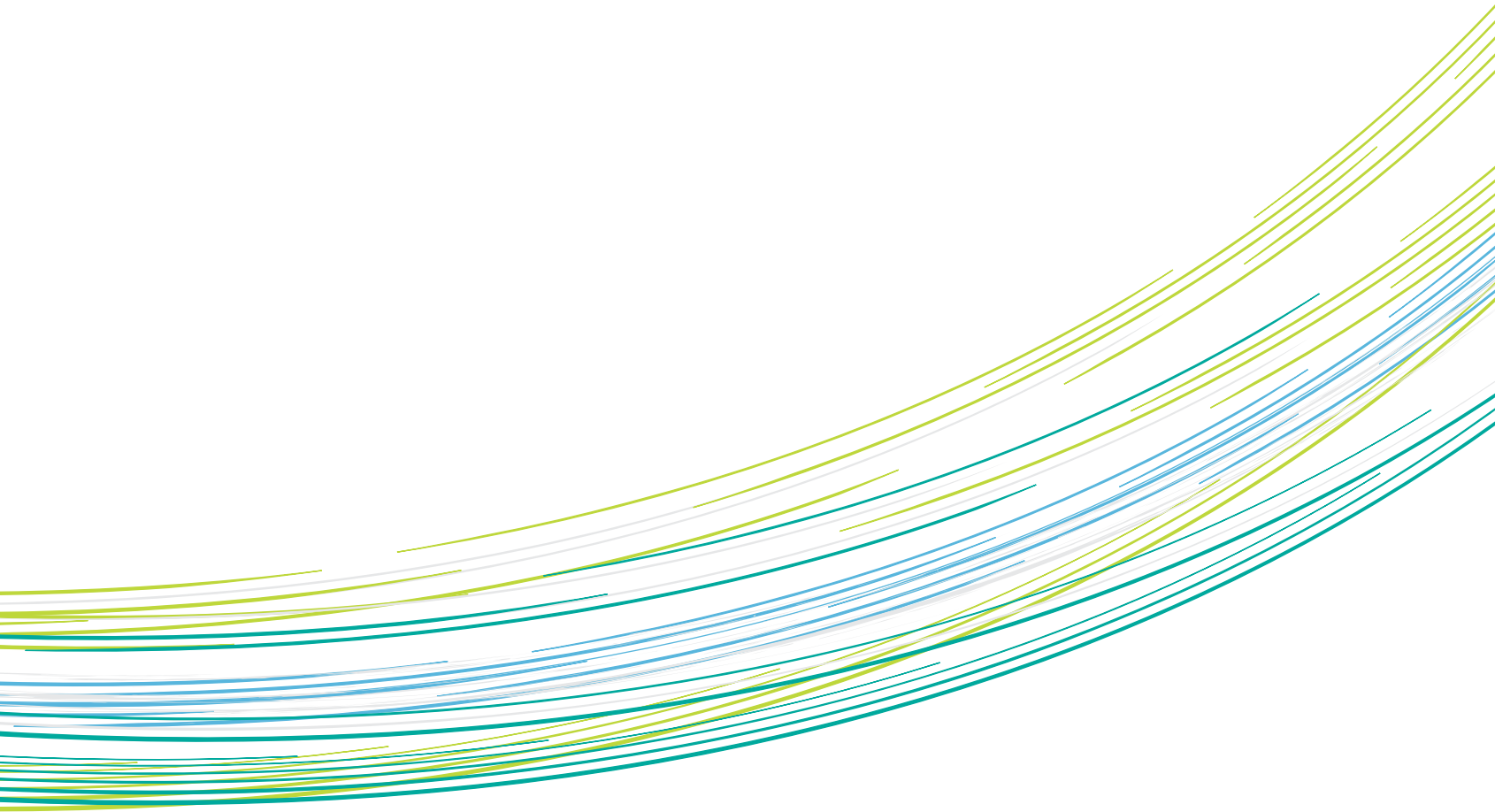


Annual Report 2007





2007 highlights

- Net income rose 17.0% to reach R\$ 1.64 billion, driven by increases of 16.2% in Gross Operating Revenue and 19.9% in EBITDA
- CPFL Energy acquired the assets of CMS Energy Brasil, comprising four distribution companies, generating companies plus electricity commercialization and service companies
- Installed generating capacity rose by 48.2% with the start-up of operations at the Campos Novos hydroelectric power plant (HPP), the acquisition of existing assets and the repowering of the Small Hydroelectric Plants (PCHs)
- Increased consumption in the concession areas and the acquisition of four companies led to a sales increase of 12.4% in the distribution segment
- The CPFL Energia Group achieved leadership in the distribution segment with a 13.3% market share and 6.3 million customers
- CPFL Energia maintained its leadership with 23.0% of the free market
- Appreciation of 23.9% in the share price on Bovespa and 52.6% on the NYSE. Since the IPO in September 2004 to December 2007, the increase was of 147.0% on Bovespa and 297.6% on the NYSE.
- Distribution of R\$ 1.6 billion in dividends and annualized dividend yield reached 9.7%
- Company shares became components of the Bovespa Stock Index - Ibovespa, the Brazil 50 Stock Index - IBRX-50, the Morgan Stanley MSCI and, for the third time, of the Bovespa Corporate Sustainability Index, launched in 2005
- Generating units were enrolled in the Clean Development Mechanism and received CO₂ Emission Reduction Certificates, with trading of carbon credits commencing in 2007
- Recognition and awards highlighted the efficiency of Group companies and CPFL Energia's commitment to business sustainability.

summary of economic, financial, environmental and social indicators

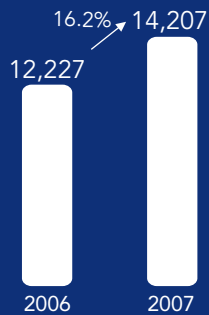
CPFL Energia	2007	2006	Var %	2005	2004
Economic Indicators					
Gross Operating Revenue (R\$ million)	14,207	12,227	16.2	10,907	9,549
Net Operating Revenue (R\$ million) ¹	9,409	7,911	5.6	7,739	6,736
Gross Operating Income (R\$ million) ¹	3,871	3,079	25.7	2,423	1,770
EBITDA (R\$ million)	3,345	2,789	19.9	2,120	1,681
Operating Income – EBIT (R\$ million)	3,022	2,411	25.3	1,760	1,268
Financial Income (Expense) (R\$ million)	-514	-289	77.9	-520	-684
Net Income (R\$ million)	1,643	1,404	17.0	1,021	279
Dividends Distributed (R\$ million)	1,561	1,334	17.0	918	265
Financial Indicators					
Total Assets (R\$ million)	15,596	14,049	11.0	13,690	12,618
Shareholders' Equity (R\$ million)	4,955	4,866	1.8	4,796	4,096
Investments (R\$ million)	1,545	797	93.9	626	606
Net Adjusted Debt (R\$ million)	5,093	4,416	15.3	3,705	3,777
Net Financial Debt/ (Shareholders Equity + Minority Interests) (%)	112	112	0.0	103	121
Shares					
Number of Shares (thousands)	479,911	479,757	0.03	479,757	451,629
Net Earnings per share (R\$)	3.42	2.93	16.7	1.97	0.62
Average common share price – ON (R\$) ²	33.9	29.2	16.1	21,12	17
Dividends Distributed per share (R\$)	3.25	2.78	16.9	1.92	0.61
Market					
Electricity Sales Volume – regulated and unregulated markets (GWh)	44,196	41,112	7.5	38,357	34,647
Number of customers (thousands)	6,257	5,914	5.8	5,608	5,467
Number of unregulated market customers	91	90	1.1	86	50
Installed Generating Capacity (MW)	1,588	1,072	48.2	915	854
Assured Generating Capacity (average MW)	800	571	40.2	525	472
Payroll					
Employees	7,176	5,836	23.0	5,838	5,580
Numbers hired during the period – including staff of acquisitions	820	425	92.9	595	479
Environmental Indicators – Ibase					
Environmental Investments (R\$ million)	63	48	31.3	26	37
Social Indicators – Ibase					
Internal Social Investments (R\$ million)	230	207	11.1	173	182
Total Contributions to Society (R\$ million)	17	32	-46.9	14	6
Value Added for the Period	7,887	7,066	11.6	6,047	4,933
Payroll and Payroll taxes (R\$ million)	315	353	-10.8	387	443
Taxes, Duties & Contributions (R\$ million)	5,250	4,625	13.5	3,903	3,152
Interest and Rent (R\$ million)	679	684	-0.7	736	1,059
Dividends and Interest on S-holders' Equity (R\$ million)	1,561	1,334	17.0	918	265
Retained Earnings (R\$ million)	82	70	17.1	103	14

¹ Publicly-released figures in 2006 differ from actual figures as a result of the reclassification by Aneel of items Fuel Consumption Account (CCC), Energy Development Account (CCE) and the Research and Development and Energy Efficiency Program, which were transferred from Operating Costs to Operating Revenue Deductions.

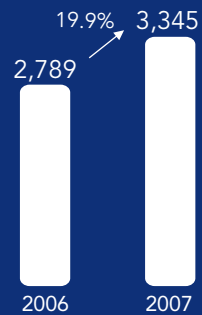
² Average daily quoted closing price (excluding dividends).

key highlights

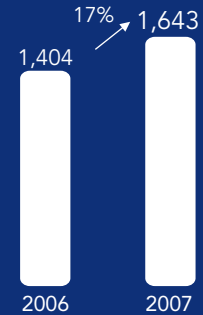
Gross Revenue
(R\$ million)



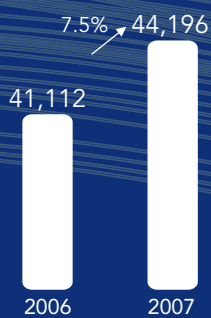
EBITDA
(R\$ million)



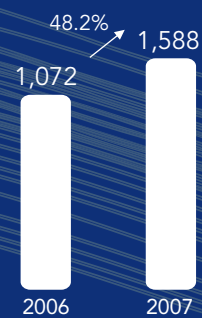
Net Income
(R\$ million)



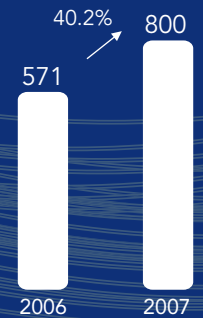
Total Energy Sales
(GWh)



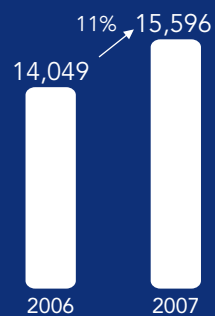
Installed Generating Capacity (MW)



Assured Generating Capacity (Average MW)



Total Assets
(R\$ million)



Dividend per Share
(R\$)



2007 Highlights

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1. profile of the
CPFL Energia Group

CPFL Energia is a holding company with controlling stakes in companies in the **electricity distribution, generation, commercialization** and added value service businesses, active in the most developed regions of Brazil.

Electricity distribution

- 8 distribution companies
- Market leader with 13.3% Brazilian market share
- Leader in quality and operating efficiency
- Operations in 4 states in Southeast and South regions
- 6.3 million customers
- 568 municipalities served
- 46,475 GWh sales in concession areas

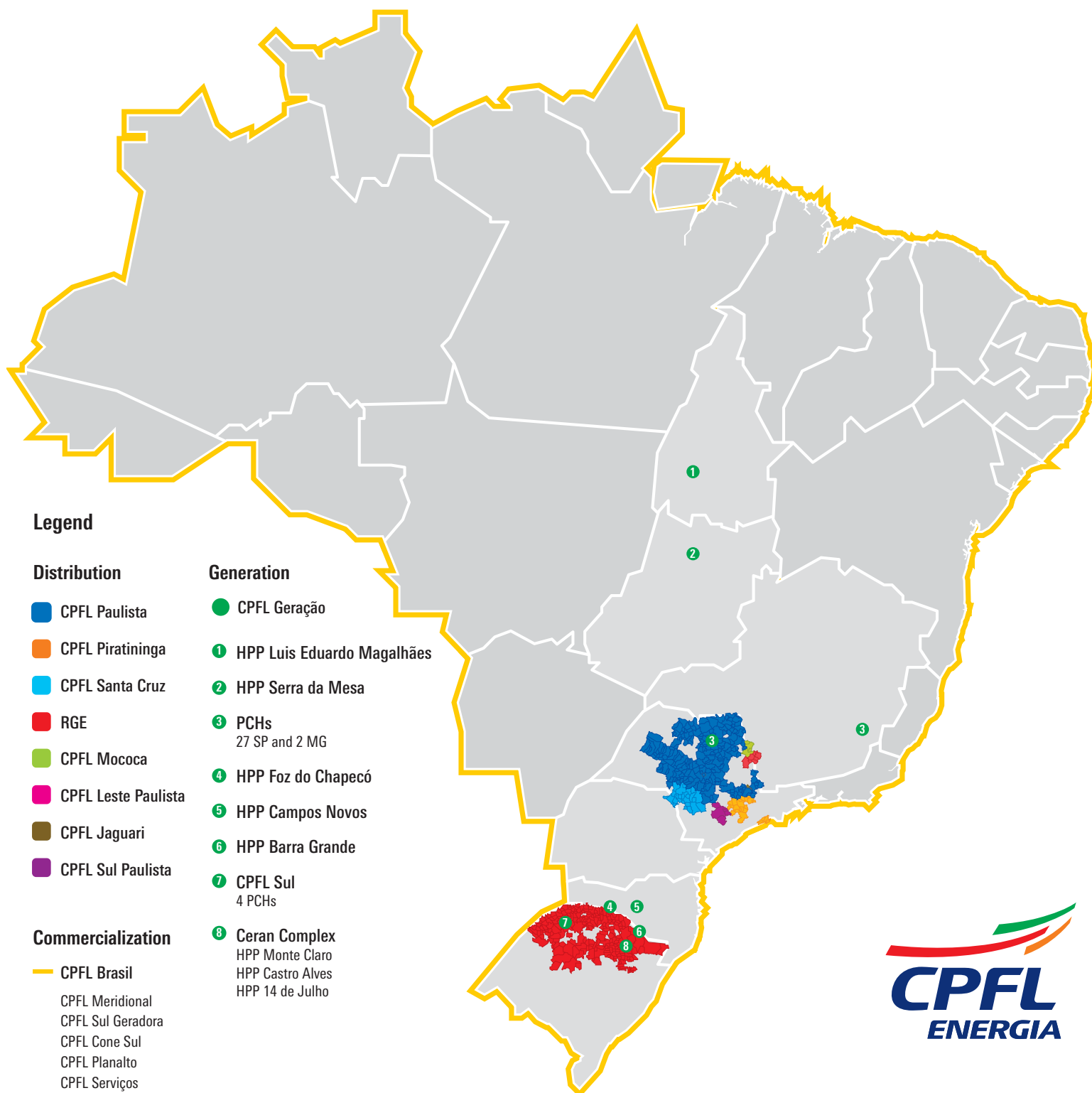
Electricity generation

- 39 plants in operation
- 3 plants in construction
- 2.0% Brazilian market share
- Plants in 6 states in the Southeast, South and Midwest regions
- Installed Capacity in 2007: 1,588 MW
- Assured Energy in 2007: 800 average MW
- Installed Capacity in 2010: 2,174 MW
- Assured Energy in 2010: 1,082 average MW

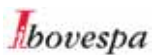
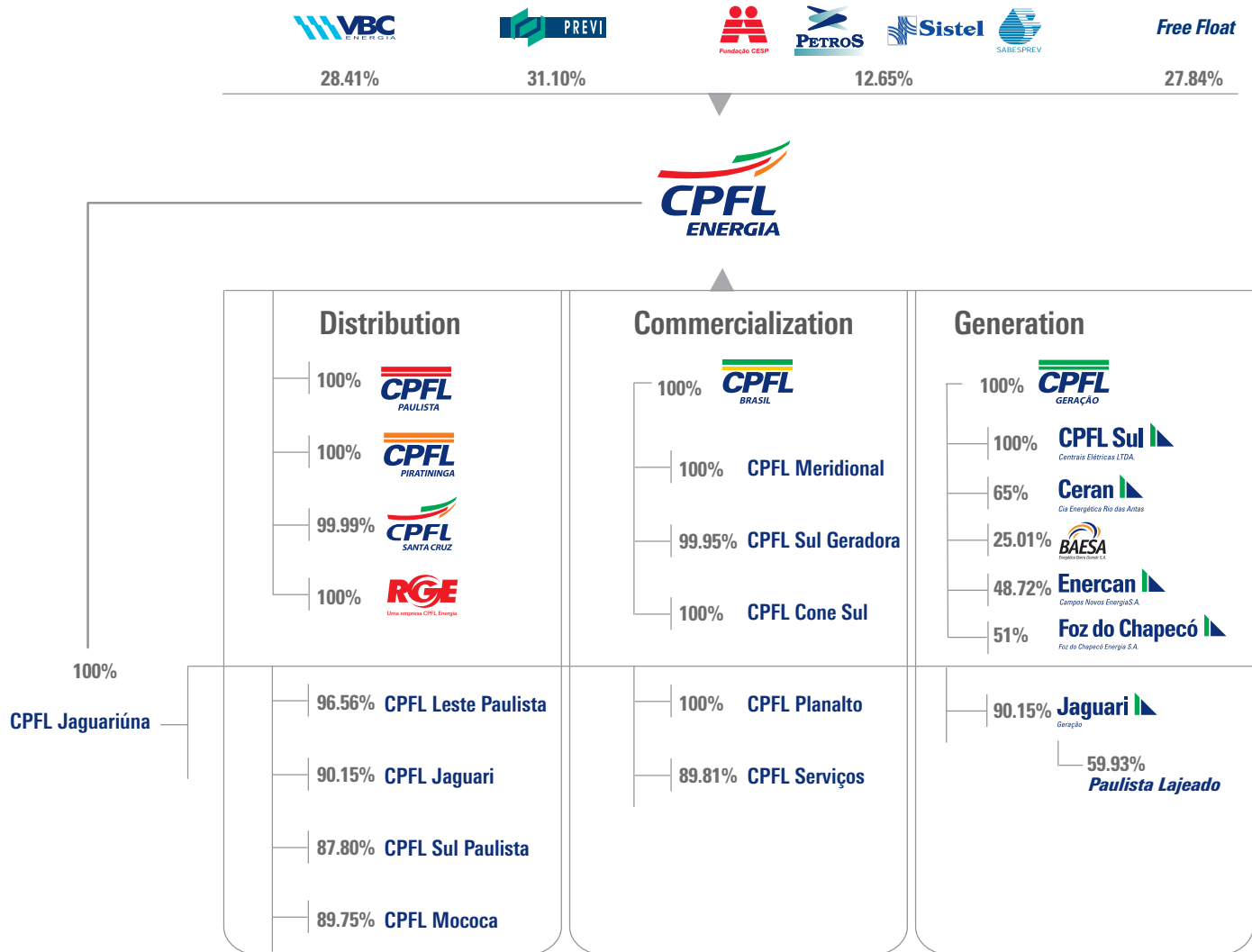
Free market electricity commercialization and sale of added value services

- Active throughout Brazil
- Brazilian market leader with 23.0% national share
- 91 free market customers
- 8,951 GWh energy sales (free market)
- Competitive in added value service sales: since 2002, 991 MVA of transformer capacity and 670 km of transmission lines installed for large clients

coverage and areas of operation



corporate structure



corporate changes

1 – Unwinding of cross shareholdings in RGE:

- Carried out in accordance with Aneel Authorization Resolution 305/05 and approved at an Extraordinary General Shareholders' Meeting (AGE) on March 14 2007. This comprised the segregation of the stake held by the CPFL Paulista subsidiary in RGE, CPFL Energia subsequently securing 99.76% of RGE's capital indirectly through the intermediary of the CPFL Serra Ltda. subsidiary.

2 – Incorporation of CPFL Serra by RGE:

- This was approved at the Extraordinary General Shareholders' Meeting (AGE) of September 18 2007. As a result, RGE assumed all CPFL Serra's rights and obligations.

3 – Incorporation of subsidiaries Semesa S.A. and CPFL Centrais Elétricas S.A. into CPFL Geração.

4 – Incorporation of subsidiary Nova 4 Participações Ltda. into CPFL Santa Cruz; as a result CPFL Energia now holds a direct stake in the capital of CPFL Santa Cruz.

5 – Acquisition of assets held by CMS Energy Brasil S.A. (now CPFL Jaguariúna S.A.), comprising electricity distribution, generation, commercialization and service companies.

profile of our major subsidiaries

ELECTRICITY DISTRIBUTION

Gross Operating Revenue (R\$ million)	12,980
EBITDA (R\$ million)	2,472
Net Income (R\$ million)	1,380

CPFL Paulista – Companhia Paulista de Força e Luz

Operates in 234 municipalities in the interior of São Paulo state, in a region including Campinas, Ribeirão Preto, Bauru and São José do Rio Preto.



Number of customers (thousands)	3,415
Sales in concession area (GWh)	24,437
Captive market sales	18,868
TUSD sales	5,569
Gross Operating Revenue (R\$ million)	6,868
EBITDA (R\$ million)	1,419
Net Income (R\$ million)	819

CPFL Piratininga – Companhia Piratininga de Força e Luz

Operates in 27 municipalities in the interior of São Paulo state, in a region including Sorocaba, Jundiaí, Santos and Cubatão.



Number of customers (thousands)	1,330
Sales in concession area (GWh)	12,803
Captive market sales	8,015
TUSD sales	4,788
Gross Operating Revenue (R\$ million)	3,175
EBITDA (R\$ million)	563
Net Income (R\$ million)	323

RGE – Rio Grande Energia S.A.

Operates in 262 municipalities in the interior of Rio Grande do Sul state, in a region including Caxias, Passo Fundo, Gravataí, Santo Ângelo, Canela and Gramado.



Number of customers (thousands)	1,160
Sales in concession area (GWh)	7,670
Captive market sales	6,886
TUSD sales	784
Gross Operating Revenue (R\$ million)	2,454
EBITDA (R\$ million)	416
Net Income (R\$ million)	165

CPFL Santa Cruz – Companhia Luz e Força Santa Cruz

Operates in 27 municipalities in the interior of São Paulo state and the north of Paraná state, in a region including Ourinhos, Avaré, Santa Cruz do Rio Pardo and Piraju.



Number of customers (thousands)	170
Sales in concession area (GWh)	829
Captive market sales	810
TUSD sales	18
Gross Operating Revenue (R\$ million)	274
EBITDA (R\$ million)	51
Net Income (R\$ million)	38

CPFL Jaguari – Companhia Jaguari de Energia

Operates in the municipalities of Jaguariúna and Pedreira in the interior of São Paulo state.



Number of customers (thousands)	30
Sales in concession area (GWh)	545
Captive market sales	475
TUSD sales	70
Gross Operating Revenue (R\$ million)	122
EBITDA (R\$ million)	20
Net Income (R\$ million)	12

CPFL Sul Paulista – Companhia Sul Paulista de Energia

Operates in five municipalities in the interior of São Paulo state, in the region of Itapetininga.



Number of customers (thousands)	66
Sales in concession area (GWh)	427
Captive market sales	360
TUSD sales	67
Gross Operating Revenue (R\$ million)	125
EBITDA (R\$ million)	25
Net Income (R\$ million)	15

CPFL Leste Paulista – Companhia Paulista de Energia Elétrica

Operates in seven municipalities in the interior of São Paulo state, in a region including São José do Rio Pardo and Casa Branca.



Number of customers (thousands)	48
Sales in concession area (GWh)	280
Captive market sales	280
TUSD sales	–
Gross Operating Revenue (R\$ million)	94
EBITDA (R\$ million)	17
Net Income (R\$ million)	9

CPFL Mococa – Companhia Luz e Força de Mococa

Operates in the municipalities of Mococa in the interior of São Paulo state, and Monte Santo de Minas, Itamogi and Arceburgo in Minas Gerais state.



Number of customers (thousands)	38
Sales in concession area (GWh)	186
Captive market sales	186
TUSD sales	–
Gross Operating Revenue (R\$ million)	69
EBITDA (R\$ million)	14
Net Income (R\$ million)	9

ELECTRICITY GENERATION



Gross Operating Revenue (R\$ million)	718
EBITDA (R\$ million)	545
Net Income (R\$ million)	282

Electricity Generating Profile – Hydroelectric Power Plants

HPP Serra da Mesa



Location	Tocantins River – Goiás state
Plant Total	Installed Capacity (MW): 1,275.0
	Assured Energy (average MW): 671.0
	Share (%): 51.54
CPFL Geração	Installed Capacity (MW): 657.1
	Assured Energy (average MW): 345.8
Operational Start-Up	1998

HPP Luis Eduardo Magalhães



Location	Tocantins River – Tocantins state
Plant Total	Installed Capacity (MW): 903.0
	Assured Energy (average MW): 526.6
	Share (%): 6.93
CPFL Geração	Installed Capacity (MW): 62.5
	Assured Energy (average MW): 36.5
Operational Start-Up	December 2001

Enercan – Campos Novos Energia S.A. – HPP Campos Novos



Location	Canoas River – Santa Catarina state
Plant Total	Installed Capacity (MW): 880.0
	Assured Energy (average MW): 377.9
	Share (%): 48.72
CPFL Geração	Installed Capacity (MW): 428.8
	Assured Energy (average MW): 184.1
Operational Start-Up	February 2007

Baesa – Energética Barra Grande S.A. – HPP Barra Grande



Location	Pelotas River – Santa Catarina/ Rio Grande do Sul states
Plant Total	Installed Capacity (MW): 690,0 Assured Energy (average MW): 380,6 Share (%): 25,01
CPFL Geração	Installed Capacity (MW): 172,5 Assured Energy (average MW): 95,2
Operational Start-Up	November 2005

Ceran – Cia. Energética Rio das Antas



HPP Monte Claro



HPP Castro Alves



HPP 14 de Julho

Location	Rio das Antas – Rio Grande do Sul state
Plant Total	Installed Capacity (MW): 360.0 Assured Energy (average MW): 173.0 Share (%): 65.0
CPFL Geração	Installed Capacity (MW): 234.0 Assured Energy (average MW): 112.5
Operational Start-Up	HPP Monte Claro – December 2004 HPP Castro Alves – 1Q/08 (forecast) HPP 14 de Julho – 4Q/08 (forecast)

HPP Foz do Chapecó



Location	Uruguai River - Santa Catarina/ Rio Grande do Sul states
Plant Total	Installed Capacity (MW): 855.0 Assured Energy (average MW): 432.0 Share (%): 51.0
CPFL Geração	Installed Capacity (MW): 436.1 Assured Energy (average MW): 220.3
Operational Start-Up	1Q/10 (forecast)

Electricity Generating Profile – Small Hydroelectric Plants

CPFL Geração



PCH Gavião Peixoto | São Paulo state

20 PCHs + 1 UTE – Thermoelectric Plant

Location	São Paulo (19 + 1 UTE) and Minas Gerais (1) states
Installed Capacity (MW)	156
Assured Energy (average MW)	91.4
Share CPFL Geração (%)	100

CPFL Sul



PCH Pirapó | Rio Grande do Sul state

4 PCHs

Location	Rio Grande do Sul state
Installed Capacity (MW)	2.65
Assured Energy (average MW)	2.45
Share CPFL Geração (%)	100

CPFL Jaguariúna



PCH Rio do Peixe
Casa de Força | São Paulo state

9 PCHs

Location	São Paulo (8) and Minas Gerais (1) states
Installed Capacity (MW)	24.3
Assured Energy (average MW)	—
Share CPFL Geração (%)	100

Note: Average MW value of 8.97 submitted for Aneel approval

Small Hydroelectric Plants in Operation - 2007*

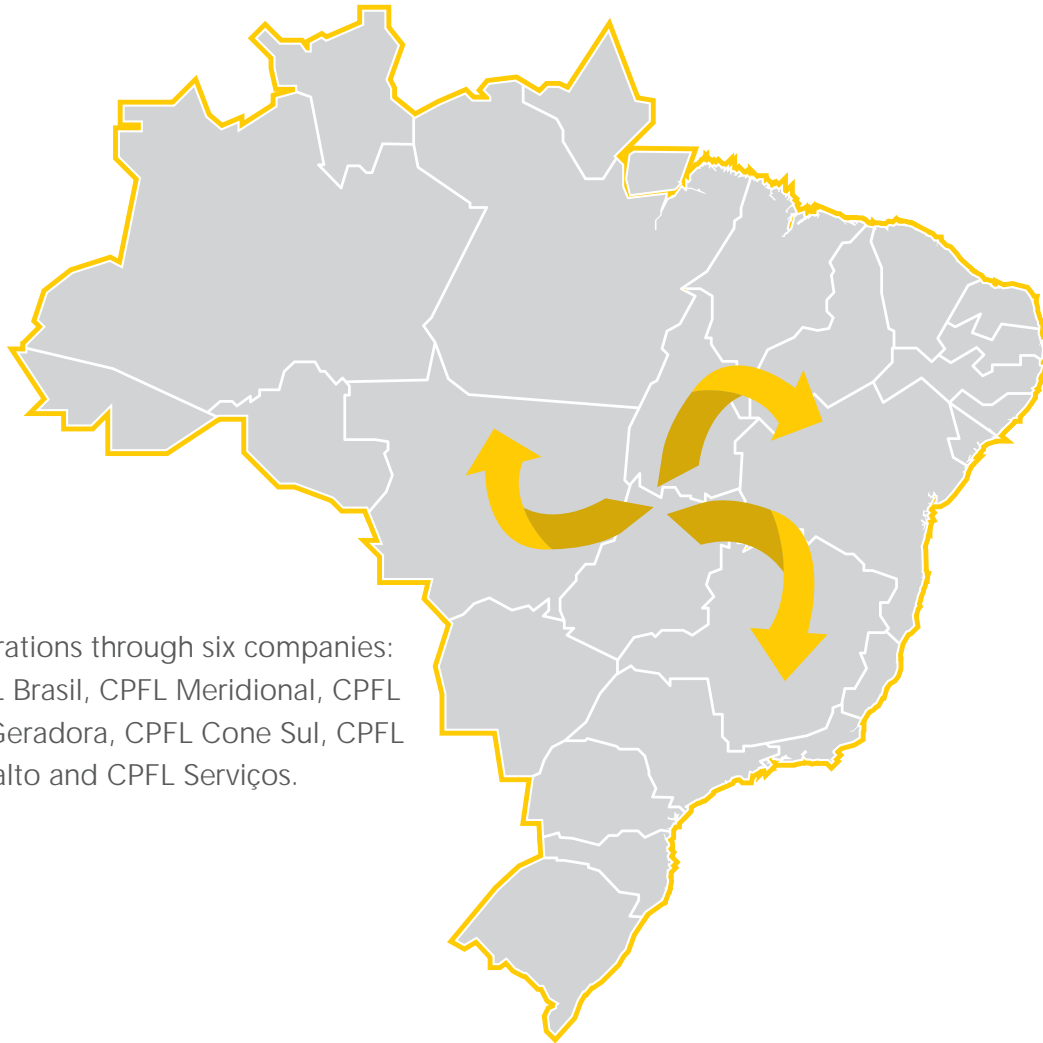
PCHs	State	Installed Capacity (MW)	Assured Energy (average MW)
CPFL Geração			
Americana	SP	30.00	9.00
Buritis	SP	0.80	0.90
Dourados	SP	10.80	7.76
Eloy Chaves	SP	19.00	12.20
Esmeril	SP	5.04	2.88
Gavião Peixoto	SP	4.80	3.82
Jaguari	SP	11.80	9.00
Lençóis	SP	1.68	1.68
Monjolinho	SP	0.60	0.31
Pinhal	SP	6.80	3.70
Salto Grande	SP	4.55	2.72
Santana	SP	4.32	2.90
São Joaquim	SP	8.05	5.63
Socorro	SP	1.00	0.60
Chibarro	SP	2.60	1.69
Capão Preto	SP	5.52	1.00
Três Saltos	SP	0.64	0.60
Cariobinha	SP	1.30	0.00
Salto do Pinhal	SP	0.58	0.00
Ponte do Silva	MG	0.13	0.00
UTE Carioba	SP	36.00	25.00
CPFL Sul			
Saltinho	RS	0.80	0.73
Pirapó	RS	0.67	0.64
Andorinha	RS	0.512	0.46
Guaporé	RS	0.67	0.62
CPFL Jaguariúna			
Santa Alice	SP	0.62	
Rio do Peixe (Power Plant I and II)	SP	18.06	
Lavrinha	SP	0.33	
São José	SP	0.79	**
Turvinho	SP	0.80	
Macaco Branco	SP	2.36	
São Sebastião	SP	0.68	
Pinheirinho - MG	MG	0.64	

* Includes Carioba Thermoelectric Plant (UTE)

** Average MW value of 8.97 submitted for Aneel approval

ELECTRICITY COMMERCIALIZATION

Active throughout Brazil in the sale of electricity to free market customers and added value services.



Operations through six companies:
CPFL Brasil, CPFL Meridional, CPFL
Sul Geradora, CPFL Cone Sul, CPFL
Planalto and CPFL Serviços.

Gross Operating Revenue (R\$ million)	1,881
EBITDA (R\$ million)	357
Net Income (R\$ million)	241




CPFL
ENERGIA





2. messages

message from the board of directors



Luiz Anibal de Lima Fernandes
Chairman of the Board of
Directors

The CPFL Energia Group reported significant achievements in 2007, the holding company's fifth year of operation and the third since the launch of its IPO on the São Paulo and New York stock exchanges in September 2004.

The Board of Directors' activities over the year have centered around two key areas.

The first is the consolidation of the new model of corporate governance which aims to align governance processes with the current structure of CPFL Energia and its subsidiaries and improve the mechanisms for dialog between Shareholders and Management to assure an efficient decision-making process for Group companies.

The second is support for, and participation in investment decisions involving the acquisition of assets and stakes in new ventures, which at CPFL Energia are only taken after rigorous feasibility studies, essential for the creation of shareholder value.

In this vein, the seamless integration between the Board of Directors and the Board of Executive Officers witnessed throughout 2007 has produced significant results. In line with its strategic plan, which is focused on the creation of value for shareholders and other

stakeholders of CPFL Energia and its subsidiaries, the Group maintained business growth and enhanced its operational efficiency. The result has been an increased share of the Brazilian electricity market, boosted sales and electricity generating capacity, gains in efficiency and productivity and the recording of impressive results, the consequence of discipline in the Group's economic and financial management.

Investments totaled R\$ 1,545 million for the year and were directed primarily toward expansion of the businesses and an increase in operational efficiency. Of the total, R\$ 1,275 million was invested in the purchase of electric sector companies and assets, hydroelectric plant construction and repowering, and in expansion of the distribution system to meet market growth.

These factors were key to the CPFL Energia holding company's achievement of record profits of R\$ 1.64 billion.

This performance, which is evidence of the CPFL Energia Group's soundness, and its ability to implement its strategic plan and meet its goals, allowed a dividend payout of R\$ 1.56 billion

to shareholders, equal to 95% of net adjusted income, above the 50% required by existing dividend policy. Accumulated dividend yield since the IPO in September 2004 reached 49.7%, testament to the dividend distribution strategy adopted by the Company over the period.

“ Accumulated dividend yield since the IPO in September 2004 reached 49.7% ”

In recognition of CPFL Energia's determination and discipline in pursuing its strategies, the capital markets responded with significant increases in the Group's stock value – 23.9% on the São Paulo Stock Exchange and 52.6% in New York. Since the IPO, company shares have appreciated 147.0% on Bovespa and 297.6% on the NYSE.

In 2008, CPFL Energia is to maintain its current strategies, particularly in light of the outlook for the Brazilian energy market.

The mood in Brazil is one of optimism, with annual growth forecast at over 5% in the coming years, driven, as was growth in 2007, by expansion of the domestic market, which requires accelerated growth of energy supply.

The consolidation of the New Electricity Sector Model heralds a period of stability and clarity in regulatory issues, essential for guaranteeing the attractive conditions necessary for private capital investment. It also points to a growing need for greater efficiency and quality of the companies operating in the sector.

This outlook is likely to create significant business expansion opportunities in the electricity market, both through the need for increased investment to drive energy supply and the trend toward consolidation in the sector.

Within this context, the CPFL Energia Group is strategically positioned as one of the most solid and prepared in the market to take part in this cycle of growth and consolidation in the industry.

For this, it relies on the support of its shareholders, the determination of its team of managers and employees, and the tradition and experience of a group of companies that has spent over 95 years meeting the needs of its customers and contributing to the development of Brazil.

Luiz Anibal de Lima Fernandes
Chairman of the Board of Directors

message from **the board** of executive officers

The year 2007 will be remembered as a very special period in the history of the CPFL Energia Group. CPFL Paulista, the Group's founding company, commemorates 95 years of operations in the electricity market and ten since its privatization in 1997. The CPFL Energia holding company concluded its fifth year of activities and three years since its IPO was launched on the São Paulo and New York stock exchanges.

In an environment in which the positive performance of the Brazilian economy (with a 5.4% increase in GDP) gave extra impetus to the Group's strategies for growth and efficiency, CPFL Energia reported the best results in its history.

“In an environment in which the positive performance of the Brazilian economy (with a 5.4% increase in GDP) gave extra impetus to the Group's strategies for growth and efficiency, CPFL Energia reported the best results in its history.”

Gross operating revenue was R\$ 14,207 million, an increase of 16.2%, EBITDA reached R\$ 3,345 million, 19.9% higher than in 2006, and Net Income totaled R\$ 1,643 million, registering a year on year improvement of 17.0%. The EBITDA margin reached 35.5% and Net Margin was 17.5%, maintaining the level achieved following the increase in 2006.

The main drivers of these results were a 7.5% growth in energy sales, itself a consequence of the significant 12.4% increase in consumption in the distributors' concession areas, a 48.2% increase in installed generating capacity due to the start-up of operations at the Campos Novos hydroelectric plant, the purchase of generating assets and the conclusion of the repowering project at the Gavião Peixoto Small Hydroelectric Plant (PCH). In the electricity commercialization segment, the Group maintained its leadership with 23% of Brazilian market turnover.

CPFL Energia also reported progress in its corporate growth strategy through the acquisition of the assets of CMS Energy Brasil S.A., whose corporate name was changed to CPFL Jaguariúna S.A. Included in this acquisition were four distributors, two companies active in the energy commercialization and services segments, and generation assets totaling 87 MW, arising from a share in the Luiz Eduardo Magalhães hydroelectric plant and from control of nine PCHs (small hydroelectric plants). The CPFL Paulista subsidiary also invested R\$ 4.2 million in the purchase of Cerfra's electric assets, a rural cooperative

Chief Executive Officer and Executive Officers – 2008.

From left to right:
Hélio Viana Pereira – Chief Operations Officer
Wilson Ferreira Jr. – Chief Executive Officer
Miguel Normando Abdalla Saad – Chief Energy Generation Officer
Paulo Cezar Coelho Tavares – Chief Energy Management Officer
José Antonio de Almeida Filippo (seated) – Chief Financial and Investor Relations Officer
José Marcos Chaves de Melo – Chief Administration Officer
Reni Antonio da Silva – Chief Strategy and Regulation Officer



operating in the Franca region in São Paulo state, thereby adding one thousand new customers to the company's portfolio.

As a result, CPFL Energia has increased its share of the Brazilian energy market. In the distribution segment, the Group extended its leadership position with a 13.3% share of the domestic market, now controlling eight electricity distribution companies, responsible for serving 6.3 million customers and present in 568 municipalities in the states of São Paulo, Rio Grande do Sul, Paraná and Minas Gerais. Energy consumption in the distribution companies' areas of operation reached 46,475 GWh.

In the generation segment, installed capacity increased from 1,072 MW to 1,588 MW, and assured energy for the 39 plants in operation grew from 571 average MW to 800 average MW. In 2008, installed capacity is due to increase to 1,738 MW and assured energy to 862 average MW with the start-up of operations at Castro Alves and 14 de Julho HPPs (Hydroelectric Power Plants), in their final stage of construction in Rio Grande do Sul state, and the conclusion of repowering projects at Capão Preto and Chibarro PCHs.

In this segment, a notable highlight is the registration of CPFL Energia Group generation assets in the Clean Development Mechanism (CDM) under the Kyoto Protocol, allowing us to begin carbon credit trading. This achievement is recognition of the Group's commitment to the efficiency and environmental sustainability of its generation projects.

In the commercialization segment, CPFL Energia ended the year with a portfolio of 91 free market customers and sales of 8,951 GWh. Added value sales reached R\$ 28 million in 2007 with indications of further growth in the coming years.

The Group companies' quest for gains in efficiency and capture of synergies, one of the pillars of the value creation strategy, also showed significant advances. The distribution companies ramped up their combating of commercial losses, which allowed approximately R\$ 140 million in revenue to be recouped.

The distributors were also successful in their activities to reduce customer payment delinquency which, considering consolidated figures, fell from 1.8% to 1.5%, one of the lowest for the sector. In another area, the distribution companies strengthened their programs for improving the quality of customer service. The Group distributors' indicators for measuring the quality of energy supply remained bellwethers for the sector when compared with those of other companies of a similar size and considering the specific characteristics of the regions in which they operate. Customer satisfaction indices were also among the best for the sector and above the national average.

This performance was widely recognized through awards presented by the National Electric Energy Agency (Aneel), the Brazilian Association of Electricity Distributors (Abradee) and by *Eletricidade Moderna* magazine, mentioned in this Report.

The Group's economic and financial management also registered an impressive performance, with growth of the EBITDA margin from 27.4% in 2005, to 35.3% in 2006, reaching 35.5% in 2007.

Debt grew between 2006 and 2007 due to increased funding for business growth which qualified under new rules for investments. Nonetheless, the increase registered was accompanied by a significant reduction in the financial cost of debt, which fell from 13.4% p.a. in 2006 to 12.1% in 2007. During the period, the Net Debt/EBITDA ratio also improved, falling from 1.57 to 1.53 times.

These results, together with our commitment to long-term strategies, positively affected the way the capital markets perceive the Company. The appreciation of CPFL Energia shares in the Brazilian and international markets, the increase in trading volume and a 13% growth in shareholder numbers in the retail market, reflect this favorable perception.

The addition of CPFL Energia as a component of the Ibovespa, which incorporates those companies with the greatest trading volume on the São Paulo Stock Exchange, and its presence in the Corporate Sustainability Index (ISE) for the third consecutive year, confirm the success story of the Company's activities and its shares in the capital markets.

This view was also held by other organizations, which during 2007, recognized the performance of CPFL Energia and its subsidiaries through numerous awards and other forms of recognition.

This recognition is a stimulus for the CPFL Energia Group to maintain its strategies and policies for business growth and consolidation in the Brazilian energy market.

The outlook for the Brazilian economy is promising and points to growth rates above the average for the last ten years, as evidenced by GDP growth registered in 2007.

Energy sector studies carried out by the Federal Government and included in its Ten Year Energy Plan (PDE) published in December 2007, suggest annual average Brazilian growth rates of between 4.2% and 4.9% from 2007 to 2016. This indicates a significant increase in energy consumption in the country, which should rise from 360 TWh in 2006 to somewhere in the region of 582 TWh and 611 TWh in 2016, growth of between 61.8% and 69.4%. This increase in

demand will require accelerated growth in energy supply, through greater installed generating capacity, expansion of electricity transmission and distribution systems, as well as consistent programs to increase efficiency in power consumption.

It is important to note that this increase in electricity consumption is likely to occur in all regions in Brazil. However, this growth cycle will likely maintain the current focus of energy consumption in the country's Southeast and South regions. This will directly benefit the CPFL Energia Group, as these regions cover the markets in which the majority of its assets are located. It is also the geographical region where the CPFL brand is strongest and most recognized, with operating efficiency, service quality and the tradition of almost a century of activity being the cornerstones of the Group's business.

On another front, the Group's growth strategy may also be favored by the market trend toward consolidation in solid corporate groups with high investment capacity and outstanding standards of operating efficiency.

This trend is particularly apparent in the electricity distribution segment, principally the result of the second round of distributor tariff reviews, and of a sectoral model based on the incessant quest for gains in operating efficiency, improvements in the quality of service, and modest tariffs for end customers.

Brazil is currently at a pivotal moment in its history. Its economy, supported by the stability of the country's fundamentals, indicates good growth prospects. This creates the need for

large infrastructure investments, particularly in the electricity sector, which in turn implies major financial investments with a meaningful role for private sector capital. The regulatory environment is moving toward one of clear and stable rules while the electricity sector is tending to consolidate around solid and competitive corporate groups.

Within this context, CPFL Energia is prepared to seize any opportunities that may arise in this new chapter in Brazilian history and to face the challenge of striving for new gains in operating efficiency.

The solidity that the Group has achieved is the fruit of the trust and support of thousands of shareholders across the globe, advanced corporate governance practices, guided by an innovative vision of excellence and sustainability, market knowledge accumulated over 95 years of operations, proven experience in company integration and restructuring, a staff of competent professionals committed to established strategies and a solid culture directed toward value creation for all stakeholders. These are the competitive advantages responsible for the Group's success to date and the pillars which will drive the CPFL Energia Group's growth in the coming years.

Wilson Ferreira Jr.
Chief Executive Officer





3. corporate governance

corporate governance



CPFL Energia has consolidated its new model of corporate governance introduced in 2006, improved internal control systems and strengthened its ethics management and development system, fundamental factors for decision making about the direction of the businesses and the sustainability of the corporate group.

CPFL Energia, recognized as one of the companies with some of the best corporate governance practices in Latin America, is constantly improving the policies, management practices and control systems used by its companies.

The company has made significant advances in streamlining the decision making process, focused on value creation for shareholders and other stakeholders of Group companies, also favoring the dynamics of the relationship between the Board of Directors and the Board of Executive Officers.

CPFL Energia possesses a system for internal control management and for the certification of its main business processes, in line with the requirements of the Sarbanes-Oxley Act, aimed at aligning and automatizing internal controls, with impacts on business results.

Also important is the Succession Plan,

in line with corporate planning, which aims to ensure an enduring business by identifying and implementing activities for the development and retention of those indicated to succeed to key positions within Group companies.

In addition, CPFL Energia is part of the Companies Circle – a select group of 14 Latin American companies recognized for adopting differentiated corporate governance practices. This initiative is coordinated by the Organization for Economic Cooperation and Development (OECD) and the International Finance Corporation (IFC) with the aim of promoting improved corporate governance practices in Latin America. CPFL Energia's management practices, risk control mechanisms and a solid organizational culture founded on the principles of transparency, impartiality,

GRI Indicators in this Chapter

- 2.9
- 3.8
- 4.1
- 4.4
- 4.6
- 4.9
- 4.10
- 4.13

The first company to list its shares simultaneously on Bovespa's Novo Mercado and the NYSE, CPFL Energia's corporate governance practices are among the best in Latin America.

accountability and corporate responsibility led to company shares being listed for the third consecutive year as components of Bovespa's Corporate Sustainability Index (ISE).

FOCUS ON ETHICS

In 2007, CPFL Energia carried out a number of initiatives for promoting ethics in its corporate processes, demonstrating the fundamental importance of ethical behavior in decision-making, business direction and company sustainability. Some of the key initiatives are:

- Implementation of the New Ethics Management and Development System
- Second round of Reflection on Ethics Seminars
- Restructuring of the Ethics Development Committee
- Creation of the Ethics Network

BOARD OF DIRECTORS

The main forum which makes decisions and determines the general direction of business for the CPFL Energia Group, focused on the creation of shareholder value and sustained business growth. It consists of seven members: three elected by VBC Energia, two by 521 Participações, one by Bonaire Participações and one Independent Board Director, in accordance with Bovespa's Novo Mercado listing regulations, all elected at the General Shareholders' Meeting (AGO) in April 2007 for a mandate of one year, re-election being permitted:

Management April 2007 to April 2008

Board Members	Alternates
Luiz Anibal de Lima Fernandes (Chairman)	Daniela Corci Cardoso
Cecilia Mendes Garcez Siqueira (Deputy Chairman)	Rivail Trevisan
Francisco Caprino Neto	José Florêncio Rodrigues Neto
Otávio Carneiro de Rezende	Nelson Koichi Shimada
Milton Luciano dos Santos	Eduardo Fernando Braga
Martin Roberto Glogowsky *	Carlos Alberto Cardoso Moreira
Ana Dolores Moura Carneiro de Novaes	

* Substituted by Carlos Alberto Cardoso Moreira for the 2008/2009 term of office.

COMMITTEES

The CPFL Energia corporate governance model aims to make continual improvements to the decision making process.

Consequently, the following committees exist to advise the Board of Directors:

Management Processes Committee

Advises the Board on topics such as proposals to improve business management processes, evaluation of areas of business risk and guidance of the Internal Audit's activities. Its members are:

- Otávio Carneiro de Rezende
- Ricardo Giambroni
- Martin Roberto Glogowsky

Personnel Management Committee

Activities cover definition of targets; assessments; coordination of Board of Executive Officers Succession Plan; and monitoring of human resources policies and practices. Its members are:

- Cecília Mendes Garcez Siqueira
- Francisco Caprino Neto
- Carlos Alberto Cardoso Moreira

Related Parties Committee

Advises the Board in the assessment of transactions involving Related Parties, such as the selection of suppliers and service providers and acquisition/sale of power

transactions. Its members are:

- Daniela Corci Cardoso
- Arthur Prado Silva
- Carlos Eduardo Reich*
- Substituted by Humberto Pires Gault Vianna de Lima for the 2008/2009 term of office

FISCAL COUNCIL

Consists of five members with a one-year term of office, re-election being permitted. It performs the functions of the Audit Committee in accordance with the rules of the Securities and Exchange Commission (SEC) applicable to foreign companies listed on US stock exchanges.

April 2007 to April 2008 term of office

Effective Members	Alternatives
Francisco Djalma de Oliveira (Chairman)	Dagildo de Jesus Rodrigues
Enéias Assis Rosa Ferreira*	Claudionor Francisco Barbosa
Fernando Dias Gomes	Marcelo Palmeira dos Santos
Paulo Midena	Elaine Corrêa Aguirre
Suzana Hanna Stiphan Jabra**	Roberto Henrique Gremler

* Substituted by Pedro Carlos de Mello, the current Chairman, for the 2008/2009 term of office.

** Substituted by Martin Roberto Glogowsky, for the 2008/2009 term of office.

BOARD OF EXECUTIVE OFFICERS

Responsible for the conduct of the businesses of the Company, its subsidiaries and its associated companies, in line with guidelines determined by the Board of Directors. With a two-year term of office, it is made up of six members, eligible for re-election:

- Wilson Ferreira Junior (Chief Executive Officer)
- José Antonio de Almeida Filippo (Chief Financial and Investor Relations Officer)
- Reni Antonio da Silva (Chief Strategy and Regulation Officer)*
- Paulo Cezar Coelho Tavares (Chief Energy Management Officer)
- Miguel Normando Abdalla Saad (Chief Energy Generation Officer)
- Hélio Viana Pereira (Chief Operations Officer)
- José Marcos Chaves de Melo** (Chief Administration Officer)

* Resigned in June 2008

** Elected in April 2008

CORPORATE EVENTS

Review of Securities Trading Policies and the Dissemination of Acts and Material Facts:

In 2007, the Company adjusted its business policies to the requirements of the Brazilian Securities and Exchange Commission (CVM).

Migration of Minority Shareholders from RGE to CPFL Energia:

In 2007, the incorporation of the shares of RGE's minority shareholders into the capital stock of CPFL Energia was approved, RGE becoming a wholly owned subsidiary.

Participation in the Latin American Corporate Governance Roundtable:

In October 2007, CPFL Energia participated in the Latin American Corporate Governance Roundtable, organized by the OECD in cooperation with the IFC and the World Bank. This event was attended by members of the Companies Circle, institutional investors, and government authorities to discuss trends, perspectives and themes relevant to best corporate governance practice and the strengthening of the capital markets in Latin American countries as a whole.



Headquarters of CPFL Energia Campinas São Paulo state

DIFFERENTIATED CORPORATE GOVERNANCE

- Capital stock composed exclusively of common shares with guarantee of equal conditions for controlling and minority shareholders in the event of the sale of a controlling interest – 100% tag along rights
- Free float of 27.84%
- Board of Directors formed of seven members, including one Independent Director, with powers and functions defined by internal charter
- Permanently installed Fiscal Council with the functions of an Audit Committee, and powers and functions defined by internal charter
- Three permanent advisory committees to the Board of Directors
- Board of Executive Officers of the holding company includes the management bodies of all the subsidiaries
- Governance guidelines of the holding company and subsidiaries aligned via the Company Bylaws
- Dividend Policy
- Securities Trading Policy
- Code of Ethics and Corporate Conduct adapted to the recommendations of the United States Securities Exchange Commission (SEC)
- Adherence to the arbitration commitment clause of Bovespa's Novo Mercado
- Channels for reporting complaints and/or denunciations with respect to financial information or infringement of the Code of Ethics
- Financial statements published in accordance with Brazilian (BRGAAP) and reconciliation with US (USGAAP) accounting principles
- Certification of internal controls by management (CEO and CFO) and Independent Auditors (Section 404 of the Sarbanes-Oxley Act)
- Preliminary analysis by the Related Parties Committee of transactions involving companies linked to shareholders comprising the controlling block
- Annual self-appraisal program for members of the Board of Directors and Fiscal Council
- Succession plan for the Board of Executive Officers and other executives of the CPFL Group
- Annual Report prepared in line with guidelines of the Global Reporting Initiative (GRI)





4. corporate strategy

institutional positioning

A benchmark in the electricity sector, CPFL Energia is recognized for its **solidity**, operational **excellence**, **quality** of service provision, discipline in the implementation of its strategies, the creation of value for its stakeholders and for its **commitment** to differentiated **governance** practices focused on **sustainability**.

- Brazil's largest private sector electricity company, with competitive operations in electricity distribution, generation and commercialization
- Commitment and solidity of the controlling shareholders, positioned among the largest and most solid Brazilian corporate groups and pension funds
- Differentiated corporate governance, guided by an innovative vision of excellence and corporate responsibility
- Consistent business strategies aimed at growth and the creation of sustained value for all stakeholders
- Companies which are market leaders, recognized for their operating efficiency
- Tradition and market knowledge accumulated over more than 95 years of Group companies' operations.

Excellence • Responsibility • Solidity •
Exceeding Goals • Efficiency • Strategy •
Commitment • Trust • Credibility • Value
Creation • Culture • Innovation • Growth •
Discipline • Energy • Ethics • Enterprising
Spirit • Excellence • Flexibility • Future •
Inclusion • Inspiration • Leadership • People
• Differentiated Services • Proximity •
Quality of Life • Relationships • Respect •
Competitiveness • Knowledge • Security •
Synergy • Solutions • Sustainability • Talent
• Trends • Values • Transparency • Vision

vision, mission and values

vision

To be recognized as a corporate benchmark in the energy sector for the quality of our products and services, the skill of our employees and values held.

mission

To compete effectively in the domestic energy market, providing customers, shareholders, employees and partners with ongoing satisfaction and making a decisive contribution to the development and welfare of society.

values

- Responsiveness and courtesy toward clients
- Respectful and dignified treatment for all
- Occupational safety and quality of life
- Permanent search for corporate excellence and growth
- Ethical and transparent behavior
- Professional pride
- Social and environmental responsibility

INSTITUTIONAL COMMITMENTS

- Global Compact
- Millennium Development Goals
- Corporate Friend of the Child Program
- Corporate Pact Against the Sexual Exploitation of Children and Adolescents on Brazilian Highways
- Corporate Pact for Integrity and Against Corruption



value creation: strategic pillars

CPFL Energia's growth strategy is based on five strategic pillars: operating efficiency, synergistic growth, financial discipline, differentiated corporate governance, and corporate sustainability and responsibility.

The year 2007 was the best in CPFL Energia's history: the period was marked by growth, and the results achieved in all areas demonstrate the consistency of operating strategies and the Group's discipline in its pursuit of planned results.

CPFL Energia adopts a long-term strategy based on the criteria of management excellence to ensure sustainable growth. This strategy aims to create value for all stakeholders, to ensure a return and appreciation on shareholder investment.

OPERATING EFFICIENCY

- Search for gains in efficiency and scale of power distribution via efficient management of assets, investments and operational logistics;

- Standardization and certification of work processes and sharing of best practices among Group companies;
- Automation and modernization of systems;
- Quality and reliability in power supply and customer services

SYNERGISTIC GROWTH

- Increase in CPFL Energia's share of the Brazilian energy market and balanced growth of the business portfolio

Energy is essential for the future of Brazil and the world. Therefore, it is essential for a public utility company using natural resources to have a long-term vision and be conscious of **what** it does, **for whom** and, above all, **how**.

The company's performance in the capital markets is linked to its five strategic pillars and reflects shareholder confidence in its business plan and the management guidelines for directing the company's activities.

- Establishment of a solid distribution platform in attractive markets
- Expansion of energy generation capacity through acquisition of existing assets and participation in new projects
- Growth in CPFL Energia's market share in free energy trading and the sale of added value services (SVA) to major customers

FINANCIAL DISCIPLINE

- Management focused on the creation of shareholder value
- Management aimed at reducing operating costs
- Ongoing monitoring of parameters of financial leverage and pursuit of a capital structure appropriate to areas of activity

DIFFERENTIATED CORPORATE GOVERNANCE

- Differentiated corporate governance guidelines based on the principles of ethics, transparency, equal treatment of shareholders and a differentiated dividend distribution policy

CORPORATE SUSTAINABILITY AND RESPONSIBILITY

- Management style founded on the triple bottom line concepts, with permanent management of the economic, social and environmental impacts of Group activities
- Development of social, cultural and environmental programs in support of the communities in which the Group's companies operate.







5. performance in 2007:
the company's best year

background:

macroeconomic and regulatory environment and tariffs

MACROECONOMIC ENVIRONMENT

- The Brazilian economy recorded greater dynamism in 2007. The level of investment in the production sector was positive and GDP surpassed the average growth rate of recent years.
- Demand in the energy market grew strongly, driven by an increase in formal employment, increases in incomes and the expansion of consumer credit.
- Brazil proved more resistant in the face of threats of a global economic crisis in the last quarter of 2007, signaling an optimistic outlook for the economy in 2008 with expansion in activity and new public sector investments.
- Reduction in Brazil's basic interest rate (Selic) from 15.0% p.a. to 11.8% p.a., and the long-term interest rate (TJLP) from 7.87% p.a. to 6.38% p.a.

Demand in the energy market grew strongly, driven by an increase in employment in the formal employment, increases in income and growth in credit

REGULATORY ENVIRONMENT

The year was marked by consolidation of the regulatory environment through a series of Aneel normative acts. These changes point the way to regulatory stability and transparency, which are essential to ensure the investments necessary for increasing

The comments on economic and financial performance and operating results should be read in conjunction with the Audited Financial Statements and the respective Explanatory Notes. More detailed information on the financial and balance sheet variations can be found on the website www.cpfl.com.br/ir and in the Financial Statements and Explanatory Notes.



The year was marked by consolidation of the regulatory environment through a series of normative acts issued by the National Electric Energy Agency – Aneel.

energy supply to meet market demand and guarantee efficiency and quality of service to energy consumers.

In this context, it is worth highlighting the specification of the mechanisms guiding the second tariff review round for energy distribution companies which began in 2007, with conclusion scheduled for 2008.

Aneel also laid out the general conditions for incorporating private networks, allowing regularization of the electric assets of consumers affected by this measure and permitting a higher level of service efficiency and quality in future.

Following the revocation of DNAEE (the National Department of Water and Electrical Energy) Administrative Rule 05/1990 which required a financial contribution from consumers for new connections, (substituted by Aneel Resolution 223/03), a new system was introduced allowing contributions made by consumers connected from November 2003 to be reimbursed. The modus operandi for these reimbursements is set out in Resolution 250/2007, which rules that

payments should be completed within a year of the resolution's enactment.

Finally, Aneel Normative Resolution 286/07 approved the rules for the commercialization of electricity originating from energy sources enjoying tax breaks and sold to consumers with loads greater than 500 KW, as defined in Aneel Normative Resolution 247/06.

This has created new opportunities in the commercialization segment, the results of which will feed through to the free market in coming years.

TARIFFS

Distribution Segment

Annual Tariff Review - IRT 2007

The Annual Tariff Review (IRT) approved the following rates of adjustment for CPFL Group companies:

- In February 2007 – CPFL Santa Cruz (5.71%), CPFL Jaguari (1.66%), CPFL Sul Paulista (5.52%), CPFL Leste Paulista (3.31%) and CPFL Mococa (9.61%);
- In April 2007 – CPFL Paulista (7.06%) and RGE (6.05%).

- In 2007, CPFL Piratininga underwent a second tariff review round as detailed below.

Second Tariff Review Round

The tariff review for Group companies saw significant advances compared with the first round, particularly in the methodology for calculating a “reference company” and in the establishment of a regulatory asset base. Below are the results of tariff reviews concluded in 2007:

- On October 22 2007, Aneel's Ratifying Resolution 553 detailed the preliminary result of CPFL Piratininga's second tariff review, applicable as of October 23 2007. CPFL Piratininga's energy tariffs were adjusted by -10.11%, comprising a tariff reset of -10.94% and 0.83% for financial components outside the scope of the periodic tariff review;
- On January 29 2008 as part of the second tariff review round, ANEEL provisionally established tariffs for the CPFL Santa Cruz, CPFL Jaguarí, CPFL Sul Paulista, CPFL Leste Paulista and CPFL Mococa subsidiaries, covering the tariff reset and financial components outside the scope of the

periodic tariff review:

- CPFL Santa Cruz: adjustment of -7.13%, comprising a -9.73% tariff reset and 2.60% in extraneous financial components;
- CPFL Jaguarí: adjustment of -1.58%, comprising a -0.35% tariff reset and -1.23% in extraneous financial components;
- CPFL Sul Paulista: adjustment of -3.57%, comprising a -2.98% tariff reset and -0.58% in extraneous financial components;
- CPFL Leste Paulista: adjustment of -1.65%, comprising a -2.69% tariff reset and 1.04% in extraneous financial components;
- CPFL Mococa: adjustment of -5.65%, comprising a -8.40% tariff reset and 2.75% in extraneous financial components.

Tariff reviews for distribution companies CPFL Paulista and RGE are scheduled for conclusion in April 2008.

Generation Segment

Electricity sales contracts for hydroelectric power plants in which the CPFL Group has a stake contain specific clauses on price readjustments, with the main indexer being the annual variation in inflation as measured by the IGP-M.

operating performance marked by **growth and efficiency**

In 2007, the Group furthered its strategy of business growth through acquisitions and the conclusion of power generation projects, which strengthened its market position.

CPFL Energia began operations in 2002, in a climate of major change and significant challenge for electric sector companies in Brazil and the rest of the world. For this reason, right from birth, CPFL Energia has been prepared to position itself as a leader in the business segments in which it operates, through differentiated strategies combining business growth with the search for permanent gains in efficiency, supported by a solid organizational culture, guided by criteria of excellence and consistent and sustained value creation for shareholders and other stakeholders.

In 2007, the Group saw progress in its strategy of business growth through company acquisitions and the conclusion of power generation projects, which strengthened its market position.

A range of competitive differentials contributed to results in 2007:

- Selective investments;
- Activity in high-density markets with strong growth rates;
- Ability to conduct business in an innovative way and to realize highly competitive projects;
- Experience in company acquisitions and restructuring to improve performance;
- Superior ability to set up power generation ventures, and rigorous financial management.

ELECTRICITY MARKET

Electricity sales to the markets in which Group companies operate grew significantly over the year. This was largely due to the significant performance of the Brazilian economy, the strategy of acquiring distribution companies in markets where much of the country's industry and wealth are concentrated, and supported by a competitive performance in the free market in 2007.

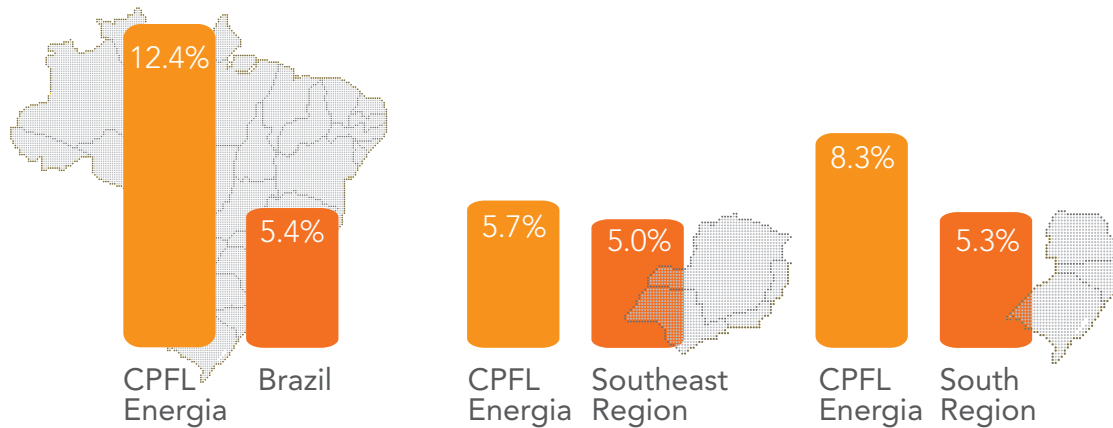
Electricity Sales Performance - GWh

	2007	2006	Variation %
Captive Market	35,245	31,778	+10.9
Tariff for Use of Distribution System	11,230	9,585	+17.2
Free Market Sales	8,951	9,336	- 4.1

The CPFL Energia Group attained leadership in the electricity distribution segment with a 13.3% market share and maintained its top ranking in the electricity commercialization segment for free customers, with a 23% share. Electricity consumption in the distributors' concession areas rose by 12.4%, above the average for the country and the regions

where the Group conducts its activities, even when discounting the acquired distribution companies. Consumption reached 46,475 GWh, of which 11,230 GWh was billed via the Tariff for Use of the Distribution System (TUSD). Highlights were residential and commercial class sales, with increases of 13.5% and 12.5%, respectively. Present in four of the most important markets

Growth in sales of electricity distribution companies vs. Growth in consumption in regions of operation



Sales in the Distribution Segment

Consumption in distributors' areas	46,475 GWh
• Captive Market Sales	35,245 GWh
• Electricity billed by TUSD	11,230 GWh

Comparison 2007 vs. 2006: +12.4% ¹

Main performance factors:

- Growth in electricity consumption resulting from increased economic activity and higher incomes in the distribution companies' concession areas.
- Increase in market share through the purchase of electricity distribution companies between 2006 and 2007. Acquisition of 32.7% of RGE, CPFL Santa Cruz and CPFL Jaguariúna's subsidiary distribution companies.
- Increase in customer base from 5.9 to 6.3 million through the acquisition of distribution companies and 167 thousand new consumer connections;
- Expansion of area of operation from 550 to 568 municipalities.

¹ - Discounting the impact of acquisitions, the increase in sales is 6%.

in Brazil, the states of São Paulo, Rio Grande do Sul, Paraná and Minas Gerais where the majority of the country's wealth is concentrated, CPFL Energia recorded consistent rates of growth in sales and above the averages for their respective regions and for Brazil as a whole. The customer base reached 6.3 million, the result of acquisitions of distribution companies as well as 167 thousand new consumer connections.

The main factors contributing to a decline in electricity commercialization on the free market were a decrease in short-term sales and the fact that part of the electricity purchased by Rio Grande Energia is no longer recorded under the sales of the commercialization company, CPFL Brasil.

To ensure customer satisfaction, CPFL Energia invests in the best management and operating practices



In 2007, the distribution companies handled **18.5 million** customer service calls via rapid, easy access channels

ELECTRICITY DISTRIBUTION

The Group's distribution companies aim to provide quality services for meeting customer satisfaction as well as advanced standards of operating efficiency, by sharing best management and operating practices. Operational logistics are organized to guarantee high performance standards and rapid responses to customer requests. The distribution companies maintain standardized work processes that are certified according to international norms and unified standards of engineering and construction. These measures allow economies of scale in systems installation and modernization and in the purchase of equipment, materials and services, as well as the standardization of training and development programs for Group employees.

Quality of Electricity Supply

Quality and continuity of energy supply are vital to the electricity distribution companies' achieving planned targets. To this end, the companies carry out intensive programs of preventative maintenance for guaranteeing energy supply and perfect functioning of the electric system, even in adverse conditions.

The results of these actions can be seen in the principal supply quality indicators (FEC, the frequency equivalent of interruption per consumer over the year; and DEC, the duration equivalent of interruption per consumer over the year) for CPFL Energia, which are among the best for the Brazilian

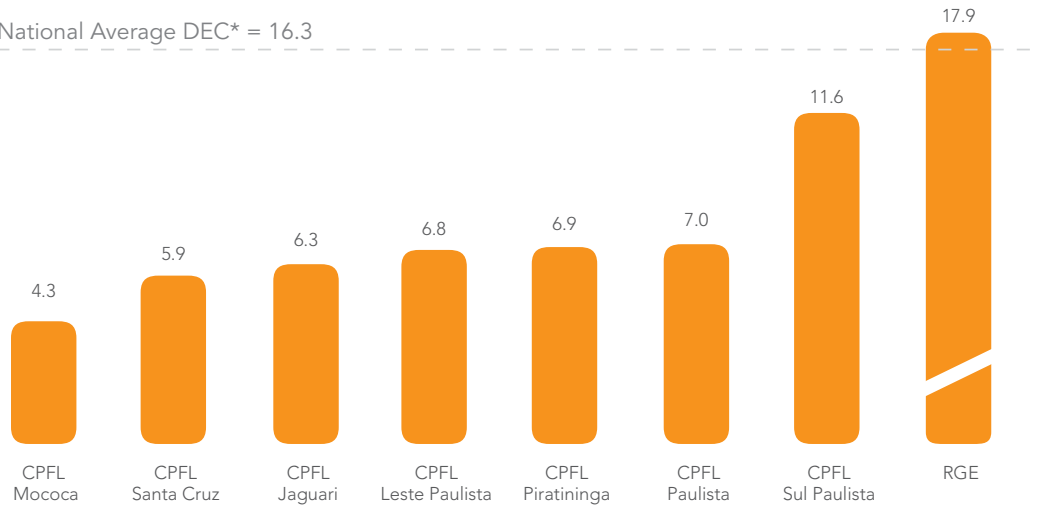
electricity sector, considering the size and regions in which the distributors operate.

Commercial Management Performance

The distribution companies' commercial management practices produced some significant results. Actions aimed at reducing

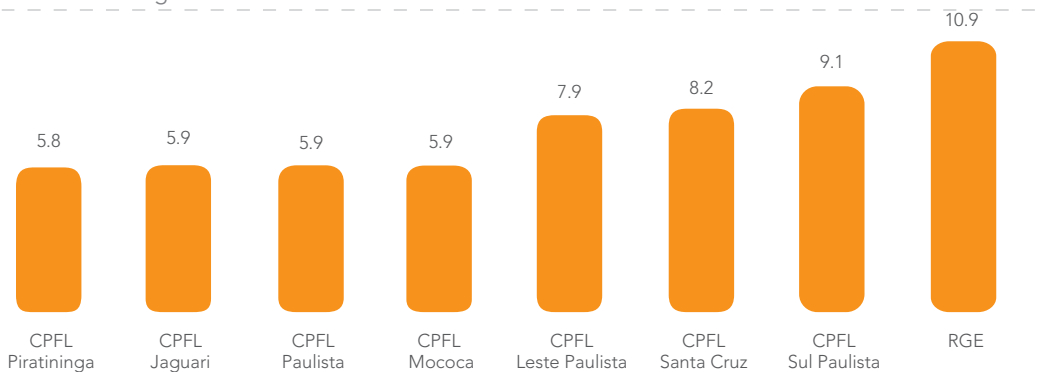
DEC – Duration equivalence of interruption per consumer over the year (hours)

National Average DEC* = 16.3



FEC – Frequency equivalence of interruption per consumer over the year (times)

National Average FEC* = 11.7

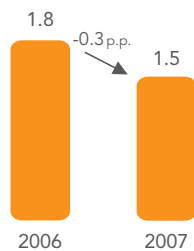


* Source: Aneel – latest available data (2006 average). Base: December 31, 2007.

commercial energy losses allowed a recovery in revenue of R\$ 140 million, corresponding to 416 GWh, the result of 550 thousand consumer unit inspections, and the use of support systems and equipment for assuring the efficiency and effectiveness of field operations. Another measure impacting significantly on operating costs and the quality of customer relationships is management of Group distributors' billing. Every month, collection procedures involve 6.3 million operations of meter reading, billing processes, and issue, delivery and receipt of electricity bills. Group distributor indices for measuring the efficiency of this process were among the best in the electric sector. The highlight was the result registered by RGE, with 1.3 rebilling per ten thousand bills issued, followed by CPFL Leste Paulista with a result of 1.5, and CPFL Paulista and CPFL Piratininga, with 1.9.

In another area, of particular note was a reduction of 13.5% in RGE's delinquency rate in the first effective year of operations under the CPFL Energia umbrella, and changes introduced in collection systems at CPFL Paulista, CPFL Santa Cruz and CPFL Piratininga, leading to reductions in delinquency rates of 21.4%, 18.2% and 15.3%, respectively.

CPFL Energia – Distributors' consolidated payment delinquency rate (%)



CPFL Energia distribution companies are benchmarks in operating efficiency in the Brazilian energy market

Client Service

The Group's distribution companies have an agile and diverse range of channels for handling customer requests, comprising Call Centers, Contact Centers, Personalized Service Agencies, Virtual Agencies (internet) and a network of authorized agents. This set of channels is complemented by service teams of managers and executives dedicated to serving large customers and public authorities, and an ombudsman for dealing with queries and complaints. In 2007, these channels answered over 18.5 million Group customer calls. Installation of the CPFL Total authorized network continued, dedicated to commercial services, and expected to reach 850 service points in 2008.

Universal Service Coverage

The distribution companies CPFL Paulista, CPFL Piratininga, CPFL Santa Cruz, CPFL Jaguari, CPFL Sul Paulista, CPFL Leste Paulista and CPFL Mococa provide universal service coverage in their markets. RGE installed 6,943 new connections in 2007. Planned investments in 2008 will allow the connection of approximately five thousand new customers, thus achieving the goal of 100% coverage.

Systems Modernization and Alignment of Work Processes

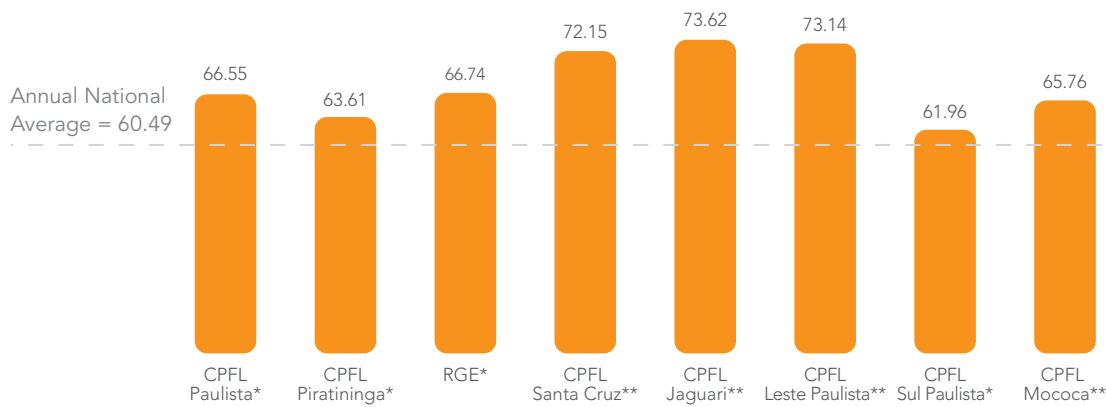
In 2007 the first stage of installation of GISD – Integrated Distribution System Management at CPFL Piratininga was concluded. This consists of a geo-referenced database and user training for ensuring improvement to the control processes of the electric asset base.

The Shareholder Value Generation System

(GVA) and the Electronic Document Management system (GED) were also implemented at RGE in 2007 and the preliminary GISD modeling and installation stages concluded.

CPFL Paulista and CPFL Piratininga also concluded the planned phases of development and installation of the commercial management system – CCS/SAP, forecast to begin operation in 2008.

Iasc – Aneel Customer Satisfaction Index – 2006 (%)



Source: Aneel.

* Distributors with over 400 thousand customers.

** Distributors with up to 400 thousand customers.

Contact Center, serving major customers.



CPFL Geração is recognized for its ability to plan and implement large hydroelectric projects.

ELECTRICITY GENERATION

A cornerstone in its strategy of business portfolio diversification and expansion of its share of the Brazilian energy market, CPFL Energia made important progress in 2007 with the start-up of operations at Campos Novos Hydroelectric Plant (HPP), the third of the large plants in construction, completion of repowering of Gavião Peixoto Small Hydroelectric Plant (PCH) and the purchase of existing assets, part of CPFL Jaguariúna, with a CPFL share of 6.93%, equivalent to 62.5 MW installed capacity at Luiz Eduardo Magalhães hydro plant and nine small hydro plants, with total installed capacity of 24.3 MW.

As a result, installed generating capacity increased by 48.2%, growing from 1,072 to 1,588 MW and assured energy rose 40.2%, from 571 to 800 MW.

The start-up of operations at Castro Alves (130 MW) and 14 de Julho (100 MW) hydro plants is scheduled for 2008. CPFL Energia has a 65% stake in these ventures.

Also in 2008, Capão Preto and Chibarro small hydro plants will enter operation, repowered and modernized, part of a cycle

which has involved the repowering of seven small hydro facilities in recent years and added 9.9 average MW of assured energy to the Group's generating complex.

In 2010, Foz do Chapecó hydro plant will enter operation with 855 MW, CPFL Energia enjoying a 51% participation.

It is important to mention that the hydroelectric power plants and small hydroelectric facilities forming CPFL Energia's generating complex have long-term concession contracts and assured energy sales contracts.

On another front, preliminary projects for repowering Andorinhas, Guaporé and Três

Hydroelectric Power Plant Concession Expiry

HPP Serra da Mesa	2028
HPP Monte Claro	2036
HPP Barra Grande	2036
HPP Campos Novos	2035
HPP Luiz Eduardo Magalhães	2032
HPP Castro Alves	2036
HPP 14 de Julho	2036
HPP Foz do Chapecó	2036
PCHs	2015 to 2027

Saltos small hydro plants were completed with work scheduled to commence between 2008 and 2009, increasing installed capacity by 6.9 MW and assured energy by 4.6 average MW.

In addition, feasibility studies and evaluations were concluded for 70 new small hydro projects, ten of which have a good chance of meeting the Group's criteria for

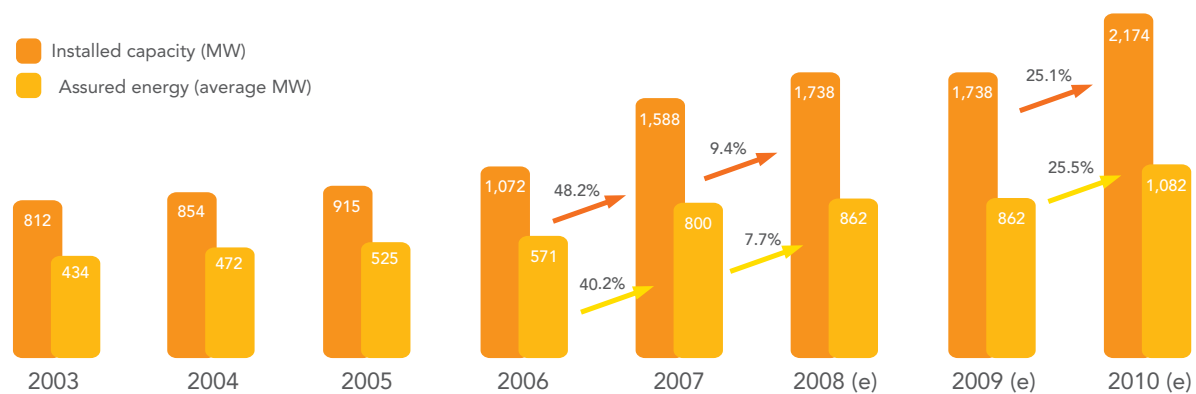
economic, technical and socio-environmental viability. Four of these projects have already been registered with Aneel. The formulation of their respective Basic Design Plan and Environmental Impact Study documents will be carried out in 2008 - both necessary for the issue of a Preliminary License by the regulator and an Installation License to allow plant construction work to begin.

General View of HPP Campos Novos | 880 MW | Santa Catarina state



Over the year, CPFL Geração reached
1,588 MW of installed capacity, an
 increase of 48.2% over the previous year.

Electricity Generation Growth in Installed Capacity and Assured Energy



Installed Capacity **1,588 MW**

Comparison 2007 vs. 2006 +48%

Main performance factors:

- Start-up of operations at Campos Novos hydro facility, the third large plant to go into operation out of the six scheduled before the end of 2010;
- Purchase of generating assets comprising CPFL Jaguariúna;
- Conclusion of Gavião Peixoto small hydro plant repowering project.

Observation:

- The power that CPFL Geração makes available for commercialization is the assured energy of each hydro plant, proportional to the Company's equity stake in the venture.
- The consolidated equipment uptime rate for the Group's plants was 90%, higher than the 86% for 2006.

Operating and environmental efficiency in electricity generation

CFPL Geração runs a permanent program to increase the efficiency of hydroelectric facilities in operation, thus ensuring plant machinery uptime rates.

In addition to this, the ongoing management of socio-environmental issues for the power generating plants, extending from the initial stages of project design to the plants' whole working life, demonstrates a strong commitment to the sustainability of generating projects. In this context, we note the renewal by the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA),

and the Santa Catarina State Environment Foundation (FATMA), of operating licenses for Barra Grande and Campos Novos hydroelectric plants in 2007/2008, and the inclusion of the Small Hydro Plant Repowering Program and the Monte Claro hydro plant in Clean Development Mechanism (CDM) criteria (see "Generating clean and renewable energy" in this Report). Inclusion of the small hydro plants occurred in light of their increase in installed capacity with zero environmental impact while the Monte Claro hydro plant's inclusion as a CDM project reflects efficiency gains in the relationship between the plant's installed capacity relative to the area of its reservoir.

General View of HPP Monte Claro | 130 MW | Rio Grande do Sul state



Clean and renewable energy:

the CPFL Small Hydro Plant Repowering Program covered seven plants between 2000 and 2007, increasing their installed capacity by 11.21 MW and assured energy by 9.9 average MW without any additional environmental impact.



General View of PCH Gavião Peixoto | 4.8 MW | São Paulo state



General View of PCH Chibarro | 2.6 MW | São Paulo state



General View of PCH Capão Preto | 4.3 MW | São Paulo state

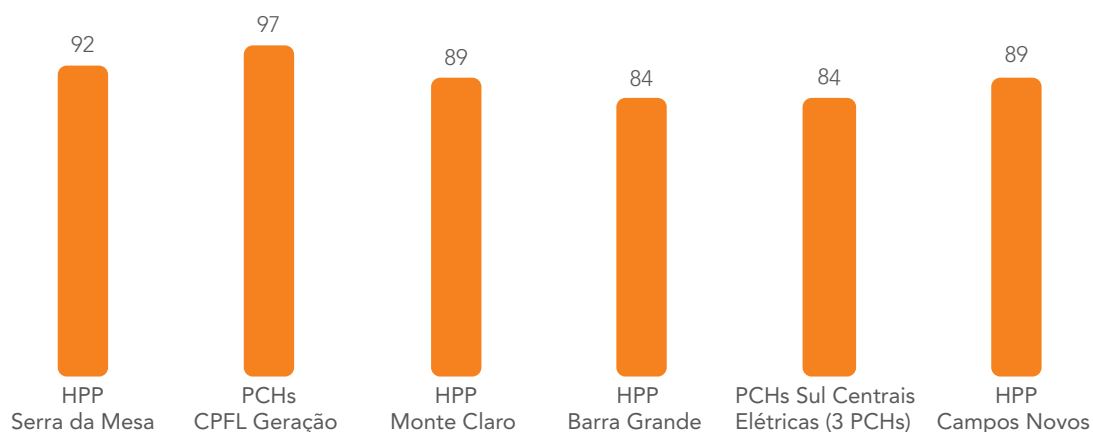
The seven repowered small hydroelectric plants provide additional revenue of R\$ 14 million per year and help reduce global warming.

Small Hydro Plant – PCH Repowering Program – 2000/2008

PCH	Reactivation	Before		After	
		Installed Capacity (MW)	Assured Energy (average MW)	Installed Capacity (MW)	Assured Energy (average MW)
Dourados	2003	6.40	5.80	10.80	7.76
Esmeril	2003	1.76	1.00	5.04	2.88
Salto Grande	2003	3.35	3.30	4.55	2.72
São Joaquim	2003	5.52	2.90	8.05	5.63
Gavião Peixoto	2007	4.10	2.20	4.80	3.82
Capão Preto	2008	5.52	1.00	4.30	2.28
Chibarro	2008	2.28	0.70	2.60	1.69
Total		28.93	16.90	40.14	26.78

CPFL Geração is recognized for the excellence criteria incorporated in its management processes with a direct impact on operating efficiency.

Machinery Uptime (in %)



In 2008 the Castro Alves and 14 de Julho hydroelectric power plants in Rio Grande do Sul come on stream.

General View of HPP Castro Alves | 130 MW | Rio Grande do Sul state



General View of HPP 14 de Julho | 100 MW | Rio Grande do Sul state



HPP Foz do Chapecó, the last of the six major hydroelectric power plants under construction, will go into operation in 2010.

General View of HPP Foz do Chapecó | 855 MW | Rio Grande do Sul/ Santa Catarina state border



In 2010, installed capacity will reach 2,174 MW with the inauguration of HPP Foz do Chapecó

HPP Foz do Chapecó | Construction Power House and Water Intake



ELECTRICITY COMMERCIALIZATION AND SERVICES

CPFL Energia has strengthened its position in the free electricity commercialization market with sales of 8,951 GWh sales, 91 customers and a domestic market share of 23%.

The Group also strengthened its activities in the sale of added value services, a strategic advantage for attracting customers and creating customer loyalty. Through CPFL Brasil and other subsidiaries, the Group's activities in this segment include the construction of substations and transmission lines, design and construction of distribution and self-generation systems, management of electric assets for large customers, energy management consultancy focused on increasing efficiency, as well as participation in electricity purchase and sales auctions.

In 2007 alone, CPFL Brasil concluded 200 service projects for large customers nationwide, with sales totaling R\$ 49 million, a highlight being the construction of 16

Since 2002, CPFL Brasil has sold added value service projects to large customers totaling 991 MVA of installed transformer capacity and 670 km of energy transmission lines.

substations of 88 and 1138 kV, reaching 345 MVA of installed transformer capacity, as well as a significant portfolio of energy consultancy projects.

Energy Sales – Free Market

Total:	8,951 GWh
---------------	------------------

Comparison 2007 vs. 2006:	-4.1%
----------------------------------	--------------

Main performance factors:

- The sale of energy from CPFL Brasil to RGE – totally incorporated in the CPFL Energia Group in June 2006 – is no longer considered;
- Reduction in sales via short-term contracts;
- Despite this, there was a greater share in the sale of added value services to large customers.

Observation:

- The main segments served by CPFL Brasil are the metallurgical, chemical, transportation materials and textile sectors;
- For more details (sales in R\$, in GWh, by class of consumption and number of consumers), see Explanatory Note 23 in the Financial Statements.

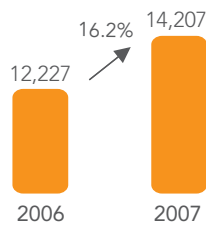
In 2007 CPFL Energia maintained its leadership of the free market with a 23.0% share and 91 customers.

Center of Commercial Operations | Campinas | São Paulo state

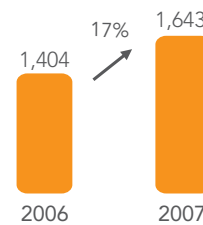


discipline and good practice guarantee financial performance

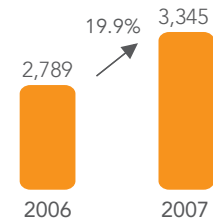
Gross Operating
Revenue (R\$ million)



Net Income
(R\$ million)



EBITDA
(R\$ million)



In 2007, CPFL's financial performance was impressive, with Gross Operating Revenue reaching R\$ 14,207 million, year on year growth of 16.2%, reflecting a 12.4% increase in energy sales in the distribution companies' concession areas and a 48.2% increase in the Group's installed electricity generating capacity. EBITDA, at R\$ 3,345 million, was up 19.9% on 2006. Net income reached the record level of R\$ 1,643 million, an increase of 17.0%.

The Group's EBITDA margin reached 35.5% compared with 27.4% in 2005 and 35.3% in 2006. Net Margin remained at a similar level to 2006, 17.5%, and superior to the 13.2% recorded in 2005.

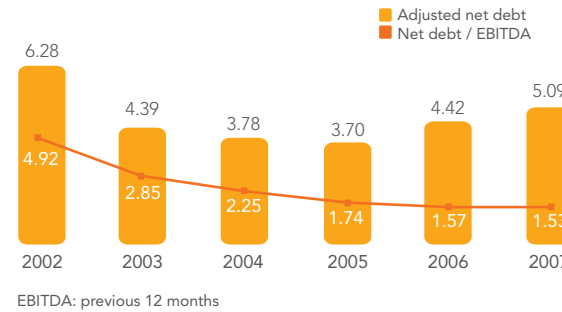
Net Income reached the record level of **R\$ 1,643 million**, an increase of 17.0%, while EBITDA, at **R\$ 3,345 million**, was up 19.9% over 2006.

There was also an improvement in debt profile with a reduction in cost from 13.4% p.a. (2006) to 12.1% p.a. (2007) despite the increase in financial debt, the result of investments in new assets and the draw-down of borrowing from the National Economic and Social Development Bank (BNDES) for the construction of Foz do Chapecó hydroelectric plant under more favorable conditions, qualifying for finance under the Bank's new criteria. These figures show that the Net Debt/EBITDA ratio has improved, with successive reductions over the past few years.

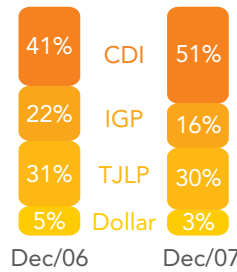
At the end of the year, CPFL Energia's capital structure was formed of 48% equity and 52% debt.

Growth of Adjusted Net Debt / EBITDA

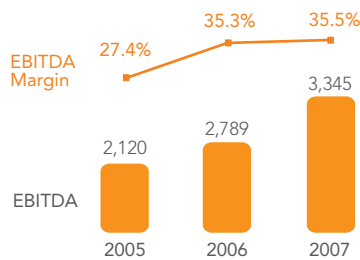
R\$ billion



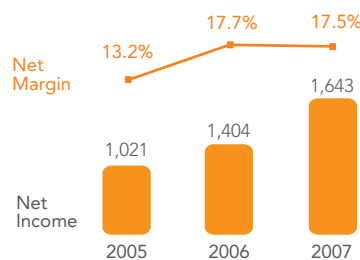
Debt Composition



Growth in EBITDA Margin



Growth in Net Margin



Our disciplined financial management, supported by modern systems of risk management, Generation of Shareholder Value (GVA) and leverage parameters, through the monitoring of six key debt indicators, is recognized in the Company's ratings: AA (bra) by Fitch Ratings and br AA- by Standard & Poor's. This assures the Group's economic and financial stability, a prerequisite for the investments needed to meet the Group's growth strategy.

Investments

Investments for the year totaled R\$ 1,545 million, R\$ 859 million of which covered construction and repowering of

hydroelectric plants and expansion and upgrading of the electric system to meet growth in the distribution companies' markets. Investments in new acquisitions for the period came to R\$ 416 million, of which R\$ 412 million was invested in the purchase of assets for CPFL Jaguariúna (CMS Energy Brasil) and R\$ 4 million invested by CPFL Paulista in the acquisition of the assets of the CERFRA cooperative in its area of operation. Additionally, R\$ 258 million was invested in improvements to the electric system, operational logistics, and in the systems and supporting infrastructure for operations in the various business segments. Further investments totaled R\$ 12 million.

These results are mainly due to the following factors:

- Discipline in the implementation of each stage of corporate strategy;
- Selective investment policy;
- Expansion of the Group's presence in the Brazilian energy market through acquisitions, market growth in the companies' areas of activity and the start-up of operations at the Campos Novos hydro facility;
- Ongoing pursuit of reductions in the operating costs of subsidiaries;
- Competitive advantages of Group companies exposed to the free market in the electricity commercialization and services segments.

Investments in the Expansion of Current Businesses (in R\$ million)

	2007	2006	2005
Distribution	675.8*	526.9	368.0
Generation	445.3	265.8	254.9
Commercialization	9.2	4.2	3.5
Others	2.4		
Total	1,132.7	796.9	626.4

* Includes purchase of CERFRA assets.

Disciplined financial management helps raise financing under advantageous conditions and at lower costs – extremely favorable in the case of large-scale investments.

Operating Revenue

Total:	R\$ 14,207 million
Comparison 2007 vs. 2006:	+16.2%
Main performance factors:	<ul style="list-style-type: none"> • Growth of 12.4 % in electricity sales in the concession area; • Review of distribution companies' tariffs; • Positive impact of R\$ 189 million due to write-off of free market liabilities.
Observation:	() Following ANEEL guidance, liabilities were written off against operating revenue given the expiry of the timeframe for RTE's recuperation and pass-through of costs to free market generating companies. The same total was registered as Operating Costs/Expenses due to the write-off of the Asset of the same nature.

Operating Cash Generation (EBITDA)

Total:	R\$ 3,345 million
Comparison 2007 vs. 2006:	+19.9%
Main performance factor:	Net revenue increased by 16.5% (R\$ 1,309 million), which offset increases of 13.4% in Cost of Energy (R\$ 562 million) and 10.8% in Operating Costs/Expenses (R\$ 106 million), excluding expenditures with the Complementary Private Pension Plan, Depreciation and Amortization.
Observations:	<ul style="list-style-type: none"> • This analysis excludes the adjustment mentioned in the "Operating Revenue" section referring to free market energy, which does not affect EBITDA or the Company's net income. • EBITDA is calculated as the sum of earnings, taxes, financial income/expenses, depreciation/amortization and pension fund contributions.

Financial Income (Expenses)

Total:	R\$ 514 million negative
Comparison 2007 vs. 2006:	78% (R\$ 289 million negative in 2006)
Main performance factors:	<ul style="list-style-type: none"> • Financial Revenue was R\$ 380 million in 2007, a fall of 40.4% relative to the 2006 value of R\$ 638 million; • Financial Expenses fell 3.6% to R\$ 894 million compared to R\$ 927 million in 2006.

Financial Income (Expenses) (R\$ million)

	2007	2006	2005	07/06 (%)	06/05 (%)
Financial Revenue	380	638	577	-40.44	10.57
Financial Expenses	-894	-927	-1,097	-3.56	-15.50
Net Financial Result	-514	-289	-520	-77.85	-44.42

Net Income

Total:	R\$ 1,643 million
Comparison 2007 vs. 2006:	+17.0%
Main performance factors:	<ul style="list-style-type: none"> • 12.4% growth in sales in the distribution companies' concession areas; • Increase of 48.2% in installed generating capacity with the start-up of operations at HPP Campos Novos; • Acquisition of electricity distribution, generation and commercialization assets.
Observations:	Net income per share was R\$ 3.42.

Dividend Distribution

Total:	R\$ 1.561 million
Comparison 2007 vs. 2006:	+17.0%
Observations:	<ul style="list-style-type: none"> • Value corresponding to 95% of Net Income for the year, equivalent to R\$ 3.25 per share; • As a result, the Company exceeded the minimum payout of 50% of net income, as required by its dividend policy; • In 2006, the Company distributed 95% of its net income in dividends – R\$ 1,334 million – equivalent to R\$ 2.78 per share.

A major focus for CPFL Energia is retaining consistent financial equilibrium through management based on the creation of shareholder value, guaranteeing asset appreciation, liquidity and investment security.

Debt (financial debt and derivatives)

Total: R\$ 6,423 million

Comparison 2007 vs. 2006: 22.5%

Main financing and rollovers of the year:

	Value (R\$ million) ¹	Index
• Finem – CPFL Paulista and CPFL Piratininga	214	TJLP + 3.3% p.a.
• Ceran	104	TJLP + 3.3% to 4.3% p.a.
• Foz do Chapecó	396	TJLP + 2.49% to 2.95% p.a.
• Debentures for purchase of CMS	466	CDI + 0.45% p.a.
• RGE rollover debt	102	CDI + 0.60% p.a.
• Others	109	

Observations:

- Despite the nominal increase in financial debt, its average cost decreased from 13.4% p.a. in 2006, to 12.1% p.a. in 2007, the result of a fall in the Selic interest rate from 15.0% p.a. to 11.8% p.a., and in the TJLP (Long Term Interest Rate) from 7.87% p.a. to 6.38% p.a.), accumulated over the period;
- For greater detail, see Explanatory Notes 15 and 16 of the Financial Statements.

¹ – Balance as of December 31st 2007 – includes interest charges.

capital markets

performance: strategy drives appreciation on Bovespa and NYSE

In 2007, CPFL Energia's shares appreciated 23.9% on Bovespa (Novo Mercado) and 52.6% on the NYSE, ending the year priced at R\$ 33.67 per share and US\$ 56.66 per ADR, respectively. Since listing (second half of 2004) until December 2007, the return on an investment in the Company's shares was 147.0% on the São Paulo exchange and 297.6% on the New York exchange. At the end of fiscal year 2007, the Company reported a free float of 27.6%.

The performance of CPFL Energia shares on the São Paulo and New York exchanges is evidence of increasing confidence in the stock and the credibility enjoyed in the Brazilian and international markets.

The number of trades on Bovespa increased 114.3%, averaging 738 on a daily basis in 2007. Average daily trading volume grew 88.5% in 2007 to reach R\$ 32.6 million, with R\$ 19.8 million on Bovespa and R\$ 12.8 million on the NYSE. Between 2005 and 2007, the total daily average trading volume of shares on Bovespa and the NYSE increased by 363%, growing from R\$ 7,027 thousand to R\$ 32,561 thousand.

The performance of the Company's shares on the São Paulo exchange resulted in their inclusion in the IBOVESPA, IBrX50 and MSCI portfolios.

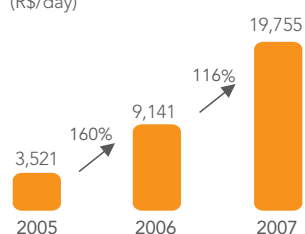
In 2007 the Company distributed 95% of its net income in dividends, surpassing the minimum 50% distribution required by its dividend policy.

Performance of Common ON Shares/ADRs

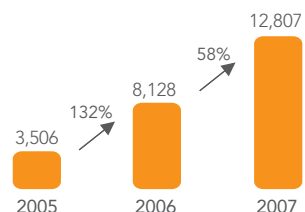
Exchange	Ticker	Type	Asset Appreciation 2007 vs. 2006	Asset Appreciation 2007 vs. 2004 (IPO)
Bovespa	CPFE3	CommonShare	23.9%	147.0%
NYSE	CPL	ADR Level III*	52.6%	297.6%

* Each ADR corresponds to three common shares.

Average Trading Volume BOVESPA – CPFE3 (R\$/day)



Average Trading Volume NYSE – CPL (R\$/day)



REPRESENTATION IN BRAZIL AND ABROAD

CPFL Energia's shares are components of major stock indices traded in the Brazilian market, including those relating to the most advanced corporate governance practices:

- IBOVESPA – Bovespa Stock Index
- IBrX50 – Brazil Index of 50 most liquid shares
- IBrX100 – Brazil Index of 100 most liquid shares
- ISE – Corporate Sustainability Index
- IGC – Special Corporate Governance Stock Index

- ITAG – Special Tag Along Stock Index
- IEE – Electric Power Index

In August 2007, CPFL Energia shares became a component of various Morgan Stanley Capital International stock indices, considered benchmarks by institutional investors, based on market capitalization adjusted by free float for each sector and country.

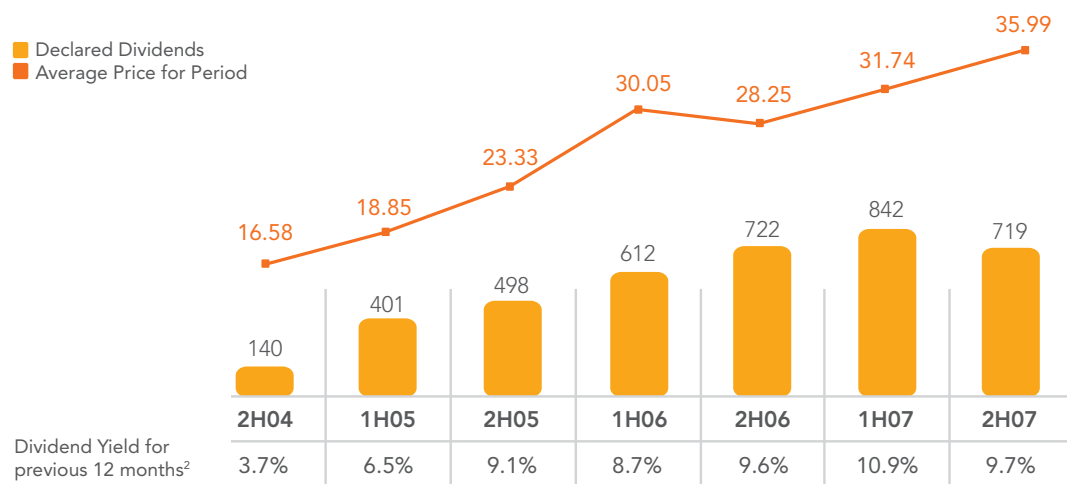
- MSCI ACWI (All Country World Index)
- MSCI Emerging Markets
- MSCI Latin America
- MSCI Brazil (MSCI Global Value Index)

Given its global reach, inclusion in the MSCI stock index gives the shares greater exposure. With CPFL Energia now a component of the index, its shares are given enhanced liquidity as well as increasing their visibility among capital market analysts in Brazil and overseas.

DIVIDEND DISTRIBUTION EXCEEDS REQUIREMENTS

The objective of CPFL Energia's dividend distribution policy is the creation of shareholder value. In 2007, the Company distributed 95% of its income in dividends, totaling R\$ 1,561 million (R\$ 3.25 per share). The Company thus surpassed the minimum 50% distribution of net income required in its dividend policy. It is worth mentioning that since its IPO (second half of 2004), dividend yield has already reached 49.7%.

Declared Dividends¹ (R\$ million) vs. CPFE3 price (R\$)



1 - Relates to declared dividends. Payout for the subsequent semester

2 - Considers the average closing price for each semester

3 - Closing IPO price: R\$ 17.22/share

In 2007 CPFL Energia shares were included in the Ibovespa, the São Paulo Stock Exchange's most important stock index.

MARKET MAKER: COMMITMENT TO SHAREHOLDERS

Underscoring its commitment to shareholders, CPFL Energia maintains a market making agreement with UBS Pactual Corretora de Títulos e Valores Mobiliários S.A.. The market maker is committed to maintaining a regular and continual flow of bids and offers up to a maximum pre-established spread, facilitating trades and avoiding artificial movements in share price.

TRANSPARENCY AND MARKET PROXIMITY IN 2007

CPFL Energia maintains an intensive and transparent communications program with the capital markets in Brazil and overseas:

- 11 Apimec (Association of Capital Market Analysts and Investment Professionals) meetings (São Paulo, Rio de Janeiro, Rio Grande do Sul, Minas Gerais and the Federal District)
- 4 webcasts with simultaneous translation
- 8 conferences (3 Brazilian and 5 overseas)
- 6 non-deal roadshows (2 Brazilian and 4 overseas)
- 24 institutions issuing reports on the Company
- 2nd Meeting with CPFL Energia investors, with a visit to Salto Grande hydroelectric plant
- 8 chats with banks and brokers
- 3 Expo Money events (Curitiba, São Paulo and Rio de Janeiro)
- 1 Meeting with the National Institute of Investors – INI
- Investor Relations website: accessed an average of 8.5 thousand times monthly
- Bimonthly "CPFL Investor" newsletter.

market repercussion: recognition and awards

CPFL Energia's activities and results in 2007 confirm its commitment to the creation of shareholder value through sustained business growth. This is substantiated through CPFL Energia's various awards, such as its inclusion for the fifth consecutive year as a "Model Company" in *Exame* magazine's 2007 Sustainability Guide.

Over the year, CPFL Energia Group companies received various awards in recognition of their performance in management, operations, service quality and sustainability.

CPFL Energia

<i>Carta Capital</i> magazine	The most admired companies in Brazil - Most admired in the energy sector
Balanço Anual Award 2007 – <i>Gazeta Mercantil</i> newspaper	Best Energy Company
<i>DCI Empresas</i> Award 2007	Best Electricity Sector Company
<i>Exame</i> magazine Sustainability Guide 2007	Model Company (fifth consecutive year)
<i>Exame/Você SA</i> Guide	150 Best Companies to Work For (sixth consecutive year)
Apimec Quality Award 2007	Best presentation of the year
Expo Money Awards 2007	Special Mention – Respect for the Individual Investor
<i>IR Magazine</i> Awards Brazil 2007	Honorable Mention: <ul style="list-style-type: none">• Best Corporate Governance;• Best Conference Call;• Best Institutional Investor Relations Program (large cap. companies)
Aberje Brazil Award 2007	<ul style="list-style-type: none">• Company of the Year in Corporate Communications – Highlight Brazil - CPFL Energia;• Personality of the Year in Corporate Communications;• Audiovisual Media Management.
USP Corporate Communications Award 2007	<ul style="list-style-type: none">• CPFL Cultural Center Communications Program

Distribution Companies

Electricity 2007 Award – <i>Eletricidade Moderna</i> magazine	<ul style="list-style-type: none"> • CPFL Paulista: Best Company in Brazil, Best Company in the Southeast Region, Best Operating Performance; • RGE: Best Company in Brazil for Commercial Performance, Best Company in South Region; • CPFL Jaguari: Best Evolution in Brazil; • CPFL Leste Paulista: Best Engineering Performance.
Abradee 2007 Award	<ul style="list-style-type: none"> • CPFL Paulista: Best Operating Management; • CPFL Piratininga: Best Economic and Financial Management.
IASC Award – ANEEL Consumer Satisfaction Index	<ul style="list-style-type: none"> • CPFL Jaguari: Best Concessionaire in Brazil and Best Electricity Distribution Company – South, Southeast and Midwest regions (up to 30 thousand consumer units); • CPFL Leste Paulista: Best Electricity Distribution Company – South and Southeast regions (concessionaires from 30 thousand to 400 thousand customer units).
“Eloy Chaves Medal” Award for Occupational Health and Safety	<ul style="list-style-type: none"> • CPFL Santa Cruz: Accident Prevention Performance; • RGE: Accident Prevention Performance.

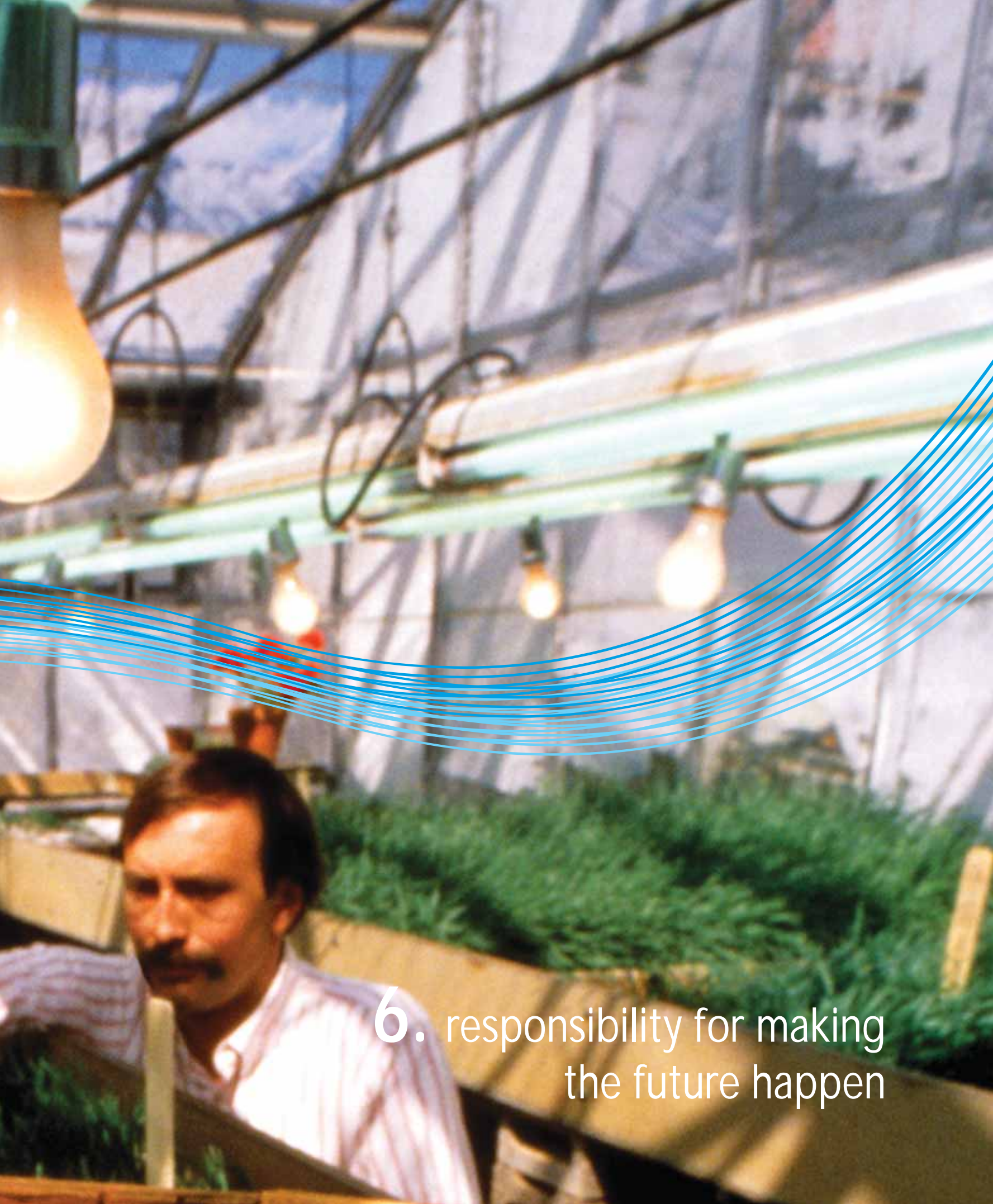
Generating Companies

Mário Henrique Simonsen 2007 Award	BAESA (Energética Barra Grande): Balance Sheet Excellence.
Fritz Müller 2007 Award – Environment Foundation-Santa Catarina state	BAESA (Energética Barra Grande): Execution of significant environmental initiatives
Fritz Müller 2007 Award – Environment Foundation-Santa Catarina state- Company Award	Enercan (Campos Novos Energia): Creation of Rio Canoas Park.

Commercialization Companies

Corporate Excellence Award - FGV/ <i>Conjuntura Econômica</i> magazine	<ul style="list-style-type: none"> • CPFL Brasil: Best return on assets and shareholders' equity among all publicly-listed companies of all sectors covered by the Getúlio Vargas Foundation-FGV; • Highlighted in Prêmio Valor 1000 survey as best profitability – return to shareholders relative to the institution's equity.
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6. responsibility for making
the future happen

Energy is essential to well-being and to development. It is present in the lives of everyone, the whole time.

The energy sector plays a leading role in the future of humanity and the planet...

Excellence and responsibility for CPFL Energia mean being acutely aware of what it does, how and to whom.

These are the commitments of a group of companies planning to play an active role in the future of Brazil and the world.

After all, business also means:

... looking forwards...

... anticipating...

... challenging paradigms...

... creating trends...

... leading change...

... making the future happen

We are committed to always delivering, more and better.

GRI
Indicators in
this Chapter

4.12

4.14

4.16

4.17

EC2

EC6

EC8

EN5

EN6

EN13

EN14

EN18

EN26

LA11

LA13

SO1

Commitment to the future of the country and the world

At CPFL Energia excellence, ethics and responsibility go hand in hand and, more than concepts, are expressed through a solid organizational culture and practices, proof of the Group's commitment to a balanced vision of growth and economic development as well as socio-environmental sustainability.

In this vision, sustainability does not refer merely to concepts that coexist with business strategies and practices. More than this, they form a series of beliefs and practices rooted in the organizational culture and business strategies that permeate corporate decisions and processes, guiding the conduct of professionals working in Group companies and creating the foundations for corporate programs and activities.

CPFL Energia Group companies recognize the strategic importance of electric energy for the economic and social development of

the regions in which they operate and run programs and activities contributing to the strength of the surrounding communities, companies and people.



certified quality: **excellence** in work processes

CPFL Energia encourages the adoption of the best corporate practices and criteria of excellence in its subsidiary companies. The Integrated Management System (SGI) aims to standardize and certify the major work processes in the areas of Quality (ISO 9001:00), Environment (ISO 14001:04),

Occupational Health and Safety (OSHAS 18001:99) and Social Responsibility (SA 8000:01), helping to increase operating efficiency, reduce risks, capture synergies and achieve economies of scale. A highlight of 2007 was the implementation and certification of SGI at RGE.



CPFL ENERGIA QUALITY CERTIFIED PROCESSES

CPFL Paulista

- ISO 9001:00, OHSAS 18001:99 and SA 8000:01 – Distribution and Commercialization of Electricity
- ISO 9001:00 – Electricity Consumer Call Center Service; Electricity Transmission Systems Operations; Compiling of Information and Processing and Calculation of Technical and Commercial Indicators of Electricity Supply Quality
- ISO 14001:04 – Coexistence between Urban Electricity Distribution Networks and the Environment.

CPFL Piratininga

- ISO 9001:00, OHSAS 18001:99 and SA 8000:01 – Distribution and Commercialization of Electricity
- ISO 9001:00 – Compiling of Information and Processing and Calculation of Technical and Commercial Indicators of Electricity Supply Quality
- ISO 14001:04 – Coexistence between Urban Electricity Distribution Networks and the Environment.

CPFL Geração

- ISO 9001:00, ISO 14001:04, OHSAS 18001:99 and SA 8000:01 – Hydraulic Power Generation
- ISO 9001:00 – Operation of the Electricity Generation System.

RGE

- ISO 9001 – Distribution and Commercialization of Electricity
- ISO 9001 – Electricity Consumer Call Center Service
- ISO 9001 – Electricity Transmission Systems Operations
- ISO 14001 – Coexistence between Urban Electricity Distribution Networks and the Environment
- ISO 14001 – Electricity Transmission Services at Antônio Prado Substation and the 69kV Nova Prata 2 – Antônio Prado Transmission Line
- OHSAS 18001 – Distribution and Commercialization of Electricity
- SA 8000 – Distribution and Commercialization of Electricity

CPFL Leste Paulista

- ISO 9001-2000 – Quality of Electricity Supply

CPFL Jaguari

- ISO 9001-2000 – Quality of Electricity Supply

CPFL Sul Paulista

- ISO 9001-2000 – Quality of Electricity Supply

CPFL Sul Mococa

- ISO 9001-2000 – Quality of Electricity Supply

talent and professional competence

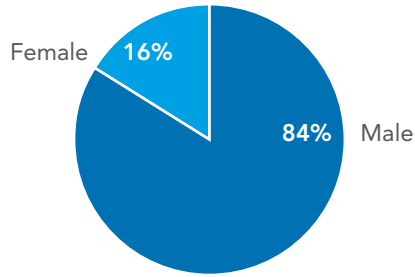
A company's evolution is the result of a sequence of decisions and actions. This means that every **employee** plays an **active**, opinion-forming role on issues relating to **value generation, business sustainability and corporate image**. Over the years, CPFL Energia has developed a series of innovative programs to mold the **talent** of all who are a part of the Company's story, developing the core **competences** necessary for the company's strategic planning and helping to turn the corporate **mission, vision and values** into day-to-day behavior and attitudes.

For CPFL Energia to progress, people must grow with it. As a result, the Company places emphasis on and invests in developing skills and molding talent to promote the continual advancement of employee teams and, as a result, its businesses. In 2007, the Group companies created a series of programs for personnel management, training and development, occupying an average of 97.97 hours per employee during the period. On another front, the Reflection on Ethics Program is key to the dissemination of ethics and responsibility among Group company employees. Practical in nature, the Program goes beyond the theoretical sphere in guiding the daily conduct of all professionals from

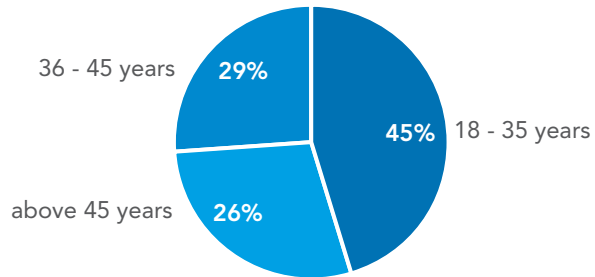
electricians working in the field to senior management.

Through discussions of current issues such as authoritarianism, corruption, conflict of interests, among a range of philosophical themes, the Company disseminates the corporate culture internally and contributes to professional training, encouraging reflection, awareness, engagement and human development. It is of fundamental importance to train employees to carry out their activities with responsibility and autonomy, as all decisions have a short, medium and long-term impact. This type of management is indicative of respect for the shareholders and commitment to business sustainability.

Composition of CPFL Energia workforce – by gender (%)



Composition of CPFL Energia workforce – by age group (%)



The *Reflection on Ethics Program* is based on the CPFL Energia Code of Ethics and Corporate Conduct, an agreement between executive officers, managers, shareholders and employees. Every year, the program is refined following the work of a committee which, among other functions, meets regularly to assess opportunities to improve services based on feed-back from call centers, ombudsman services, the press and Aneel. Also worthy of mention is our commitment to diversity. For CPFL Energia, the focus on diversity means considering differences as positive in decision-making, the capture of

synergies and creative interaction. In addition to contributing to collective ludic training which increases a group's ability to identify new possibilities, solutions and viewpoints, the emphasis on diversity promotes social inclusion and citizenship and inhibits all forms of discrimination and harassment. The CPFL Energia Group ended the year with a workforce of 7,176 employees (5,836 in 2006), growth which resulted from the integration of new companies within the holding company. Employee turnover rate was maintained at 8.12%. The average company length of service is 11.2 years and the average age is 37.8.

Head Office | CPFL Energia | Campinas | São Paulo state



HUMAN RESOURCES MANAGEMENT

CPFL Energia adopts the best sustainable practices in human resources management, notably the following activities:

Talent Development

Management Development Program (CPFL Management)	Three main areas: Competitive Development, Individual Development and Career Development, with a focus on succession in Group companies.
Leadership Development Program (Ongoing training)	Aimed at developing the skills and competences required for leading teams in Group companies with a focus on developing people management skills.
CPFL Standard Program for Electricians	All Group electricians take part in training on electrical risks in order to work safely with electrical installations and services.
Knowledge Workshop (e.learning)	Available to all employees, comprising 33 basic courses for the development of essential skills for working in the Group's companies.
Professional Retraining Program	Aimed at encouraging employees to complement their academic qualifications, including assistance for financing technical High School diploma studies (electricians and operators), as well as postgraduate, specialization and language courses.
Post Retirement Program: New Time	Provides guidance and prepares employees for retirement

Citizenship and Ethical Training

Reflection on Ethics Program	The Code of Ethics and Corporate Conduct was launched in 2001 and, since then, CPFL Energia and its stakeholders have been making continual improvements to its practical application, holding a series of seminars on ethics, citizenship, government, customers, society and communities, the environment, suppliers, competition and employees.
CPFL Volunteer Citizen Program	Aims to encourage voluntary work by employees, thereby contributing to the social, cultural and environmental development of communities located in CPFL Energia's areas of operation.

Performance Management and Support

Skills Dissemination	Periodic review and dissemination among employees of the organizational skills required by Corporate Planning: focus on results, excellence in processes, systemic vision, passion for the job, customer focus, entrepreneurial spirit, ability to create, transform and innovate, sustainability, strategic vision and people management and development.
Personal Value Program	Management of performance of Group company employees, aligned with the aims and objectives of Corporate Planning.

Quality of Life

Quality of Life Program – “Your wellbeing is our energy”	Aimed at all employees, this is a series of activities covering quality of life, such as medical examinations, incentives for physical activity with the opening of a fitness center, agreements for subsidizing the membership fees of outside fitness centers, among other programs.
Quality of Life Portal	Provides information and advice on the principal pillars forming the CPFL Quality of Life Program: occupational safety, and physical, environmental, social, emotional and financial health.
Talk to Me Program	Provides support to employees and their families on personal issues.
The New Time Program	Helps to prepare employees for retirement.

social inclusion through work and employment

CPFL DIVERSITY PROGRAM

The CPFL Enhancing Diversity Program aims to gradually enhance, promote and create diversity in the Group's companies, founded on the principles of respect, acceptance and exploiting the value of diversity for positive ends. Introduced in 2003, the Program covers four priority groups: people with special needs, of different races, different gender, and aged above 45.

THE APRENDER (LEARNING) PROJECT

The project's objective is to help adolescents from the ages of 16 to 18 from low-income families in communities in the spheres of influence of CPFL's operations to gain a foothold in the labor market via a process that encourages their professional development.

Aprender (Learning) Project interns



responsibility in the efficient use of electricity

CPFL promotes and incentivizes the conscientious use of electricity through its Energy Efficiency Program. In place since 1998, the Program aims to promote more thoughtful and efficient use of electricity, reduction in wastage, preservation of the environment and enhanced citizenship.

These activities generate energy savings without compromising comfort, assure productivity and increase public safety in CPFL's concession areas. The Program covers projects and activities aimed at improving public lighting, including public buildings and sports stadia, as well as industry energy management courses, donations of higher efficiency light bulbs and refrigerators to customers with limited means, education courses for low-income customers and the Procel program in schools.

COMMUNITY NETWORK PROGRAM

The Community Network Program is aimed at low-income communities and aims to create citizenship with social inclusion and promote the safe and rational use of electricity, through these actions:

- Regularization of clandestine connections;
- Substitution of incandescent light bulbs with

Compact Fluorescent Light Bulbs (LFC);

- Substitution of outdated refrigerators with more economical models bearing the Procel seal;
- Renovation of residential electrical installations;
- Events and courses on the rational use of electricity in communities;
- Activities in schools involving pupils and teachers to promote conscientious and rational consumption, as well as the Energy Efficiency Portal, the Energy Channel, aimed at both audiences; and
- Hiring of community agents.

In 2007, CPFL Paulista substituted 344,520 incandescent light bulbs with LFCs, regularized 1,000 risk connections, reached 5,600 pupils through activities in schools, substituted 528 electric showers with solar-powered heaters and conducted courses on rational energy usage. CPFL Piratininga carried out the substitution of 110,000 incandescent light bulbs with LFCs, regularization of 7,000 risk connections, substitution of 4,500 refrigerators with more efficient models, 1,800 renovations of internal electrical installations, as well as courses on rational energy usage.

RGE distributed 430,356 LFCs which benefited 143,452 customers and 38 hospitals. The hospitals registered a drop of 349,183 W in demand due to reduced wastage, resulting in lower monthly bills.

CPFL Santa Cruz installed solar-powered heaters in 260 houses on Land Reform settlements and donated 7 thousand LFC kits to needy customers. The program also reached 19 organizations in its concession area.

CPFL Jaguari donated 314 refrigerators and 7,500 economical light bulbs to substitute less efficient models. CPFL Sul Paulista donated

359 refrigerators and 5,400 economical light bulbs. Similarly, CPFL Leste Paulista donated 143 energy efficient refrigerators and 4,950 light bulbs, while CPFL Mococa donated 120 refrigerators and substituted 3,180 light bulbs. In addition these distribution companies all installed solar-powered heaters to substitute electric showers in hospitals, retirement homes and creches.

In total in 2007, the energy efficiency activities of CPFL's distribution companies contributed to an indirect reduction in consumption of 100,204 MW.



CPFL Electric Scooter Project

ELECTRIC SCOOTER

CPFL has also invested in a new type of sustainable activity with the purchase of four electric scooters, constructed by the Bramount assembler in the Manaus Duty-Free Zone. The purchase of these vehicles for tests is evidence of the Company's commitment to initiatives that can help reduce global warming. The scooters do not emit greenhouse gases, as well as offering an 85% price reduction when compared with gasoline. The cost per kilometer is R\$ 0.01 with a travel distance of 50 km per battery charge. Following the period of tests in partnership with Campinas State University (Unicamp), CPFL plans to incorporate the motorbike in its operating fleet, as well as encouraging its sale in the consumer market.

environmental management: care for every detail is part of our commitment

In 2007, CPFL Energia implemented the Sustainability Committee, a strategic step to integrate and align the Group companies' environmental management practices and activities. Constituted by professionals from the Group's various companies and business areas, the Committee has clear objectives and challenges to increase the control of the risks of the business and contribute to environmental protection and development through specific programs and projects. In addition to this initiative, the Group ran significant environmental management programs and initiatives.

ELECTRICITY GENERATION

- Aquatic Plant Monitoring Program in the Americana small hydro plant reservoir with the collection and removal of a total of 31,976m³ of material, equivalent to an area of 50.70 ha
- Hydrographic Basin Restocking Program, with the release of 390 thousand native fish spawn into the rivers and reservoirs in the interior of São Paulo state

Sustainability Committee

- Education in Group companies on rational use of water and energy
- Responsible disposal of recyclable waste
- Diagnosis of greenhouse gas emissions and initiatives to reduce and neutralize these emissions
- Use of the 6 Sigma Program in the reverse chain, focused on the rational use of materials and products from a socio-environmental standpoint
- Strengthening of the Group companies' biodiversity programs
- Restructuring the Urban Tree Planting Program and the formation of ecological corridors along electricity transmission line wayleaves
- Encouraging greater use of products made from wood of a certified origin
- Development of native fauna and flora conservation programs.



Seedling nursery for urban tree planting and reforestation projects

- Support for the School Boat of Nature Association Project run at the Americana plant, with 22 thousand participants in 2007, mainly elementary school students.

ELECTRICITY DISTRIBUTION

- The system for printing electricity bills on recycled paper has spread to seven Group distribution companies. In 2007, 56 million bills were printed using this system
- Continuation of the Urban Tree Planting Project (São Paulo state) through the donation of 83.3 thousand tree seedlings to municipalities in concession areas of the CPFL Paulista, CPFL Piratininga and RGE distribution companies
- Initial testing of electric vehicles (automobiles and motorcycles) for incorporation into the Group companies' vehicle fleet
- Continuation of the 5th Stage of the Rare Hardwood Tree Program, involving the donation of 15 thousand guabijú, angico, cerejeira, uvaia and ipê amarelo tree seedling species in the state of Rio Grande do Sul, as well as educational support material
- Continuation of the 6th stage of the Paraná Pine (*Araucária angustifolia*) reforestation campaign in the state of Rio Grande do Sul with the donation of 5 thousand tree seedlings and 2 thousand seed kits for planting in RGE's area of operation
- Conclusion of the final phase of the project to develop new technologies in wood used in the construction of cross arms for the power transmission network, in conjunction with the University of São Paulo, São Carlos campus
- Purchase of 250 Green Transformer units for use in the distribution companies' electric systems. The transformer was developed within the scope of the CPFL Research and Development Program and uses biodegradable insulating oil, thus eliminating the environmental impact of leakages.

generation of clean and renewable energy

CPFL Energia is committed to guaranteeing the sustainability of all its ventures. Feasibility studies and evaluations for generation projects include a rigorous analysis which considers economic, environmental and social dimensions, with all necessary measures adopted to ensure that they operate while maintaining a balanced and harmonious relationship with the environment and surrounding communities.

Our selective approach to power generation investments, focused on the evaluation of efficiency and operational and environmental productivity of projects, has led to the Group pioneering the classification of some large hydroelectric plants and the Small Hydroelectric Plant Repowering Program within the criteria of the United Nations Clean Development Mechanism – CDM. The latter was established under the Kyoto Protocol as a contribution to reducing greenhouse gas emissions.

The Monte Claro plant in the state of Rio Grande do Sul – one of the projects classified according to these criteria, made the world's first sale of CO₂ Emission Reduction Certificates (CER) from a hydroelectric power plant in December 2007. The sale totaled 701,563 CERs, which corresponds to a reduction of 702 thousand metric tonnes of CO₂ by 2012, resulting in forecast gross revenue of €9.8 million.

In a similar vein, the Small Hydroelectric Plant

Generating plants qualify within CDM criteria and generate carbon credits

Repowering Program's qualification is equal to 120 thousand metric tonnes of CO₂ with a forecasted revenue of €1.4 million.

CDM registration approval is expected in 2008 for the Castro Alves, 14 de Julho and Campos Novos plants, as well as continued feasibility studies for CDM enrollment of the Barra Grande and Foz do Chapecó plants to the same end.

PCH Chibarro | Chibarro River | São Paulo state
Installed Capacity (MW): 2.6 | Assured Energy (average MW): 1.69
CPFL Energia share (%): 100 | Operational start-up (after repowering): February 2008



sharing knowledge to change the world around us

CPFL PROGRAM FOR MODERNIZING PHILANTHROPIC HOSPITALS

The Program aims to improve the quality of service provided by philanthropic hospitals in the Group company concession areas, through implementation and sharing of knowledge and best hospital management practice, thus also helping to increase the operating efficiency and sustainability of these institutions. The Program encourages the formation of regional hospital networks to capture synergies and scale through integration and complementary activities.

Run with the technical support of the Leopoldo de Ayrosa Galvão Study Institute – Cealag, linked to the Santa Casa Hospital of São Paulo, the Program works directly to improve hospital management techniques and to train staff through the holding of skills development and qualification courses.

The hospitals taking part in the Program are subject to periodic certification audits, which monitor progress and results according to criteria defined by the CQH (Hospital Quality Commitment), a program aimed at encouraging continual improvement in quality.

The Program was installed in six central hospitals in the regions of Piracicaba and Franca between 2006 and 2007. Four hospitals were certified in the gold category and two in the silver, evidence of improvement in the hospitals' internal processes and their staff training. Complementary to this work, CPFL Group companies run programs specifically aimed at the rational use of electricity in hospitals, part of the overall Energy Efficiency Program. In 2008, the CPFL Program for Modernizing Philanthropic Hospitals will be extended to other regions in the state of São Paulo, with activities to encourage the mobilization and participation of local communities in the Program.

VALUE NETWORK PROGRAM

The Value Network is a discussion forum for disseminating the concepts of social responsibility to the Group's supplier network



REDE DE VALOR
Sustentabilidade, Competitividade e Responsabilidade Empresarial



Santa Casa de Misericórdia | Piracicaba | São Paulo state

via the sharing of experiences and learning to construct a common and collaborative agenda that promotes a contemporary vision of sustainable development.

The Value Network had a busy program of activities in 2007. Two workshops were held with the participation of 100 suppliers in Campinas, covering the issues of “Sustainable Education” and “Communication and Sustainability”, in addition to eight local meetings with 26 suppliers who form the group’s permanent forum. At these meetings, the specific issues of “Corporate Impact Management”, “Diversity”, “Moral Harassment”, “Stakeholder Relationship Management” and “Dialog as a Management Support Tool” were addressed.

In October the 7th Supplier Convention was held, including the participation of CPFLs Executive Officers and 13 Value Network companies.



TEAR PROGRAM

The Tear Program is the fruit of a partnership between the Ethos Institute for Corporate Social Responsibility and the InterAmerican Development Bank for the dissemination of management knowledge and strategies on sustainability, to increase the competitiveness of small and medium-sized companies that are CPFL Energia Group customers.

CPFL Energia has been one of the Program’s anchor companies in Brazil since 2006.

KNOWLEDGE AND GROWTH PROGRAM

Programa CPFL
conhecer e crescer
Excelência em gestão para pequenas e médias empresas

The CPFL Knowledge and Growth Program's objective is to disseminate management excellence in small and medium-sized companies operating in CPFL Energia's distribution companies' concession areas. Run in partnership with the National Quality Foundation (FNQ), the Harvard Business Review (HBR), the Paulista Management Excellence Institute (IPEG), the Brazilian Small Business Support Service (SEBRAE) and the Ethos Institute, the Program aims to share and inculcate management technologies and tools to help participating companies grow and remain in business.

CPFL CULTURE: MORE KNOWLEDGE FOR A BETTER LIFE IN TODAY'S WORLD



The CPFL Culture Program endeavors to increase the presence of the Group's companies in the communities where they operate and across Brazil through cultural initiatives based on the spread of a range of





CPFL Cultura: a new light on knowledge and culture to help build the future

- A search for solutions to the problems and conflicts of today's world, through knowledge and culture
- Integration, organization, a synthesis of knowledge and disparate ideas
- Commitment to inclusiveness, dissemination and sharing of culture and knowledge
- Dialogs and structured reflections with respect to diversity of opinion and encouraging openness to cultural differences
- Use of multimedia for spreading knowledge – live performances, programs on TV Cultura of São Paulo and making the internet available.

cultural knowledge and information on diverse areas including visual arts, music, science, the humanities, life in society, health and quality of life and the environment – knowledge and information that will help people lead improved lives in today's complex world. Its inclusive, multicultural programs also encourage the formation of collaborative networks to aid discussion and the formation of solutions to problems faced by communities in the Company's areas of operation.

In addition to live presentations, CPFL Cultura's output is made available through broadcasts by TV Cultura in São Paulo, which transmits the programs Coffee with Philosophy, The Invention of the Contemporary and Examination of the 21st Century. These programs are also available on the website www.cpficultura.com.br. The aim for 2008 is to increase decentralization of CPFL Cultura's program to include the cities of Ribeirão Preto, Sorocaba, Santos, Caxias do Sul and Bauru.

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NA – Not Applicable | ND – Not Available | NS – Not Significant

* Information available on CD and the CPFL Energia website: www.cpf.com.br/ir

about this report

The Global Reporting Initiative (GRI) is an international initiative. It links academia and companies worldwide with the mission of developing and making available on a collaborative basis a structure which is both broad-based and reliable for the preparation of Sustainability Reports. These can be used by companies of all sizes and business sectors and in all geographic regions.

The use of this structure and the indicators proposed by the GRI allows practices, performance and organizational results to be evaluated, monitored and compared according to standardized and internationally accepted criteria.

This permits a clear definition of corporate sustainability management, bestowing on environmental and social dimensions the same importance and the discipline which characterizes reports on the economic performance of organizations.

In 2003, CPFL Energia was a pioneer in the Brazilian electricity sector in adopting the GRI structure and indicators for evaluating

its performance for the preceding fiscal year. Since then, the company has played a role in the global drive to improve and to disseminate the initiative's proposals including the design of a specific supplement for companies in the electric energy industry. As was the case in 2007, this Report adopts the GRI G3 model, the latest and most refined version yet published. The numerical and descriptive indicators proposed by the GRI are to be found in the body of the text as shown at the beginning of each chapter or in the accompanying CD.

This CD also shows the Leading Social Indicators in accordance with the Brazilian Institute for Social and Economic Analysis (Ibase) model and the Information of a Social and Environmental Nature in line with the Brazilian Accounting Standards (NBCT 15) of the Federal Accounting Council of Brazil. The Financial Statements published by CPFL Energia in 2008 and available in the site www.cpfl.com.br are complementary to this information.

STATEMENT FROM THE BOARD OF EXECUTIVE OFFICERS

We declare that this report was prepared in accordance with the guidelines of the Global Reporting Initiative (GRI), version G3. The comparison between listed indicators and these guidelines permits the conclusion that this publication is a fair and accurate representation of the economic, environmental and social performance of the CPFL Energia Group's companies in 2007, and achieves an A level of application of the G3 guidelines.

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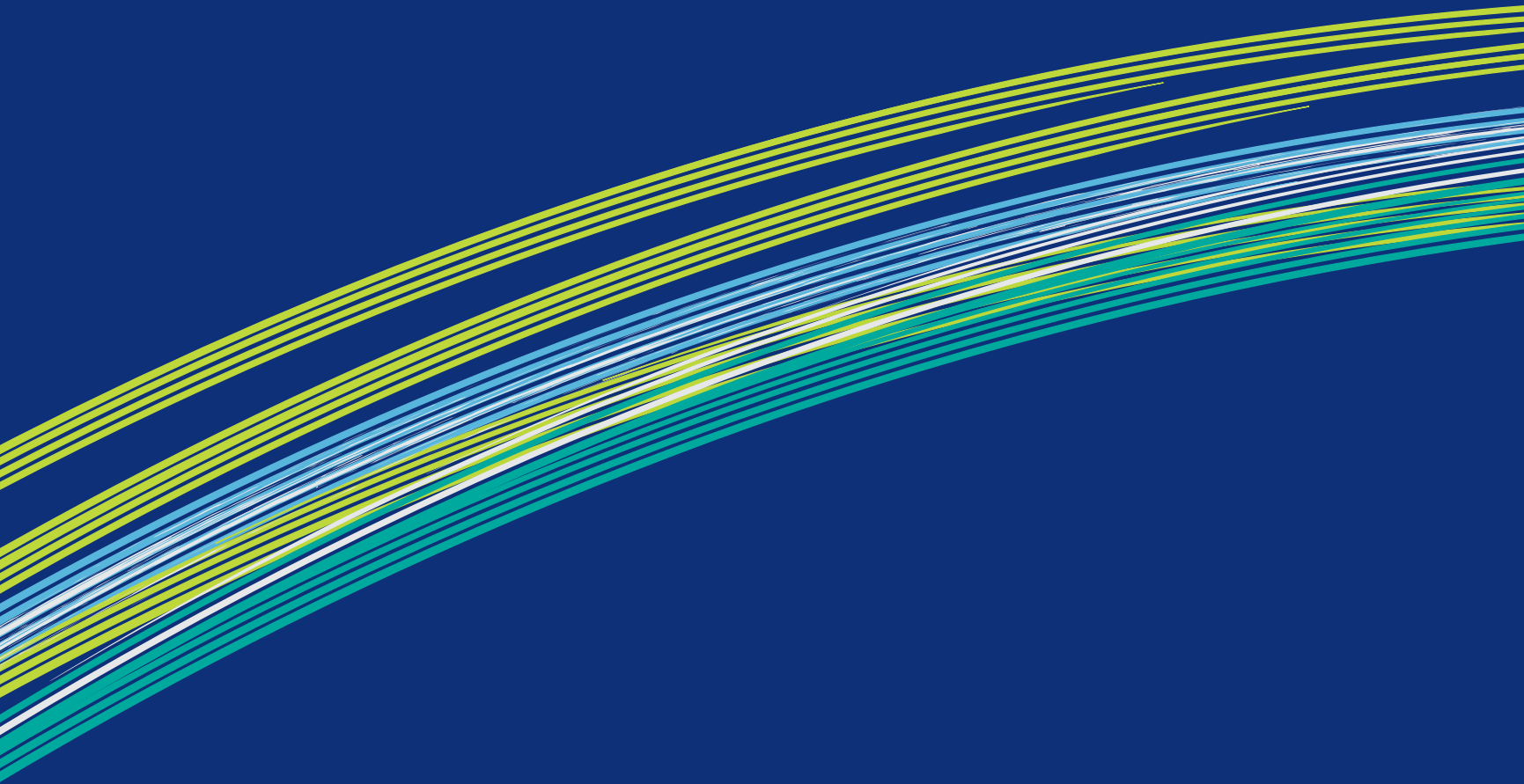
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