

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

September 05, 2006

**SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 6-K

**REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934**

For August 30, 2006

(Commission File No. 1-31317)

Companhia de Saneamento Básico do Estado de São Paulo - SABESP
(Exact name of registrant as specified in its charter)

Basic Sanitation Company of the State of Sao Paulo - SABESP
(Translation of Registrant's name into English)

**Rua Costa Carvalho, 300
São Paulo, S.P., 05429-900
Federative Republic of Brazil**
(Address of Registrant's principal executive offices)

Indicate by check mark whether the registrant files or will file
annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(1).

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(7).

Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under
the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicated below the file number assigned to the
registrant in connection with Rule 12g3-2(b):

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

**PUBLICLY HELD COMPANY
CORPORATE TAXPAYER S ID (CNPJ) 43.776.517/0001 -80**

MATERIAL FACT

TARIFF ADJUSTMENT

Pursuant to CVM Instruction #358, dated January 3, 2002, COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO - SABESP hereby announces that, in accordance with Article 28 of the Tariff System Regulation approved by State Decree #41,446, dated December 16, 1996, tariffs of water supply and/or sewage collection services will be adjusted using the formula below:

Where:

IRT = Tariff Adjustment Index;

VPA = Amount A: corresponds to the values recorded between July 2005 and June 2006, related to costs and expenses with: electric power; treatment supplies; federal taxes and fees including CPMF Contribuição Provisória sobre Movimentação Financeira (Temporary Contribution on Financial Transactions) and the Cofins/Pasep taxes on revenues; State and Municipal taxes and fees;

IrA = Adjustment Index for Amount A: corresponds to the annual variation of the following ratio: Amount A values, accumulated between July 2005 and June 2006, divided by the accumulated billed volume in the same period, in relation to the ratio calculated between the Amount A values, accumulated between July 2004 and June 2005, divided by the accumulated billed volume in the same period;

VPB = Amount B: obtained by the difference between Gross Operating Revenues, accumulated between July 2005 and June 2006, and the Amount A for the same period;

IrB = Adjustment Index for Amount B: corresponds to the IPCA Index (Brazilian Wide Ranging Consumer Price Index, published by IBGE - Instituto Brasileiro de Geografia e Estatística (Brazilian Institute of Geography and Statistics)), accumulated between August 2005 and July 2006;

R = Gross Operating Revenues: corresponds to the values recorded between July 2005 and June 2006, originated from direct and indirect operating revenues related to water supply and sewage collection services.

One should consider SABESP's official information as data source for the tariff adjustment calculation, in particular the financial statements periodically issued (i.e. DFP - Demonstrações Financeiras Padronizadas (Standard Financial Statements according to the Brazilian Corporate Law) and ITR - Informações Trimestrais (Quarterly Financial Statements according to the Brazilian Corporate Law)).

The result of formula application would imply adjustment of 4.68% (four point sixty eight percent) on the tariffs of water supply and/or sewage collection services.

In 2005, Sabesp's management resolved not to pass the full COFINS/PASEP increase, applying it in two amounts, one on August 31, 2005 and the other one, of 1.94% (one point ninety four percent), accumulated to this year's tariff adjustment. This way, tariffs of water supply and/or sewage collection services will be adjusted by 6.71% (six point seventy one percent), effective as from August 31, 2006.

Further details on the adjustment application will be made available on SABESP's website www.sabesp.com.br, and will also be published in the São Paulo State Official Gazette.

São Paulo, August 30, 2006.

Rui de Britto Álvares Affonso
Chief Financial Officer and Investor Relations Officer

