

Operator: Good afternoon and welcome to the audioconference of the third quarter earnings release of CPFL Energia.

At this moment all participants are connected only as listeners and later we will start the question and answer session, when instructions for you to participate will be provided. In case you need assistance during the audioconference, please, ask for help with an operator dialing star zero (*0). It is important to mention that this audioconference is being recorded.

Today we have here with us the executives Wilson Ferreira Júnior – Vice President of CPFL Energia and José Antônio Filippo – Chief Financial Officer and Investor Relations Officer, and other officers of the company.

Now I would like to turn the floor to Mr. Wilson Ferreira Júnior. Please, Mr. Wilson, go on.

Mr. Wilson Ferreira Júnior: Ok, good afternoon everyone, investors, analysts, it is a pleasure to have you here with us in this teleconference to present the third quarter results of CPFL Energia. Today we have a presentation, inclusively, on page 2 of our agenda, we have our agenda for today. Let's start talking about the highlights and results of the third quarter, and in view that we celebrated now, on September 29, three years of IPO, we will have a balance of these three years of IPO, which are strategic drivers of the future of this company.

So, starting on page 3, we have the set of highlights of the company in this third quarter and referring to its economic results, its net revenue with a growth of 15.8% compared to the same period last year, totaling R\$2,404 billion. I would like to point out that we have two comparisons being presented in the comparison of the Ebitda and of the net profit, they are a result of the fact that last year, in this third quarter, we had two non-recurring events, i.e., the sale of shares and our stake in Comgás, and the recognition of a suit concerning PIS and COFINS, so we are presenting the comparisons, specially to analysts, which refer to the performance of this company with and without this non-recurring effect. Talking about the Ebitda, we are reporting an Ebitda of R\$880 million, which corresponds, without the non-recurring event, to an 11.2% growth and, not considering this effect, a 20.8% growth in the comparison of the quarters. In the net profit we would have, considering these non-recurring effects, a drop of 4.1% compared to last year, and discounting these non-recurring effects, which is exactly the truth of this company, a growth of 29.8%, totaling R\$428 million. During these first three quarters of the year, the first nine months, we had a net profit of R\$1,271 billion, which corresponds to a growth of around 20% against the same period last year.

There are the main highlights that drive these main results, they are connected to the growth of energy sale, 9.3%, an outstanding growth, specially considering that last year, in the third quarter, the Brazilian economy gave evident and expressive signs of recovery, so during this year we have been maintaining a growth around that. The second important highlight is the entry of the company in the MSCI index of Morgan Stanley; the issuance of R\$450 million in debentures we made for the acquisition of our stake of CMS; the recent conclusion, about 15 days ago, the tariff repositioning index of CPFL Piratininga of -10.11%, with an improvement compared to the previous data presented by the agency; the purchase of assets of Cooperative CERFRA, we did not buy the cooperative, but these assets added 1.1 thousand clients to the group base. More important than

the acquisition of these assets is the signal of the possibility to purchase assets of cooperatives, in view of the new regulation and inspection of these cooperatives; the sale of discontracted energy of the Hydroelectric Power Plant of Foz do Chapecó, as you know, our original stake in Foz do Chapecó Plant was 40%, we acquired more 11%, and put these 11% in the last auction, with the highest price of botox energy already verified, and it was the last, so it was really the highest, at the amount of R\$131.49 per MWh. And concluding this set of highlights, it is worth pointing out the announcement of migration of minority shareholders of RGE, we had a 99.76% stake in that company and we are here in a process which started in November, giving the opportunity of migration of all minority shareholders to CPFL Energia, by economic value, it is an operation which will involve around 440 shareholders.

On page 4, we have our corporate structure. There was no change concerning it from our last presentation, only the highlight, that as the assets of CPFL Jaguariúna, the new name of former CMS Energy Brasil, being placed the distributor with the respective stakes, then 93.20% in CPFL Leste Paulista; 90.15% in CPFL Jaguari; 87.80% in CPFL Sul Paulista and 89.75% in CPFL Mococa - to it we also add now in the trading area 100% of CPFL Planalto, the former trader of CMS, and CPFL Serviços, former CMS Equipamentos e Serviços with 89.81%. And finally there is the 6.93% in the generation area of direct stake of the hydroelectric power plant of Lajeado, so these are the last stakes, CPFL then holds 100% of what would be the holding of CMS Energy Brasil, which now is called CPFL Jaguariúna.

On page 5, we present details of the sales occurred in this quarter, as you can see significant sales, in the concession area of 9.3%, without the effect of Santa Cruz and CMS, in an amount of 4%, and in this set of data we have a captive market growing 7.2%, and the market, the migration of free consumers, by means of TUSD, with 16.1%. Also in the concession area, we can highlight sales in the residential segment, the growth of 9.9%, and in the commercial area of 7.3%. The sales of the concession area, we only have large operations also in the free market and this market, although a little better, due to the large set, currently around 25% of all sales in the energy market takes place in the free market, but even though, with a high competition, CPFL continues to grow and grew in this quarter 5.9%. The total sales in the distributors and in the same in the free market conclude the total sales of energy in the amount of 6.9%, and as you can see in the chart below, in this quarter we sold 11,211 thousand GWh.

On page 6, we give details about this growth process of the revenue which, as I said at the beginning of the presentation, a growth of 15.8% mainly due to the growth of revenue of electric power sale, mainly in the distributors, as you can see, two prevailing effects: the growth of 7.2% in sales to the captive market and the tariff adjustment of April this year of 7.06% of Paulista, of 6.05% in RGE and of 10.79% in CPFL Piratininga, related to October 2006. Along with this revenue growth of 12.3%, we also have that migration of free consumers we mentioned before, a growth of 15.7% in the revenue, not in the energy volume of TUSD, discounting the effects related to taxes and other deductions, a decrease of 6.2%. So sales continue to growth mainly due to the growth of physical sales in the concession area of distributors, adding up to R\$2,404 billion.

On page 7, we show details about the growth of the company's operating profit measured by Ebitda, and here the first remark is of that non-recurring effect, as I said at the beginning, of the sale of shares of Comgás, which interferes directly in the Ebitda, as I said, we have a financial effect related to the recognition of credits of Pis and Cofins which will happen in the financial line, but in Ebitda then, discounted from the R\$792 million we reached last year, R\$63 million was due to the sale of this stake in Comgás, providing a normalized Ebitda, for comparison effect, recurring, therefore, of R\$729 million, and this Ebitda, then, we are reporting a growth of 20.8% as a result, as you can see in the chart, of the increase of the net revenue of R\$328 million or 15.8%, and this increase is followed by a lower increase in energy costs and operating expenses. Starting with energy cost, which is the main input for resale, we had a growth of 11.6%, then that measures the

efficiency of the company in energy purchase to meet the free market, it grows 11.6% and it also incorporates here a growth due to the purchases of distributors, the portion related to energy for resale of these distributors is added here, detailing the assets of former CMS Energy Brasil, currently CPFL Jaguariúna, in R\$31 million and of Santa Cruz in R\$ 25 million. In the next line there is an increase of 16% in operating costs and expenses, which amount to R\$38 million, as you can see below, R\$35 million out of the R\$38 million are the portions and expenses resulting from the acquisition and the same start up of Campos Novos, then in Jaguariúna we bring R\$18 million, in Santa Cruz R\$10 million and the start up of Campos Novos, our stake, in the amount of R\$7 million, so we could say that the costs of the company would have increased, if there were no acquisitions, only R\$3 million, which is a fraction of these 16%. So we discount the non-operating result and others from the amount of R\$10 million, the recurring advantage of CPFL, in the sense of its integrations and the sharing of efficiency, is evident here and, obviously, in these additions of operating expenses, they are purpose of the action of our company to add synergies in the future.

Let's turn to page 8 to detail the profit, the same effect verified in the Ebitda, we make here the normalization of the net profit of the third quarter last year, discounting these non-recurring effects, in the total of 117 million, here not only the sale of shares of Comgás, which were on the operating side, but also the effects of the favorable decision of the resource of PIS and COFINS in Paulista and in Piratinga last year, all that adds up to R\$117 million, which would result in the recurring profit, for purposes of comparison, of R\$330 million, this profit shows a growth, as I said, of 29.8%, reaching R\$428 million this quarter and in the total of nine months R\$1,271 billion, a growth strongly pushed by the increase of the operating profit, measured by the Ebitda, there are R\$151 million, or 20.8%, as we detailed before, and a change in our financial result of 9.7%, a slight reduction, which occurs in both sides: the reduction of the financial revenue of 5%, mainly because we have a lower cash in our operations, we also paid more dividends, so the revenue of financial investment would decrease, a reflection of the improvement of the macro economic scenario, drop of CDI, in the comparison of these quarters, it is significant, and also an increase, although slight, of 2.6% in our financial expenses, due to financings for our expansion, in the distributors, in the Capex of distributors or in the continuity of our investments in the generation area, here the discount in the differences of income tax due to increase of the operation result, and the finalization of the amortization of the extraordinary net item of R\$8 million. It is a very stimulating result, continuing in that trading of consistent growth of net profit which CPFL has shown during the last eleven quarters, since the issuance of our IPO.

On page 9, that can be seen more clearly, concerning the Ebitda, in the annualized base at the end of each quarter, you can see the growth of 25.2% in Ebitda, with a consistent and constant growth during each one of the quarters, considering here a mobile average of twelve months to each one of them, reaching an Ebitda of R\$3,247 billion in the third quarter, which, for those who are familiar with the results of our company, would be compared to the result of last year, the fourth quarter with R\$2,789, so the company had a growth of around R\$500 million during this period. With the distribution, with not many changes compared to last quarter, highlighting the growth of the generation activity, with 16% in the Ebitda, the trading with 11% and distribution with 73%. When we see the last line, discounted in both cases in the net profit, we have here the sequence, coming from R\$1,322 million, reaching in this quarter R\$1,616 million, a growth of 12.3% in the last twelve months, and we have here a distribution very similar to that we presented above, generation has a share in the last line a little bit lower than the Ebitda, due to the characteristics of a higher level of leverage, resulting from financings of BNDES.

Let's turn to page 10, which shows the evolution of our Ebitda margin and our net margin, with 36.6%, considering the expurgations of non-recurring effects, this average has been increasing, as you can see, since 2005, where it was 28.6%, 30.6% at the end of last year and this year here, mainly motivated by the entry of generation, where we operate with larger operating margins, it reaches 36.6. In the last line, the net profit reaching this quarter 17.8%, margin which, at the end of

last year, was 14.4%, that reinforces the trend of consistent growth of the company with sharing of synergies and with improvement of efficiency, operating or net profit.

On page 11, we have the reports related to the performance in the capital markets, in the third quarter and the sector too, where we maintained a good performance, against IBOVESPA, we can see a drop of 3.6%, similar in New York, as we compared here with the most traded ADRs, but during these first nine months, the behavior of CPFL is a little lower than IBOVESPA, and higher than electric power index and a little higher than the most traded ADRs, Dow Jones Brazil Titans, reaching 56.8%. The highlight, concerning the stock market, corresponds to the evolution of the daily volume, which grows more 25% during the year, reaching an average trading of R\$38 million, R\$23 million on BOVESPA, and almost R\$15 million daily in New York. As I said at the beginning, there is an entry in the indexes of Morgan Stanley, in each of these indexes listed here, it is important to highlight that the entry in these indexes places CPFL share with a possibility to be accessed by funds, connected to these indexes in the amount of US\$4 trillion around the world, this tends to increase the company's liquidity process.

On page 12, we have details about our adjusted net debt, which adds up to R\$5,438 billion this quarter, discounting the effects of the private pension entity, here it is clear the reduction of the company's cash and cash equivalents, at the beginning of the year it added up to R\$800 million, it is close to R\$400, and the report related to the rationing process are financings associated directly to BNDES. We maintain here a relation adjusted net debt by Ebitda of 1.67x, an increase compared to the previous quarter, due to the closure of the debenture process, reaching R\$5.44 billion, as I said before.

On page 13 we have the details about this debt, the evolution compared to last year, the flow of strategies lead by our CFO, where we have now a higher component, we have here a higher component connected to CDI, 51%, and we have here IGP, IGP-M being reduced by 17%. The capital structure at this moment has a debt own capital ratio, 52/48, and we also show the evolution of the nominal debt cost, a result of this financial strategy, in the sense to index on the debt in the most effective indicators, we had here an expressive reduction, since 2002, from around 27% to 11.9%, remembering that CDI in this quarter adds up to 12.2%.

We also highlight on page 14 the closure of the third issuance of debentures of CPFL Energia, this issuance had a total amount of R\$450 million, on September 3, 2007, the term until September 2014, with three amortization installments, 2012 and 2013 in September. The remuneration of these debentures is through CDI rate + 0.45% per annum, the payment of this remuneration on a semiannual basis, and it was issued to extend the debt of acquisition of CMS Energy Brasil.

On page 15 we have two important processes: in the acquisition processes we used vehicles for the acquisition, in the case of RGE to CPFL Serra, in the case of Santa Cruz to Nova 4 Participações, and both SBS created for the acquisition, are being purpose of merger, RGE at the beginning of this third quarter, that is, CPFL Serra merged, and Nova 4 merged by CPFL Energia, a vehicle of acquisition of Santa Cruz, and you can see that these merger processes enable the company the amortization of the goodwill of these acquisitions, nominal tax benefit, in the case of RGE of R\$265 million, and in the case of Santa Cruz of R\$37 million, each goodwill will be amortized by the remaining term of the concessions, in the case of RGE until 2027, in the case of Santa Cruz until 2015, in addition to this tax benefit there is a rationalization of the current corporate structure of assets, and as a result of that a optimization of administrative costs and legal obligations in addition to that I said about tax deductibility of each one of the goodwill, these are amounts incorporated to the company.

On page 17, we show details about the effects of the evolution, the tariff review process of CPFL Piratininga occurred as of October 23, 2007, and here we only wanted to show the evolution in the

discussions... from the public hearing until the issuance of the final amount, here there is an increase of revenue verified necessary for the balance of the concession, mainly due to a recognition in the area of Portion B, in the so called reference company, in remuneration items of assets, which evolved from R\$462 million to R\$492 million, the main signal here of the new net revenue and the repositioning proposed in the public hearing had a small evolution. We also point out the Factor Xe, a result of the debate necessary and existing between the concessionaire and the agency, to make future investments compatible and perspective of futures market, it was reduced from 0.83% to 0.73%, some other items have not been incorporated in any tariff revision still this year, concerning, mainly, the price bank, in that important signal the agency gives of efficiency of concessionaires in the processes of purchase of materials and, also, concerning the so called reference company, a highlight in the evaluation of salaries of each one of these concessions and with these gaps to be filled, in processes which are being carried out by the agency in this moment, this repositioning index is still provisory.

Now on page 19, the balance of three years of IPO. As you can see, concerning shares, a behavior a little higher than IBOVESPA and IEE, I think there was a higher appreciation concerning ADR of the company in New York, let's say almost ten times Dow Jones, with almost 50% more than the appreciation obtained by the 20 most traded ADRs on that stock exchange, that allowed the evolution of the company's market capitalization from R\$7.8 billion to R\$17.1 billion, for the value at the end of September, and the main highlight is the evolution in the average volume of shares, we had already seen an evolution of 25% during the year, but it is important to point out that in relation to 2005, we have here an evolution in the daily traded volume of 376% coming from R\$7 million daily to around R\$33.5 million daily in two stock exchanges.

On page 20, this volume is detailed a little more, estimating here the average daily trading volume of the company, and the participation of the number of negotiations on Bovespa, as well as the average volume on Bovespa, thus CPFL, since its launch, since its IPO, in addition to a large percentage addition, it increases its participation in the businesses of the São Paulo Stock Exchange. During this period it had the opportunity to enter the main indexes of the São Paulo Stock Exchange and the New York Stock Exchange, and they are detailed here, concerning ISE since 2005, there are few shares, around 34 companies that have shares in ISE, and the first half of this year, the entrance of CPFL shares in Ibovespa and IBR-X50. That is due to a very hard work, mainly, from our investor relations area, led by Filippo, and now by Gustavo Estrella, the IR officer, in a set of more than 560 one-on-one meetings, almost one meeting a day since our IPO. And that can also be seen in an expressive revolution in the number of institutions which make coverages of CPFL, which enter 2007 with 23 institutions, we had 7 in 2004.

On page 22, a set of awards, highlights in the main associations, APIMEC, former ABAMEC, IR Magazine, Institutional Investor, Euromoney, Expo Money and Agência Estado, the company has been noticed by the specialized market, a company which has a set of merits, concerning its IR area, its presentations, its executives and its corporate governance.

On page 23, if we make a comparison, as we had here an equity score proposed in the IPO, on that time as we were the first energy company to make an IPO, an innovative work, we had a proposal of aggregation of value, based on a strategy known by you, of synergetic growth, of operating efficiency, financial discipline, corporate sustainability and responsibility, focused on a process which had as basis the consolidation in the distribution area, consolidating the areas where the company already had concession, the perspective of success in the commercialization area, on that time with a year of performance, a fast growth of the generation businesses, a result of investments that started being made in 2001 and 2002, on that time, as we were the first company to be listed in the Novo Mercado, this special corporate governance as we said.

On this perspective, this equity score, we show page 24, the revolution we had in each of these areas. In 2004, time of the IPO, we had concessions of Paulista and Piratininga, 100%, and we had 67% in RGE, operation in only two states, a result of the consolidation process that CPFL is maybe the main example of consolidation in the Brazilian electricity sector. Currently we have 8 distribution companies, acquisitions, either additional participations of RGE or whole concessions such as Santa Cruz and the distributors of the CMS group. But see the figures, the market share of the company increased from 12.2% to 13.8%. It is worth pointing out the growth in the number of clients, at that time we had 5,411 million, we closed September with 6,220 million, practically almost 1 million clients more in this period, and a growth of sales in the concession area, in the comparison we present here during nine months, of around 26%. We want to acquire assets with a potential growth, such as the operations we had at the time of the IPO, a part of the resources of the IPO were used for this process, and with a large efficiency.

In addition, we mention the possibility, which starts to be real this quarter, due to the acquisition of assets from cooperative, on page 25, here you can see a geographic map of the region of Franca and these areas in yellow are areas where we have 1.1 thousand consumers, which were served by this cooperative, then the acquisition of assets from the cooperative, they start composing the base of assets of the company, adding 446 km of the distribution network and allowing the sale of around 6 GWh more per year, increasing our operation area, allowing consumers a better service quality and a regulated tariff.

On page 27 we see the evolution in the generation area, at the time of the IPO we were concluding the first of six plants we started building since 2002, and so we have an important evolution concerning PCHs (Small Hydroelectric Centers), not only in aspects connected to the repotentialization, and they are detailed here, we had 19 PCHs (Small Hydroelectric Centers) in the IPO and now we have 32. We had a large plant in operation, September 2004, today we already have five, and we have three plants to be concluded, two of them during the next twelve months, thus the growth trading of this company is very clear, it practically doubled the installed capacity since the IPO, and we will add more 600 MW until 2010, a result of the conclusion of these three large plants we detailed below. It is a growth estimated at the time of the IPO.

On the next pages we will show details about the current status of these plants - Castro Alves plant, where you can see the concrete barrier almost concluded. This plant has a tunnel of 7.2 km already concluded, so the motorization, equipment. Around 99%, 96% of the works are concluded and now we have the assembly challenge and then the filling of the reservoirs. This plant will start operating in the first quarter of 2008, R\$47 million a year of additional revenue in the group, related to the 65% stake of CPFL in this plant.

On the next page, we talk about Foz do Chapecó plant, page 29, around 20% of the works are concluded, 13% in the supply of equipment, it is a work we started at the end of last year, it is a work going very fast, there are around 2.5 thousand workers there, a large movement of land, and expressive moment, with caisson for construction of the spillway, what you can see in the picture on the left. It is a plant that will add to the company 432 average MW, and the highlight here is that we have sold our energy in this last auction of Aneel, our 11% at R\$131.49MWh, our 11%, it is an important stake, and that also occurred to the other partners, that is, 9% of CEEE and 40% of Furnas, so 60% of the energy of this plant was sold in the auction of Aneel, last October, at R\$131.49 MWh and we have the other 172 average MW, which corresponds exactly to the 40% stake of CPFL sold practically 100% of VN.

Now on page 30 we show the repotentialization process of two PCHs (Small Hydroelectric Centers) to be concluded this quarter, PCH of Capão Preto, an addition in revenue of R\$1.8 million a year, as you can see, more than doubling its assured energy. And the same behavior with PCH of Chibarro,

only this repotentialization in two plants will add a firm revenue to the company of R\$3.2 million a year, both contracted with our distributor.

On page 31, talking about the issued of carbon credits, that we have already detailed sometimes here with you, we are working in the Monte Claro plant, so that already at the beginning of the year we will have the recognition of the greater volume of credits since we began this innovative work with the repotentialization of our PCHs (Small Hydroelectric Centers). And we are at this moment here in development for the recognition of credit, in the plants of Castro Alves, 14 de Julho and Campos Novos, that means, we can have a potential of carbon credit in the amounts we have traded of €1.4 per tonne of carbon, at €61 million of sales result during the period, until 2012.

On page 32, we have a behavior since the IPO of our commercialization activity, which is an activity totally recognized in Brazil, a competitive performance in the free market, with sale of value added services. I have here a data which is not in this presentation, but it shows that, since that period, since 2003, we already built in the company, through CPFL Brasil, around 900 MVA and 670 km of line. At this moment we have 11 works under construction with 385 MVA. As I said, that is a partner, an additional, an advantage that CPFL Brasil offers to its clients, which justifies this growth of 117% in the number of clients, growth of 4% in the market share, sales in the free market almost tripling at the time of the IPO, and the revenue of value added service also growing almost 300%, reaching R\$20 million in the first nine months of this year.

Now on page 33 we talk a little bit about the evolution of our corporate governance, the main highlight, in addition to the characteristics of the own share, is the evolution of the free float, a commitment we had, a waiver of Bovespa at the time of the IPO, the evolution almost doubling from 13.6% in September 2004 to 27.1%, with a set of operations, highlighting here the migration of minority shareholders, as we are offering as of this quarter to the 440 shareholders of RGE.

On page 34, also talking about special corporate governance, we are talking about the development of the company's executives. We have developed a program with important partners – IBMEC of São Paulo, Trend School, Kienbaum, Careerpartners and ICI Integrated Coaching – for us to have a development of all executives of the company, which add up to 159 persons at this moment and in the several levels, division managers, department, officers and vice presidents, a process we started in July, based on competence, based on gaps of development, always based on a structure of a succession plan of the company, for us to have the development process allied to the growth process of the company, and we expect from this development process a higher index of potential successors, a managerial efficiency index, which is different in relation to the works mentioned by Kienbaum and that we may during this period maximize each one of the key competences of the company.

On page 35, another highlight in this quarter was that the company was for the sixth consecutive time listed among the best companies to work for, in Exame guide, and was the winner of the Aberje award in the category of audiovisual media management, with the project of “Espaço Cultural CPFL”.

Another important highlight in this quarter, on page 36, is that the company is one of the first Brazilian concessionaires to use in large scale the issuance of energy bills with recycled paper, we do that with 6.2 million bills a month. So by using this paper, 644 trees are preserved a month. So we preserve 7.5 thousand trees a year. And there is income generation for the productive sector of recyclable material, so the price of this type of resource will be cheaper and cheaper.

These were the comments we had to make about the third quarter. Filippo and I, and some officers of the company, will stay here for the question and answer session. Thanks a lot.

Question and Answer Session

Operator: Excuse me, ladies and gentlemen, we will now begin the question and answer session. To make a question, please dial star (*), one (1). To remove your question from the list, dial star (*), two (2).

Excuse me, our first questions comes from Mr. Marcelo Brito from Banco Bradesco. Excuse me, Mr. Marcelo Brito, your line is open.

Excuse me, our next question comes from Mr. Marcus Siqueira from Deutsche Bank.

Mr. Marcus Siqueira: Hello, good afternoon everyone, I have a few questions. The first one regards generation; first you said, some time ago, that you are interested in checking some coal thermal project. What did you think of the results and yields of the coal projects, according to the prices obtained in the last auction? Second, I would like to know if you are still interested in Rio Madeira, and what do you think of the maximum price of R\$122? And lastly, if you think this provides guidance, the prices, first the price obtained in the last auction and second the Rio Madeira price, if this price trend indicated a trend of settlement in generation prices.

And second, regarding distribution, how do you feel with regards to the tariff revision so far? And could you give us an idea regarding next year's revision? That is basically it, those are my questions.

Mr. Wilson: OK, Marcus. I will start with the question regarding the price issue, and particularly Madeira. The answer is the following: it is hard to draw a comparison, before answering this question, between projects that did not provide a competition viewpoint, such as Madeira, and what we have now, and mainly the evolution we have had regarding financings. So, specifically about Madeira, it has these advantages. Through a process duly guided by the government, in the sense of providing competition, of drawing more specialists into this issue, and mainly of creating a condition for competition, releasing equipment suppliers, I think one can really envision a reduction in the IPC, or at least a more structured effort from each of the players in the game, to reduce prices. I think Madeira, in addition to that, in addition to the competition process that could not be seen some months ago and can now be seen, you must add two things: the first is that we are talking about a project without transmission, so, sometimes when we compare these projects, we ignore that in this case the transmission system corresponds basically to 15-20 Km connecting the plant to Porto Velho, so that is an advantage for the project, the transmission line will be open to bidding separately, so this is almost exclusively a generation project.

And the second thing is exactly an advantage that it has exclusively regarding the size of this project, and a financing in a pros and finances regime, the first Brazilian one in 20 years, with reduced rates. So, each of these things, competition, the fact that it does not have transmission, and particularly the fact that we have a differentiated financing condition is the responsible for the reduction, without a doubt, of the value expectations people had – I heard prices around R\$150, R\$160 – to this level close to R\$122. One must also recognize that we have been able to notice that in competitive processes, that the ever closer perspective of a Brazilian investment grade also sets more competitive yield rates with the country, which offers the so called “investment grade”. I think Madeira is positively affected by each of these four elements I have just mentioned.

Well, regarding the coal issue, the price was a surprise for us. I think the price is below what we considered to be possible, something around R\$135 to R\$140 were the prices we had, but one

must also check demand, for some projects were made feasible in that moment, some players are joining this competitive environment for the first time. I would certainly say that there is something of a surprise. In our assessment, given the international prices, coal prices would tend to be slightly higher, so this can be connected to a specific strategy of the main player who determined this price. I do not know whether it can be reproduced in auction processes ahead, we are still verifying. It is our understanding that this is a source that is expected to remain in Brazil from now on, I think this has only confirmed an expectation we had, and I confess to be a bit surprised by the price. We will have to keep studying it further.

Regarding the tariff revision, it is a process, as I mentioned. The first part involves sensibility, I would say, the positive part show sensibility by the agency and by the company in the sense that a proposal has been made, to interact, to recognize differences and somehow recompose, even partially, a proposal by the company itself. This is not a win-lose process, it is a process that, in a balanced way, the agency and the concessionaire tend to position themselves to find the best way to grant a concession, respecting quality levels and the adequate remuneration levels.

I would that the part that somehow concerns us is the fact that it is still a provisional revision. I say it concerns, because sometimes the market does not notice evolutions contained therein, and two are very important ones regarding what we call regulation by incentives, in other words, the establishment of a price bank is an essential element for the concessionaires to pursue price reductions and be able to share these reductions with consumers in following processes, and offer a spread, an additional profitability for being efficient. That would be the first thing, we are in a process, this process is not yet established, applied to the revision. But there is a public commitment by the regulating agency, particularly by its general director, that this process will be carried out in the months to come, and also by those parties who remained, as they are evolved, and the main one, regarding some criteria used by the so called reference companies that could not yet be finished in our revisions, and that should be done throughout the next period, mainly regarding price, salaries, etc. where there is still a disparity for companies. That is basically it.

Mr. Marcus: Thank you very much, just a follow-up, are you taking part in any consortium, in the case of Rio Madeira?

Mr. Wilson: Not yet, we will be in stand by in our company here, throughout this weekend, we are assessing options, with a view to the process of qualification that ends on Tuesday, so we are assessing it, and, should we manage to make it feasible, we will announce it on Tuesday.

Mr. Marcus: Ok. Thank you very much.

Operator: Excuse me, our next question comes from Mr. Anderson Frei, from JP Morgan.

Mr. Anderson Frei: Hi, good afternoon. My question relates to the auction process on the portion owned by BNDES in Brasiliana. You have clearly said that you are interested, I would just like to know if you intend to take part in this process by yourself or in a consortium with someone, if this consortium already exists, and if you would still be interested in both assets, or just in distribution, in generation, I would like you to talk a little more about that.

Mr. Wilson: Well, as for Brasiliana the answer is "yes", we are interested in the asset. It is an asset where we can add value not only the distribution area but also in generation. We do not have any partners, at the moment we are looking through alternatives. The asset, we obviously have a capacity to add value in distribution, even because of the assets CPFL already has, 73% of our income comes from this area, but we have a large team focused on this issue, we have financial advisors, we have a strategy team, a financial team, a legal team at the company with the aid of international consulting companies, so this asset makes a lot of sense for the company. We are

trying to take part in this asset, and at the moment we do not have yet anything to disclose regarding the participation.

Mr. Anderson: OK, thank you.

Operator: Excuse me, our next question comes from Mr. Marcelo Brito from Banco Bradesco.

Mr. Marcelo Brito: Good afternoon, everyone. I am sorry about the communication issue at the beginning. I have three questions. The first one is regarding the quantified impact of synergies, brought by Santa Cruz and Jaguariúna. The second concerns Castro Alves, it was originally forecasted for 3Q07, now it moved to 1Q08, the question is: is there any impact in energy sale contracts, or any cost related to it, deriving from the fact that you moved the start up for 1Q08? And, lastly, regarding trading, how do you see the trend for this business in a scenario of smaller volumes made available by the generating companies for trading, if you see this stabilized, our a growing, reducing business?

Mr. Wilson: Well, I will start on the synergies from Santa Cruz and Jaguariúna. Particularly in Jaguariúna, which is the main operation, we have there four distribution assets, so we are in the middle of this process of, I would say, understanding the company, we are now in a moment also of salary negotiations, we are assessing the possibilities and potentialities. We also have a smaller-sized asset, which is Santa Cruz. We have already mentioned our expectation for Santa Cruz, which was to have, under the synergies point of view, something around R\$15 million per year.

We also believe that, in Jaguariúna, we will have a behavior similar to this, but we are conducting further analysis, because they are systems. For example, we will have to make huge investments in these companies, in the large ones at least, so we can capture these advantages, just to give you a few examples, consumer management systems, they are two different systems, system of management of assets and liabilities, these companies have few substations, but all substations are automated. So, in order for us to better assess the synergies, we need a more accurate analysis, and it is important to emphasize that we got these companies in the middle, close to the end of the tariff revision process. This also led us to the need to have a better understanding to be able to, properly, position before our regulator, so this delay also leads to a need to better assess these investments, which will result in a quality improvement, productivity improvement, so we can discuss that with the regulator. I would say that already in the first quarter of next year, we will see results from these negotiations, with regulation, we will have conditions to offer the perspectives and initiatives more clearly to you.

Regarding Castro Alves, we have actually had an issue related to transmission licensing of the plant's connection network, and we had a delay of little over one month, and we have had, as you have been seeing, a lot of rain, very strong rain in the South region, and that leads to a smaller provision, since the damn is nearly full, as you could see. So, in a two-month period we have had two cases of those flooding, which insurance companies say they happen once every 50 years, and that determined here, we have delay of around 40 days in the works, exclusively related to these two events, no other issue, and particularly regarding distributors, they can have a substitution of these contracts by volumes to be offered by our trading company, so there is no problem, and at the beginning of next year, in few days we will have the opening of Castro Alves.

And, with regards to your last question, as for trading, we have reached here an amount of around 25% / 26% of the entire volume of Brazilian energy, being transacted in the free market. The drive to reach this amount was related mainly to energy leftovers resulting from the post-rationing behavior of consumers, and this market has reached maturity, it has still room to grow, because now you have these alternatives related to the access of consumers sized between 500KW and

3MW, as long as they are supplied by alternative sources, and by cogeneration PCH (Small Hydroelectric Center), so it is obvious that this market can grow, particularly in cogeneration, by the expansion of the Brazilian ethanol PAC (Growth Acceleration Program), it should be pushed even further, and you have a material volume of consumers, in this consumption range. I would say, if we already had 25%, it could reach, if all consumers of this size would migrate, something around 35% and 40%. It is obvious that it also depends on having supply alternatives, these small hydroelectric centers and cogeneration centers available. So this is a market that has still room to grow, although in smaller growth rates and related almost exclusively to this category of consumers, the so called A4.

It is obvious that the margins we had in the beginning, mainly with the great price variations, were greater and this is a market that, in the whole world, operates with narrow margins, so it is a trend, without a doubt, event because of the narrower relation between offer and demand, that this rates will be smaller, and compatible with a business of this size, without assets, with bilateral agreements. So, it is a market that will still grow, in our view, although at smaller rates.

Mr. Marcelo: OK, thank you very much.

Operator: Excuse me, our next question comes from Ms. Renata Belzunces from Dieese.

Ms. Renata Belzunces: Good afternoon, a lot has been said about Piratininga's periodic tariff revision, and some doubts are still open, although I would like these questions answered. First, does CPFL intend to make any adjustment after the periodic tariff revision, even though results are still provisional, and even though there is still a discussion over the provisional results?

Mr. Wilson: Renata, I would like to ask you to speak louder, because we cannot hear you from here.

Ms. Renata: Sure, I will repeat then, still regarding the periodic tariff revision, having already disclosed the results of Piratininga, which is a provisional result, actually, due to the methodology itself, I would like to know whether there is any forecast of adjustment of the company upon these results? The other question, still regarding the periodic tariff revision, the reference company was mentioned, and within the reference company the item salary was mentioned twice, I would like to know, in the company's view, is the reference company underestimating or overestimating labor costs? And, lastly, regarding the acquisition of Brasiliana, a possibility, since CPFL restates once again its interest in assets, including Eletropaulo's, wouldn't this exceed the legal limit of consumer market, specially considering a captive growth of consumers in the distribution sector? That is it.

Mr. Wilson: Renata, thank you. Well, regarding the tariff revision you mentioned, it is provisional because there are resolutions by Aneel establishing which would be the targets of this revision process. So, there was a set of commitments established by the regulation, and they were not available in their entirety at the moment of the tariff revision, so, some of them, clearly identified, the first of which is what I called "price bank", as you know, an important item in the so called Installment B, and it corresponds to the remuneration over the net assets base. This net assets base has been priced at the company's historical levels, and it would be right to price it with a base called "regulation by incentives", based on a price table for each of these materials, in such a way as to stimulate the purchase of materials at a price below the price table, and this pushes all agents to practice better prices and, obviously, in view of planning conditions, purchase conditions etc., supplier development in supply chain strategy, favor to some agents, creating the so called "incentive", because you would have a base recognized by the table price, instead of that historical price you practiced. So, this did not happen. This is set forth in resolution, if I am not mistaken, 294, but it did not take place yet, it will go into public hearing, a methodology, proposing a manner to do this price bank and how to disclose it periodically.

Regarding that, I mentioned the salaries issue, because there is a reference to salary, but it did not divide these salaries per region, it applied the average Brazilian salary, indexed by the IPCA from 2003 on. We know salaries from 2003 until now have followed what happens in Brazil, there was productivity gain, there was a real salary gain, and there is also a salary differentiated per region, this methodology, Aneel already has, but the salary survey was not finished in time to be presented at this revision.

In our view, the two factors I mentioned, they are expected to benefit Piratininga. We are here, in the case of Piratininga, close to the capital, in the state of São Paulo, where salaries are known to be higher than in the rest of the countries, and the CPFL group as a whole and Piratininga particularly, due to its concentration, also had efficient strategies of material acquisition, which could not be recognized in this process.

So, our view is that, if there is the publication, when it happens, whether of the finalizing indicators of the process of reference company, whether of matters concerning the price bank. It can have an improvement in this index, in other words, the index was negative, it would be less negative, now that is an expectation, a position of the company, looking at it, and we see a great regulation group here, looking at what happened as compared to what has happened to other companies.

Well, just to complete the answer, regarding Brasiliana, the limits, you must be talking about the concentration limits, of 20% / 25% regional and national, our view is the following: this indicators, these limits were established last year, when there was an expectation that the market power, you would be buying energy bilaterally, could favor the concessionaire, then you would have to create rules and concentration limits, because the largest player could have an advantage so great over the others that there would be an unbalance there, with relation to the smaller ones, and that is how it was formulated, and we have had the limits since then. To be clear with you, these limits are no longer applicable, properly, and I would even say that if there are limits, it is against the consumer. Why? Because, first, the energy purchase process, which is the main raw material, the cost item in these concessionaries, can only be carried out through public auction processes, so every time the concessionaire has to – and this process is correct, it is transparent – express its demand for energy throughout five years, three years, of adjustments, well, in public, it can only purchase via the public result of the auction, which is not carried out by the company. This auction process is usually conducted by the EPE, and by the agency. So, this main item is no longer a competition object, and second, if you establish this limit, you may not be sharing some advantages, like the ones I have just mentioned, regarding price items, where you, sometimes with a greater concentration, can have a gain in scale, and can share this advantage with your consumers every four years. So, I do not believe that this limit may interfere in the result of Brasiliana. Brasiliana has something close to 10%, although Brasiliana, directly over Eletropaulo has 38% stake, so it would not be, in our view, a reason to limit participants, particularly our group.

Furthermore, should this insistence exist, one could provide a term in the sequence, to adjust this stake, but it would in no circumstances hold a stake considered to be too great, we would go a little over 20%.

Ms. Renata: OK, thank you very much.

Operator: Excuse me, ladies and gentlemen, should want to make a question, please dial star 1.

Excuse me, there being no further questions, we thus close the question and answer session. I would now like to turn the floor to Mr. Wilson Ferreira Júnior for his final remarks.

Mr. Wilson: I would like, once again, to thank you investors and analysts for your attention in this results webcast. I would to emphasize once again that the company's results, this trend the company has been showing, expressing to the market, is a result of a consistent strategy, as I mentioned, which is being pursued by each of this company's leaderships, particularly by the management and that, particularly those situations that were part of our equity score, the current situation, these situations are ever more present in the energy area, in other words, it still makes a lot of sense to pursue processes, automation, operating efficiency, this process of synergetic growth. So, consolidation is a reality, these movements, I would say, are beginning, it is a business rationale in any sector throughout the world, and I am happy that Brazil is being able to watch this and being able to share more quality with its consumers, more productivity, and what is preventing us from seeing, as consumers, more substantial tariff reductions, we can already see material reductions, 10%, and in the distribution area reductions were greater than that, so I think this rationale is a rationale that is going to last, and that will obviously bring forward, always, the groups that have technical conditions to carry out these highest efficiency levels.

I would also like to say that in our optimistic point of view, regarding the energy market, we have been living a moment of substantial economic growth, and it will be sustainable as projects like Madeira, like the auctions we have just seen, with coal, with an important expansion as well, regarding sugarcane bagasse, come real. So, I think we are living an important moment, good and prosperous for the infrastructure sector, particularly for the energy sector, and CPFL, as the largest private agent in the sector, tends to look for these opportunities, in such a way as to be able to share its perspectives of value addition with the investors market and analysts. So that is the company's commitment, expressed by each one of our executive officers, and we hope to be here next quarter, demonstrating exactly these evidences one more time. Thank you very much for your attention once again.

CPFL Energia's audioconference is now over. We thank you all for your participation. Have a good afternoon and thank you for using Chorus Call Brasil.