

Operator:

Good morning ladies and gentlemen. At this time we would like to welcome everyone to CPFL Energia's 3Q05 Earnings conference call. Today we have with us: Wilson Ferreira Junior - CEO; José Antonio A. Filippo – VP of Finance and Investor Relations; Miguel Saad – Generation VP; Helio Puttini Junior – Regulation Director; Marco Antônio Siqueira – Commercialization Director; Antonio Carlos Bassalo – Accounting Director and Vitor Fagá de Almeida - Investor Relations Manager.

We would like to inform you that will be in listen-only mode during the Company's presentation. After CPFL's remarks are completed, there will be a question and answer section. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

We have simultaneous webcast that may be accessed through CPFL's website: <http://ri.cpfl.com.br>. The slide presentation may be downloaded from this website; please feel free to flip through the slides during the conference call. There will be a replay facility for this call on the website.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities litigation reform act of 1996. Forward-looking statements are based on the beliefs and assumptions of CPFL's management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of CPFL and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the call over to Mr. Wilson Ferreira Junior, CPFL's CEO. Mr. Ferreira, you may begin your conference.

Wilson Ferreira Jr.:

OK, thank you, good afternoon all of you, I want to thank all of you for joining us in our CPFL Energia's 3Q05 results. This presentation will detail, with this agenda, the following issues: we point to the Highlights and Results regarding the 3Q; the balances of one year and one month of our IPO and, finally, the Value Creation Agenda update for CPFL Energia.

So, in slide number 3, we have the highlights for these strong results in the 3Q, beginning by a net income of R\$ 240 million in the period, and R\$ 641 million in these first nine months of the year. Those results, due to the growth of 17% in our Gross Revenue and 79% in our EBITDA in the comparison of '05 over the 3Q04. I'd like to highlight the inclusion of CPFL Energia in two BOVESPA indexes, the Electric Energy Index (IEE) and the IBX-100, the other one is related with CPFL Paulista and CPFL Piratininga, minority shareholders migration, as we announced two weeks ago, with a potential free-float increase from 16.8% to 17.8%, or a 1%

increase.

Also, we are highlighting the final tariff revision of CPFL Piratininga, after two years as a provisory tax, now we have the definitive process, and we also have the growth of 45% in our Commercialization business showing that we continue growing this business increasing our market share.

Finally, some points related to the Generation, the first one related with the highly developed plant of Campos Novos, we started to fill the reservoir last October 10, and, finally, the commercial operation started in Barra Grande last week, November 1st. So, all of these highlights we'll be following during the presentation.

In slide number 4 we have the CPLF Energia sales increasing by 1.7% in the 3Q due to the commercialization sales mainly growth in the free market and the distribution sales evolution. So in the fourth graph you will be seeing this increase of 1.7%, in the second graph you have the free market sales, an impressive growth of 85% in a comparison with the 1Q05 with the same quarter of '04.

Also, in the last graph, in the bottom of the page you have the concession area sales increasing by 3.8%, 3.1% in the 3Q05. The captive market growth and sales increased by 93%, related with the tariff of use of the distribution system were the main drivers for this growth. So, we are presenting growth in commercialization business, to free customers and also to the captive customers in the concession areas of our three distribution Companies.

In slide number 5 we are showing the Gross Revenue reaching R\$ 2.7 billion in this 3Q, representing an increase of 17%, in a comparison with the same quarter of last year. Also, 1.7% energy base growth, average price increase in the distribution, and generation Companies, and as mentioned before, an increase by 111% in the revenues related to the use of the distribution system, contributing to this increase in growth revenues.

EBITDA, increased by 79% reaching R\$ 570 million in the 3Q05, as you can see here we are increasing in absolute numbers in the first 9 months, R\$ 465 million, 78% of this is related to the increase in the distribution business, 365, also we are having R\$ 50 million more on the commercialization business, and also another 50 in the generation business. Finally, in the Net Income we are reaching R\$ 641 million, as we commented at the beginning, increasing 439% and, here, this result is due to all the businesses. Impressive numbers from the distribution, so the distribution last year we had R\$ 103 million, increasing to R\$ 501 million, an increase of 385%.

So we are consolidating almost 95% of this, coming from Paulista to CPFL Energia, and the generation, we are presenting an increase from R\$ 52 million to R\$ 87 million, an increase of 66%, and finally we are presenting R\$ 112 million from the commercialization business, coming from R\$ 76 million in the same period, so I increased the lower increase we are presenting in the bottom line, is related to the commercialization with 48%, so all of the business is really in a very good position, and the emphasis related with the distribution, especially related to the final numbers from the tariff revision, in all the distributions that we are

managing.

So, on page number 6 you have some other details from the tariff revision from Piratininga, so you are seeing here the preliminary numbers from October '03 it was, for Piratininga, 14.68%, we have an agreement related to the spin-off of the Company, regulated, so the agreement in the first tariff revision would be considerably lower numbers obtained in a tariff revision of Piratininga, and also Bandeirante.

As you can see, our numbers in October '04 was 13.01%, and, based on this resolution, 336, that resolution I said related to this agreement with ANEEL, we have in Bandeirante 10.51% so, it was considered last year 10.51% but also as a preliminary number, so, this year, almost a month ago, we had those final numbers, that was 11.52% for Piratininga, and 9.67% for Bandeirante, and we have to consider in this revision, the lower numbers, so we considered 9.67%. So, what are the results of that for our results?

We had provisioned until October '04 R\$ 71 million so the final results mean R\$ 103 million, so the difference which is R\$ 31 million, and almost R\$ 800,000, we are using the 3Q; we are also considering the 3Q in our results R\$ 28 million in Piratininga, the final numbers of this tariff revision.

Also we are, as you know, we have 23 days in October which you have reminiscent numbers to reconsider by R\$ 3,150,000 to be considered in the last quarter of this year. So, those numbers, affecting the result of Piratininga in the quarter line by R\$ 12 million and R\$ 729,000 which means by considering the participation of Paulista and Piratininga, which is 97%, the participation of CPFL Energia and Paulista, which is almost 95%, so we have, in CPFL Energia, the numbers R\$ 11 million and R\$ 772,000, and you have, for the next quarter, R\$ 1.7 million to be considered as the last numbers of this tariff.

So, in the slide number 7, we illustrate the impressive 12-month accumulated growth in EBITDA and Net Income over the previous five quarters, to highlight the steady upward movement of QoQ results. In the comparison of 3Q05 with 3Q04 we experienced a growth of 30% in our EBITDA and 282% in Net Income. So, you are seeing that, especially in the Net Income, that we are increasing almost R\$ 600 million, 500 of that, or 80%, is coming from the operational results, coming from EBITDA, and the other 100 coming from the most efficient financial organization that we have.

In page number 8, in slide number 8, we are quantifying CPFL's continued search toward capital structure optimization, so, in the 3Q05, reflecting our efforts with a favorable debt equity ratio of 55/45 in Net Debt/EBITDA down to 1.8, you have also other comparisons with the 3Q, especially related, reporting lower nominal of debt cost, 28% reduction, reaching 13.2%, and also a longer average terms to maturity with a 20% increase, both favorable developments. Moreover, Debt Composition moved away from CDI and toward IGP and TJLP, also a positive sign for our debt profile.

In slide number 9, that chapter we will discuss the performance of CPFL's shares after one year of IPO, we will have some more details in slide number 10, as you

can see CDI IPO, CPFL's shares performed very well, in both markets, BOVESPA and NYSE, earning positive returns over all main comparative indexes. In terms of trading volume our shares also maintained liquidity in both markets. Considering BOVESPA and NYSE, the daily average trading volume reached R\$ 13.6 million in October '05, coming from R\$ 6.9 million, from January to October of this year.

In the slide number 11, regarding the negotiability indexes, CPFL came in 63rd place, over the past 12 months, and the 45th in October. We have been already included in seven important market indexes, mainly IBX-100, IEE, which is the Electrical Energy Indexes, the ETAG, from the tag-along rights and the IGC which is the Corporate Governance Index in BOVESPA. And also, in the first semester we reached DJ Brazil 20 Titans, in NYSE. And now, we are seeking the inclusion in the IBX-50 and also the sustainable indexes ISE.

In slides number 12 and 13 we are making some comments now, updates in our Value Creation agenda, as you know, we detail our strategies with the related programs to what our objectives in terms of value, liquidity, and security. So, we have especially four trademarks of the Company, one related to the operating efficiency, the Company is, especially in the distribution area, operating with the Brazilian benchmark in terms of quality and productivity.

Also we have the same behavior in terms of our generation, as you can measure by the EBITDA margin, of almost 90%. The second point is related to the synergy growth so, we have this, I mean we showed last quarter related to the increase of productivity, at the same time that we have a contraction by 67%, and also, using this platform of distribution to supply EPA for the expansion generation, and also with the skill that we apply to protect our market in distribution, this skill allows us to attack in the free market to have free customers. So, we form our commercialization Company using this skill, and we're having very good results from this.

Also, the Company has a tradition in terms of financial discipline, and using a lot of parameters to set the limits in terms of leverage, net debt EBITDA is one of the main ones, and also the optimal capital structure. Finally, the different Corporate government, that with the emphasis in the different policies which is different from the other players of the sector in Brazil.

In slide number 14 we are relating here the achievements in the distribution, so, two important things to emphasize, one is the addition of 51,000 new customers, which means 14% above the monthly average of the first semester, 1H of this year, so, it means, in 4Q you are adding something around 200,000 new customers a year, also, we are continuing our program to reduce our commercial losses, and we had almost 300,000 inspections in the first nine months of the year, with a recovery of almost R\$ 50 million in this same period.

This is really important because this almost R\$ 50 million, as I said, is related with the average reduction of 0.18%, reduction in our commercial losses, which you can see in the graph, in the bottom of the page, a reduction from 2.82% in Paulista, to 2.63%, and also, at the same time, in Piratininga from 2.02% to 1.86%. Also important to emphasize is the delinquency levels reduction, reaching the Brazilian

benchmark at this moment with CPFL Piratininga reaching 1.26%.

So, very good numbers for distribution and the commercialization on page number 15, we are reporting nine new free customers in this 3Q reaching 83 customers in this Company, it's good to emphasize that in Brazil we have almost 400 free customers so, the market share of this Company is bigger than 20%, and also, with 25 customers from these 83, outside of the concession area of our distribution Company, so the Company continues to be very aggressive, and keeping very good numbers as we showed at the beginning of this presentation.

Finally, I think on page number 16 and 17, we point out the evolution of our generation business, the first one related with the start-up of Barra Grande, the hydropower plant, as you know Barra Grande was the hydro that we had a commitment to have the start-up on November 1st, exactly as we did, as a matter of fact we start this commercial operation at the end of October 26, with the expectation to add a new plant, Campos Novos, a hydropower plant, in the beginning of January.

It is important to emphasize also that Barra Grande and Campos Novos are hydropowers with three turbines each one of them, and you can see here, in the case of Barra Grande, that we have the start-up of the first turbines, with 54% of our assured energy, and with the second turbine we reached 100% in our assured energy.

This is important because, with this 100%, we are able to charge the distribution Company in the total numbers of the EPA, and, on page number 17, you have the result of this, especially for your analysis that this contract represents an increase of R\$ 102 million a year, in the revenues of the CPFL Geração, based on the contract only of Barra Grande Hydropower plant.

So, on page number 18 we are showing our schedule for the entrance of Campos Novos hydropower plant, so we are forecasting to have the reservoir complete at the beginning of December, after 50 to 60 days since we start to fill in with water, water this reservoir, we are planning the machinery commissioning in December, and to end at the end of January so, after that, we'll be able to have the inauguration of the plant, and we are planning this for January 31. So, everything on those important projects absolutely under control, allowing us to have an increase in our increase in our stored capacity by 75% over the next two months.

Finally on page 19, showing the migration of CPFL Paulista and Piratininga minority shareholders, showing the advantages for each one of these minorities. So, minorities from Paulista and Piratininga are receiving ON shares with 100% tag-along rights of CPFL Energia, so shares with higher liquidity trading in BOVESPA and also in NY and, for the shareholders of CPFL Energia which is good that we are increasing the free float from 16.8% to almost 17.8%, an increase by R\$ 182 million in the float, which means 10% in terms of the free float when you discount the position of the BNDES and also IESC, without those shareholders, something around R\$ 1.4 billion with those shareholders, something like R\$ 2 billion, which means the largest float in the electric sector in a private Company.

So, that transaction will be closed until the end of this month, with a General Assembly, and, after that, we have 100% positioning in terms of generation, commercialization, and even distribution based on the participation of 100% in Paulista and Piratininga.

So, some recognition we have on page number 20, most important awards of this quarter was related with ABAMEC, the Brazilian Association of Capital Market, the Company was considered the best public Company, and also especially is good to emphasize, the increase in our coverage by analysts with the increase of one institution this morning, so now we have coverage by 13 institutions, releasing reports of the Company, ten of them are with the buy recommendations.

Finally, the last slide is related with Brazilian National Quality Award, P&P, the Company Paulista was the winner, it's important to emphasize that this award is comparable by Deming Prize, European Quality Award in Europe and also with Malcom Roberts National Quality Award, the criteria is almost the same. This award is related with the maturity and excellence in terms of Corporate and operating profits management, and Paulista was the first electrical Company to have this award and, since the creation, 13 years ago, only 23 organizations were awarded, so it's really an honor to receive this recognition.

Well, with this slide we are ending our presentation with my other officers here, we are now available to receive some questions. Thank you.

Operator:

Thank you. The floor is now open for questions. If you do have a question please press *1 on your telephone keypad at this time. If at any point in your question has been answered, you may remove yourself from the queue by pressing the # key. Once again, if you do have a question please press *1 on your telephone keypad at this time.

Our first question is coming from Eduardo Haiama, with Banco Pactual. Please go ahead.

Eduardo Haiama:

Hi, I have just two questions. One is regarding the Supreme Court decision, regarding PIS-COFINS, the Supreme Court just decided that it was unconstitutional to increase tax burdens over all revenues, and that's just limited to sales, specifically, and I would like to know what's your view on forward-looking tax, if it could have related to the provision of PIS-COFINS, and the second question relates to the guidance for distribution energy growth for 2005, given the recent pick up in energy demand if we could have some positive price..

Wilson Ferreira Jr.:

I'm sorry, I didn't understand the second question.

Eduardo Haiama:

The guidance for distributed energy growth for 2005.

Wilson Ferreira Jr.:

In terms of market you're saying?

Eduardo Haiama:

Yes.

Wilson Ferreira Jr.:

OK. Well, as you know, we showed, in terms of energy sales, we increased by 4.2%. I think here is important to emphasize that, mainly, coming from the residential and commercial increases, different than the last quarter, or first semester, when we are reporting also the increase in industrial segment, and this segment, in a comparison with this quarter in a comparison with the same period of last year.

In terms of industrial we have no increase, so which means, we are expecting to continue growth residential and commercial, and for the industrial we have, the market is well, I think for the industrial we are not expecting to have, for this year, a significant increase.

Our numbers for this year, we were forecasting at the beginning of the year, we mentioned something around 4.4% in our concession areas and, now, considering the numbers from the industrial, and also commercial and residential, something around 4.7%–4.8%.

As we are showing here, in the first nine months, we have 5.5%, so, a comparison with last quarter we continued presenting, or showing, stabilized numbers in terms of industrial, which means that those numbers of 5.5% that we are presenting, will be decreased a little bit, something around 0.5%-0.7%.

For next year, based on our forecast, we do not have clear numbers, especially due to this behavior of the industrial market, we are forecasting to have the same number, something around 4.5%, but we have in those numbers, we were considering an increase in the industrial market bigger than 1% or 2% that we are having at this moment, so it's something that we are recovering over the next days.

The numbers that we set in our budget is something around 4.5% in the final numbers. I will ask Filippo to make some comments related with the PIS-COFINS tax.

José Antonio A. Filippo:

We're not sure about the question, specific question or related to CPFL?

Eduardo Haiama:

Yes, because the Supreme Court just decided that it was unconstitutional to charge PIS-COFINS tax over all kinds of revenues, it was back in 1998, when decided it was unconstitutional so they, the government said it could charge only over sales.

José Antonio A. Filippo:

Yes, as you know we challenge that regarding the financial income. What we're doing so far is we provisioning, however, we're not collecting, we're not paying this, but we don't have any permission specific that some, the Court has come to an agreement or a decision regarding this subject.

Eduardo Haiama:

No yes, they have just decided, like, 20 minutes ago.

José Antonio A. Filippo:

Sorry?

Eduardo Haiama:

They have just decided, like, 20 minutes ago.

Wilson Ferreira Jr.:

Oh, 20 minutes ago?

Eduardo Haiama:

Yes.

José Antonio A. Filippo:

We're not as updated as you are, but we must check. But, what happens to the company is that we did challenge and we're not paying in cash, however, we are provisioning PIS-COFINS over the financial income.

Eduardo Haiama:

OK.

Wilson Ferreira Jr.:

So it's just so to you that our best forecast for this year for the market is 4.8%, the number that we are showing over the 3Q is 5.5 and, for next year, it's 5.4%, OK?

Eduardo Haiama:

OK. Thank you.

Operator:

Thank you, once again, if you do have a question, please press *1 on your telephone keypad. Once again, if you do have a question, please press *1 on your telephone keypad at this time. As a final reminder, if you do have a question, please press *1 on your telephone keypad at this time. As there appears to be no question I'll turn the floor over to you for any further questions or closing remarks.

Wilson Ferreira Jr.:

OK. I want to thank, once again, all of you for joining us in this conference, I think we are presenting good results showing the possibilities of the company and each one of the segments in which we are involved, all of them with very good performance.

We are continuing to pursue opportunities in the sector. We didn't have the possibility to consul on this, but we are ending the position to guide our advisors to participate in the programming of the Edição Paulista.

Also, as you know, we had the first movement in terms of this consolidation, with the announcement of the TDF to sell the disposition of light in Brazil I think we are going to have, since we are having this final provision other opportunities will be in the pipeline.

I think we are in a very good position to have one of these opportunities and, as you know, we are very committed with this the construction of Foz do Chapecó at the beginning of next year, so, ending, at the same time, Campos Novos and beginning the construction of Chapecó as a part of our strategy.

So, we'll continue growing in our generation to especially ending of the projects, especially SERAN, two of them in 2007, and 2009 for Chapecó, continue growing in the commercialization business, is the lowest, but 48% at this moment, in this year, is a very good number and, especially related with the distribution, the results, even in operations and financing are contributing strongly to our results.

So, I thank all of you for being with us, and I'm offering our IR Group to serve you if you need. Thanks a lot.

Operator:

Thank you, this does conclude today's teleconference. You may disconnect your lines at this time and have a wonderful day.