)		(4,892)
Post-employment benefits			366		366
Rentals		(400)	(964)		(1,364)
Materials		(613)	(626)		(1,239)
Management			(3,721)		(3,721)
Reversal of provision for impairment of storeroom supplies				66	66
Reversal of provision for PIS/COFINS on monetary restatement of judicial deposits				464	464
Other operating income (expenses), net		(8,405)	(3,410)	9,258	(2,557)
Total	(496,706)	(323,652)	(74,284)	118,268	(776,374)

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	Parent company and Consolidated In the period ended 9/30/2019				
Nature of costs and expenses	Cost of electricity	Cost of operation	General and administrative expenses	Other operating income (expenses), net	Total
Depreciation and amortization		(261,829)	(5,247)	(344)	(267,420)
Sector charges	(91,702)				(91,702)
Electricity purchased	(419,012)				(419,012)
Provision for legal claims				7,488	7,488
Personnel		(15,756)	(70,492)		(86,248)
Voluntary Termination Program		(9,883)	(100,863)		(110,746)
Outsourced services		(11,807)	(22,926)		(34,733)
Insurance				(1,584)	(1,584)
Post-employment benefits			(10,116)		(10,116)
Rentals		(18)	(1,541)		(1,559)
Materials		(2,321)	(1,380)		(3,701)
Management			(1,168)		(1,168)
Other charges - ONS / CCEE			(1,336)	(448)	(1,784)
Reversal of the quota difference of RGR 2018 and 2017				23,152	23,152
Reversal of provision for impairment of storeroom supplies				7,789	7,789
Provision for PIS/COFINS on monetary restatement of judicial deposits				(122)	(122)
Estimated loss on doubtful accounts				(364)	(364)
Other operating income (expenses), net		(7,623)	(6,274)	(8,604)	(22,501)
Total	(510,714)	(309,237)	(221,343)	26,963	(1,014,331)

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23.1 Electricity purchased and sector charges

	Parent company		Consolidated	
	Quarters ended			
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Electricity purchased				
Spot market electricity	5,710	(10,088)	5,710	(10,088)
Premium on renegotiation of hydrological risk	(5,043)	(3,754)	(5,043)	(3,754)
Electricity purchased for resale	(24,720)	(106,072)	(151,374)	(106,072)
Trading operations			(17,711)	
	(24,053)	(119,914)	(168,418)	(119,914)
Electricity network usage				
Electricity network usage charges	(39,461)	(34,345)	(39,461)	(34,345)
	(39,461)	(34,345)	(39,461)	(34,345)
	(63,514)	(154,259)	(207,879)	(154,259)

	Parent company		Consolidated	
	Nine month periods ended			
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Electricity purchased				
Spot market electricity	(14,066)	(87,679)	(14,066)	(87,679)
Premium on renegotiation of hydrological risk	(12,554)	(11,266)	(12,554)	(11,266)
Electricity purchased for resale	(70,426)	(320,067)	(318,047)	(320,067)
Trading operations			(43,220)	
	(97,046)	(419,012)	(387,887)	(419,012)
Electricity network usage				
Electricity network usage charges	(108,819)	(91,702)	(108,819)	(91,702)
	(108,819)	(91,702)	(108,819)	(91,702)
	(205,865)	(510,714)	(496,706)	(510,714)

The reduction of purchased energy reflects the Company's new seasonality and commercial strategy, in addition to the reduction in prices between periods.

24. Finance result, net

	Parent company		Consolidated	
	Quarters ended			
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Finance income				
Income from financial investments	4,018	7,541	4,372	7,541
Indexation of judicial deposits	2,284	1,762	2,284	1,762
Other finance income	142	5	142	5
(-) PIS and COFINS on finance result	(232)	(223)	(248)	(223)
	6,212	9,085	6,550	9,085
Finance costs				
Debt charges				
Local currency	(22,954)	(36,312)	(22,954)	(36,312)
Foreign currency		(1,210)		(1,210)
	(22,954)	(37,522)	(22,954)	(37,522)
Indexation of provision for legal claims	(110,651)	(96,237)	(110,651)	(96,237)
Indexation of post-employment benefits	(14,906)		(14,906)	
Judicial deposits write-off	(5,874)		(5,874)	
Borrowing costs - Settlement of 11th issue of debentures	(14,465)		(14,465)	
Loan prepayment premium	(11,326)		(11,326)	
Present value adjustment of social and environmental obligations	(2,168)		(2,168)	
Present value adjustment - Use of public assets	(2,013)	(2,070)	(2,013)	(2,070)
Indexation of judicial agreements	(2,017)	(482)	(2,017)	(482)
Indexation of R&D - projects	(115)	(276)	(115)	(276)
Other charges	(1,723)	(2,353)	(1,734)	(2,353)
	(165,258)	(101,418)	(165,269)	(101,418)
	(188,212)	(138,940)	(188,223)	(138,940)
Foreign exchange variation, net		(6,068)		(6,068)
Finance results, net	(182,000)	(135,923)	(181,673)	(135,923)

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	Parent company		Consolidated	
	Nine month periods ended			
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Finance income				
Income from financial investments	17,171	56,103	18,451	56,103
Indexation of judicial deposits	6,709	9,502	6,709	9,502
Other finance income	794	183	794	183
(-) PIS and COFINS on finance result	(891)	(2,615)	(950)	(2,615)
	23,783	63,173	25,004	63,173
Finance costs				
Debt charges				
Local currency	(69,321)	(104,720)	(69,321)	(104,720)
Foreign currency		(7,368)		(7,368)
	(69,321)	(112,088)	(69,321)	(112,088)
Indexation of provision for legal claims	(226,443)	(225,710)	(226,443)	(225,710)
Indexation of post-employment benefits	(44,717)		(44,717)	
Judicial deposits write-off	(21,907)		(21,907)	
Borrowing costs - Prepayment of 11th issue of debentures	(14,465)		(14,465)	
Loan prepayment premium	(11,326)		(11,326)	
Present value adjustment of social and environmental obligations	(6,512)		(6,512)	
Present value adjustment - Use of public assets	(6,138)	(3,777)	(6,138)	(3,777)
Indexation of judicial agreements	(4,255)	(1,844)	(4,255)	(1,844)
Indexation of R&D - projects	(486)	(909)	(486)	(909)
Other charges	(4,574)	(3,276)	(4,643)	(3,276)
	(340,823)	(235,516)	(340,892)	(235,516)
	(410,144)	(347,604)	(410,213)	(347,604)
Foreign exchange variation, net		(3,128)		(3,128)
Finance results, net	(386,361)	(287,559)	(385,209)	(287,559)

25. Income tax and social contribution expenses

25.1 Reconciliation of tax expenses at statutory rates

The income tax and social contribution amounts presented in the statement of operations for the periods ended September 30 are reconciled at the statutory nominal rates as follows:

	Parent company		Consolidated	
	Quarters ended			
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Loss before income tax and social contribution	(49,190)	(8,807)	(48,169)	(8,807)
Standard rates	34%	34%	34%	34%
Income tax and social contribution at standard rates	16,725	2,994	16,377	2,994
Adjustments for the calculation of income tax and social contribution at effective rates				
Effect of income tax and social contribution on permanent differences				
Equity in the results of investees	682			
Other permanent additions (exclusions), net	396	(342)	405	(342)
	1,078	(342)	405	(342)
Effect of income tax and social contribution on items without recognition of deferred taxes				
Deferred income tax and social contribution		(1,329)		(1,329)
Other temporary exclusions, net	(27,138)	(372)	(27,138)	(372)
	(27,138)	(1,701)	(27,138)	(1,701)
Income tax and social contribution calculated	(9,335)	951	(10,356)	951
Income tax and social contribution in the statement of income				
Current	(17,182)		(21,273)	
Deferred	7,847	951	10,917	951
	(9,335)	951	(10,356)	951
Effective rate - %	(18.98)	10.80	(21.50)	10.80

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	Parent company		Consolidated	
	Nine month periods ended			
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Profit (loss) before income tax and social contribution	235,308	(163,429)	255,016	(163,429)
Standard rates	34%	34%	34%	34%
Income tax and social contribution at standard rates	(80,005)	55,566	(86,705)	55,566
Adjustments for the calculation of income tax and social contribution at effective rates				
Effect of income tax and social contribution on permanent differences				
Equity in the results of investees	13,033			
Other permanent exclusions, net	(585)	(1,325)	(560)	(1,325)
	12,448	(1,325)	(560)	(1,325)
Effect of income tax and social contribution on items without recognition of deferred taxes				
Deferred income tax and social contribution		(79,201)		(79,201)
Other temporary additions (exclusions), net	(34,665)	18,288	(34,665)	18,288
	(34,665)	(60,913)	(34,665)	(60,913)
Income tax and social contribution calculated	(102,222)	(6,672)	(121,930)	(6,672)
Income tax and social contribution in the statement of income				
Current	(71,182)		(88,205)	
Deferred	(31,040)	(6,672)	(33,725)	(6,672)
	(102,222)	(6,672)	(121,930)	(6,672)
Effective rate - %	43.44	(4.08)	47.81	(4.08)

26. Financial instruments and risk management

At September 30, 2020, the fair values of the main financial instruments approximated the carrying amounts, as below:

	Parent company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Financial assets				
Measured at amortized cost				
Cash and cash equivalents (Note 3)	794,354	690,276	872,593	741,444
Trade receivables (Note 4)	169,605	198,930	237,493	198,930
Indemnification asset (Note 8)	1,719,390	1,719,390	1,719,390	1,719,390
	2,683,349	2,608,596	2,829,476	2,659,764
Measured at fair value through other comprehensive income				
Derivative financial instruments (Note 26.5) - Level 2		39,943		39,943
		39,943		39,943
Measured at fair value through profit or loss				
Electric power futures contracts (Note 20) - Level 2			13,836	
			13,836	
	2,683,349	2,648,539	2,843,312	2,699,707
Financial liabilities				
Measured at amortized cost				
Borrowings and debentures (Note 12)	1,762,736	1,784,125	1,762,736	1,784,125
	1,762,736	1,784,125	1,762,736	1,784,125
Measured at fair value through other comprehensive income				
Derivative financial instruments (Note 26.5) - Level 2	125,604		202,515	
	125,604		202,515	
	1,888,340	1,784,125	1,965,251	1,784,125

The disclosure of fair value measurements of the assets measured at fair value follows the measurement hierarchy below:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

26.1 Net debt-to-EBITDA ratio and maturity of liabilities

	Consolidated
	9/30/2020
Borrowings and debentures (Note 12)	1,762,736
Lease liabilities	6,805
Cash and cash equivalents (Note 3)	(872,593)
Derivative financial instruments (Note 26.5)	202,515
Net debt (a)	1,099,463
Last twelve months adjusted EBITDA	1,116,430
Net debt-to-EBITDA ratio (a) / (b)	0.98

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The tables below presents the classification by aging of financial liabilities through to contractual maturity.

	Parent company					Total
	2020	2021 and 2022	2023 and 2024	2025 and 2026	2027 to 2030	
At September 30, 2020						
Borrowings and debentures (Note 12)	1,756	70,869	139,066	64,549	1,486,496	1,762,736
Derivative financial instruments (Note 26.5)	27,430	98,174				125,604
	29,186	169,043	139,066	64,549	1,486,496	1,888,340
At December 31, 2019						
Borrowings and debentures (Note 12)	3,002	446,854	884,269	450,000		1,784,125
	3,002	446,854	884,269	450,000		1,784,125

	Consolidated					Total
	2020	2021 and 2022	2023 and 2024	2025 and 2026	2027 to 2030	
At September 30, 2020						
Borrowings and debentures (Note 12)	1,756	70,869	139,066	64,549	1,486,496	1,762,736
Derivative financial instruments (Note 26.5)	43,447	159,068				202,515
	45,203	229,937	139,066	64,549	1,486,496	1,965,251
At December 31, 2019						
Borrowings and debentures (Note 12)	3,002	446,854	884,269	450,000		1,784,125
	3,002	446,854	884,269	450,000		1,784,125

26.2 Exchange rate risk

The Company and its subsidiary are exposed to energy sales contracts denominated in US dollars. This exposure is mitigated through hedge transactions (Note 26.5).

26.3 Interest rate / inflation risk

This risk arises from the possibility of the Company and its subsidiary incurring losses due to fluctuations in interest and inflation rates, which would increase the finance costs related to borrowing and debentures. The Company and its subsidiary have not entered derivative contracts to hedge against this risk, but they continuously monitor market interest rates in order to assess the need to replace debt instruments.

Liabilities linked to rates	Parent company and Consolidated	
	9/30/2020	12/31/2019
Fixed rate		33
CDI	300,586	1,784,092
IPCA	1,462,150	
	1,762,736	1,784,125

The Company and its subsidiary consider that the risk of liabilities in contracts that, in addition to fixed interest rate and spread, are further exposed to floating interest rates, is represented by the increase in these rates and the consequent increase in finance costs related to such contractual liabilities (Note 12).

26.4 Credit risk

At September 30, 2020, the Management of the Company and its subsidiary believe that there are no situations of exposure to credit risk that could significantly affect their future operations and results.

26.4.1 Credit quality of financial assets

The table below sets out credit quality of issuers and counterparties in transactions involving cash and cash equivalents and derivative financial instruments.

CESP
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d) Borrowings and debentures

The Company has assets and liabilities measured at fair value through profit or loss, and other financial liabilities not measured at amortized cost, which approximate their market cost.

Relate to specific electric energy sector operations, subsidized financial operations and renegotiation of financial operations, with no similar parameter in the market and with low liquidity. The Company assumed that the fair value equates to the respective carrying amount, due to the existing uncertainties as to changes in the pricing model.

The estimate of the fair value of financial instruments was prepared using a pricing model, applied individually to each transaction, considering future payment flows, based on contractual conditions, discounted to present value at rates obtained through market interest curves. The fair value of a security, therefore, corresponds to its value upon maturity (redemption value) discounted to present value at a rate (referring to the security's maturity date) obtained from the DI Pré B3 yield curve for the 11th issuance and from the B3 IPCA yield curve for the 12th issuance, as follows:

	9/30/2020	
	Carrying amount	Fair value
Borrowings and debentures - Local currency		
Debentures - 11 th issuance	300,586	317,329
Debentures - 12 th issuance	1,462,150	1,439,433
	1,762,736	1,756,762

e) Derivative financial instruments

The fair value of derivative financial instruments is determined by calculating their present value through yield curves on the closing dates. The curves and prices used in the calculation for each group of instruments are developed based on data from B3, Bacen, LME and Bloomberg, interpolated between the available maturities.

The present value of forward contracts (NDF) is estimated by discounting the nominal value multiplied by the difference between the forward price on the reference date and the contracted price.

f) Electric power futures contracts

CESP Comercializadora carries out power trading operations on an active market (Note 20), meeting the definition of financial instruments, as they are settled in electricity and readily convertible into a known amounts of cash. Such contracts are accounted for as derivatives under IFRS 9/CPC 48 - "Financial instruments" and are recognized in the balance sheet at fair value, on the date the derivative is contracted, and remeasured at fair value on the balance sheet date.

26.7 Sensitivity analysis

The main risk factors that affect the pricing of financial instruments involving cash and cash equivalents, borrowing and debentures and derivative financial instruments include volatility from US dollar and CDI interest rates and US dollar coupon. The scenarios for these factors are prepared using market data and inputs from specialized sources, according to the Company's financial policies.

The scenarios as at September 30, 2020 are described below:

Scenario I - considers a change in indicative pricing yield curves as at September 30, 2020, according to the base scenario defined by Management for December 31, 2020;

Scenario II - considers a change of + or - 25% in the yield curves at September 30, 2020;

Scenario III - considers a change of + or - 50% in the yield curves at September 30, 2020.

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Risk factors	Cash and cash equivalents	Principal of borrowings and debentures	Principal of derivative financial instruments	Unit	Parent company					
					Impact on profit or loss					
					Scenario I		Scenarios II and III			
				Impact on curves for 9/30/2020	Results of scenario I	-25%	-50%	+25%	+50%	
Interest rates										
BRL - CDI	793,728	303,124	530,226	BRL thousand	1 bps	(17)	1,440	2,881	(1,440)	(2,881)
BRL - IPCA		1,511,572		BRL thousand	-24 bps	3,628	9,221	18,441	(9,221)	(18,441)
Dollar coupon			94,000	USD thousand	12 bps		(1)	(1)	1	1
FX rates										
US dollar			94,000	USD thousand	-6.04%	2,240	9,870	19,741	(9,870)	(19,741)

Risk factors	Principal of derivative financial instruments	Unit	Impact on curves for 9/30/2020	Results of scenario I	Parent company			
					Impact on comprehensive income			
					Scenario I		Scenarios II and III	
					-25%	-50%	+25%	+50%
Interest rates								
BRL - CDI	530,226	BRL thousand	1 bps	(686)	1,738	3,498	(1,715)	(3,408)
Dollar coupon	94,000	USD thousand	12 bps	612	(1,364)	(2,737)	1,355	2,701
FX rates								
US dollar	94,000	USD thousand	-6.04%	27,527	121,307	242,614	(121,307)	(242,614)

Risk factors	Cash and cash equivalents	Principal of borrowings and debentures	Principal of derivative financial instruments	Electric power futures contracts	Unit	Consolidated					
						Impact on profit or loss					
						Scenario I		Scenarios II and III			
					Impact on curves for 9/30/2020	Results of scenario I	-25%	-50%	+25%	+50%	
Interest rates											
BRL - CDI	872,593	303,124	843,304		BRL thousand	1 bps	(12)	1,070	2,139	(1,070)	(2,139)
BRL - IPCA		1,511,572			BRL thousand	-24 bps	3,628	9,221	18,441	(9,221)	(18,441)
Dollar coupon			154,000		USD thousand	12 bps		(1)	(2)	1	2
FX rates											
US dollar			154,000		USD thousand	-6.04%	3,520	15,511	31,022	(15,511)	(31,022)
MM of electricity											
Fair value				13,836	BRL thousand		13,836	14,195	28,390	(14,195)	(28,390)

Risk factors	Principal of derivative financial instruments	Unit	Impact on curves for 9/30/2020	Results of scenario I	Consolidated			
					Impact on comprehensive income			
					Scenario I		Scenarios II and III	
					-25%	-50%	+25%	+50%
Interest rates								
BRL - CDI	843,304	BRL thousand	1 bps	(1,076)	2,733	5,501	(2,698)	(5,361)
Dollar coupon	154,000	USD thousand	12 bps	998	(2,172)	(4,359)	2,158	4,302
FX rates								
US dollar	154,000	USD thousand	-6.04%	45,262	199,461	398,923	(199,461)	(398,923)

27. Insurance (not reviewed by auditors)

The Company and its subsidiary have civil liability policies for Directors and Officers in force, in addition to PP&E risk and general liability insurance. Such policies have coverage, conditions and limits considered by Management to be adequate for the inherent risks of the operation.

Note: The scope of the work of the independent auditors does not include review of adequacy of insurance coverage.