

Operator:

Good afternoon, ladies and gentlemen. At this time we would like to welcome everyone to CPFL Energia's 2nd Quarter 2006 Earnings conference call. Today we have with us: Wilson Ferreira Junior - CEO; José Antonio A. Filippo – VP of Finance and Investor Relations; and Vitor Fagá de Almeida - Investor Relations Manager. They will lead the presentation in Portuguese with simultaneous translation into English.

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

Wilson Ferreira Junior:

Thank you. Good afternoon, investors and analysts. It is a pleasure to be here with you again to do the reporting our 2Q06.

On page two we have our agenda. During the presentation we will be talking about the highlights and results of CPFL Energia, in the first part of the presentation. In the second part we are going to provide an update of our value creation agenda, which we have followed in the last quarters.

On page three we have the highlights for the 2Q06 summarized. First, the closing of our operation of acquisition of PSEG stakes, with 32.69% participation in PSEG and RGE, formalized with the approval of ANEEL at the end of May and completed with the operation done in June.

We are announcing the acquisition of 11% of Companhia Estadual de Energia Elétrica do Rio Grande do Sul, which had 20% of the Foz de Chapecó power

plant, and sold 11% to CPFL. With that, CPFL – I will give you more details in the future – has 51% in this power plant, which we intend to start building in the 2H06.

The financial highlights; starting with the 10% increase in our net revenue, that reached R\$ 2.103 billion, an increase of almost 19% in EBITDA, in the company's operating profit, reaching R\$ 659 million. And, finally, a 30% in the net income in 2Q06, reaching R\$ 305 million. These are compared with the 2Q05, so these are very good financial results.

The fourth highlight is the dividend distribution, 100% of the profit will be distributed as dividends. CPFL Paulista was awarded as the best distributing company by ABRADÉE. And, in the same period, a few days before, CPFL Piratininga, the other distributing company of the state of São Paulo, was awarded as the best distributing company in the Southeastern region by ANEEL. This was, indeed, a very gratifying quarter for us, with very good results.

On page four we have more details on the ownership of CPFL Energia, the corporate structure. We mention RGE of 67.07% via CPFL Paulista and 32.69% via CPFL Energia. It is important to highlight that particularly the participation of CPFL Paulista has to be uncrossed in terms of the current regulations of the energy sector in Brazil, and our plan, approved by the agency, is to do it until the year-end balance sheet in the 1Q07, as we did we in the 4Q05 with CPFL Energia.

Apart from that, no other differences. In the next presentations we will be showing our new stockholding in Foz do Chapecó.

On to page five we have market highlights. On the left we have our concession area sales of our three distribution companies. We are detailing a 3.1% increase in concessionaire sales – as you know, this does not mean direct sales of concessionaire to end users; these sales are in dark blue, having a drop of 2%, 7,900 GW/hour down to 7,742 GW/hour due to the outflow of free customers, most of them captured by the distributing company or the commercializing company. But the ones which became free in this quarter comparison determined a relevant increase of almost 30% in tariff due to the use of distribution services.

The total energy in the concession as of the three distribution companies presented a 3.9% growth. It is important to highlight the darker side of captive consumers, the expressive growth which we had in the residential area of 5.2%; in the rural segment, with 9.3%; and in the commercial segment, 2.4%. Each of these segments are the segments with the highest margin, revenue contribution to our operating earning.

As I said, the TUSD sales for the use of distribution system, that meant an increase of almost 30%. We should also mention the sales in the free market, an operation with CPFL Brasil, a commercialization company, with a strong growth of more than 32%, 2,196 GW/hour in this quarter.

And the sales in the free market done by our commercialization company determined the total sales of the group at 9,939 GW/hour, representing, in comparison with the equal period of last year, a 4% increase. It is important to

highlight that the comparison of this and the same quarter of last year, the concessionaires' sales grew 4.1%. So, the results in the market area are slightly different from those in the Brazilian market, that, as a whole, has done slightly poorly.

I am on page six, and here we have more details about the free market, of those 32% increased, and we have to consider our performance of 184 GW/hour promoted from the 32.69% RGE. The acquisition will start adding to our results fully as of the month of June. So, in this 4% we incorporate the values from this auction acquired, from PSEG. And the total energy for the quarter growing 5.9%, and 47.9% free market sales growth in 1H06. These are the details about the sales of energy.

Going to page seven we have the main results, net revenue and EBITDA. On page seven we talk about revenue, which achieved R\$ 2.131 million, as I said, a 10% increase. This is mainly due to an increase on the sales energy, about R\$ 198 million, 7.6%. And important, as I said before, for this half-year the growth of the TUSD revenue to R\$ 53 million, a 47% increase vis-à-vis the same period of 2005.

We deterred here the taxes. If we deter the taxes we get to the R\$ 2.131 million. We have an increase in sales, and revenue in the 1H06, we have R\$ 4.176 million, which represents a 12% growth in net revenue over the 1H05, which was of R\$ 3.77 million. Deter

On page eight we have the details of the EBTIDA evolution in the company. We are reporting R\$ 659 million, and 19% increase in relation to the same period of last year. This is due to a growth of the net revenue, which amounted R\$ 294 million. We have a slight reduction in the EBITDA due to the 42% increase in the cost of fuel in CCC and CDE, defined by the agency in the month of January, and due to an increase in operational costs, amounting 6.3%, costs and expenses, amounting to R\$ 33 million.

I would like to emphasize two events in particular here. The first is that, unlike previous years, new rules were approved by ANEEL relative to research and development programs and energy efficiency programs to be posted as expenses, and not, as done before, partly as investment and partly as expenses. So, so this is an unequal comparison, this is why we have R\$ 8 million more than the same period of the previous year, because we had to include all of these costs, we had to post it as expenditure. Without that we would have a 12.3% increase, which would be a lot more compatible with the 10% revenue increase.

It is also important to highlight we have two plant operations, CPFL Centrais Elétricas, in the South, which was acquired, now we have Barra Grande, so we have more operating costs than are considered here. Excluding that, operating costs would be slightly inferior 10%. It is very important to understand that so we do not get the wrong impression that the expenses have increased beyond the revenue of the company. We had a lower increase in expenses vis-à-vis the increase in profits.

On page nine we have the evaluation of net income. Net income is evolving 30% relative to the same period of 2005, which is R\$ 305 million, and that is mainly due to the increase in operating profit, as reported before, R\$ 105 million. And we have the contribution of another R\$ 17 million, resulting from a 15% improvement in our financial in our financial result. Besides this, there is a negative impact due to the increase of profits, an increase on income tax, social contribution tax and other taxes related to the net income.

So, we have R\$ 305 million in the quarter. In the semester we have R\$ 612 million, and this is 53% growth over the 1H05, when the net income amounted R\$ 401 million. This is a really significant result in a period when we had the evolution of the main inflation rates and interest rates, which are decreasing.

On page ten, as we usual show you, this is the evolution of the annualized values at the end of each quarter, showing an evolution of either operating profits, measuring of EBITDA or net income, in the second chart. As you can see, in these last 12 months and in the 2Q the company reached R\$ 2.474 million of EBITDA, and an evolution of 30% in this annualized comparison, if compared to the same period, the 2Q05.

In this line, in the last twelve months we have a net income of R\$ 1.233 billion, against R\$ 555 million in the closing of the last twelve months ending in the 2Q05. As you can see, this is a steady, consistent growth, showing that the strategy pursued by the company has been the right one for CPFL Energia.

On page eleven we see that this result is a consequence of each one of the activities of CPFL. We have here columns making the same annualized comparison for the distribution segment, which is showing a 26% increase in EBITDA and a 76% increase in net income, always growing, with a steady, growing trend, as you can see. In the commercialization area EBITDA is growing 46%, net income is growing 44%. In generation we have an EBITDA increase of 28%, reaching R\$ 396 million of EBITDA, and, in the last line, 65% increase, R\$ 145 million. As you can see, CPFL Energia had a good performance because each one of each one of our activities, where we are active, those are showing good performance.

On page twelve we have an evaluation of the EBITDA margin on net income. We see at the end of each quarter that the evolution is a growing one, and it is growing because we have generation in the 1Q reaching 32%, on the 2Q06 almost 31%. When comparing to 2005 we had 28.6%, and, in the 1H06, 31.4%. In our operating profit it shows that we are increasing our generation activities.

On page thirteen we have a brief presentation about CPFL Energia share performance in the capital market. In the Brazilian, Bovespa, was not very positive for our shares – 6% improvement, compared to 12.7% in the Ibovespa; 17.7% in the electric energy industry. This index is very much contaminated by some evolutions that we had: CESP, CETEB. But we maintained a very positive performance in the NYSE, 16% for CPFL, 13.2% Dow Jones ADRs Titans 20, and 4.7% in Dow Jones as a whole.

mas esse índice é bastante contaminado por evoluções que tivemos, notadamente, no caso da CESP e CETEB, por conta da privatização. Mas mantemos um desempenho bastante positivo ainda em Nova Iorque, 16% da companhia; 13% no Brazilian Titans, as 20 maiores ADRs; e 4,7% no índice Dow Jones como um todo.

We can see a clear evolution in the daily average volume of the company. In the last quarter of 2005 we had 103% evolution, it almost doubled, showing the importance of this evolution in the float of the company; an evolution which is due to the migration of minority shareholders in a number of operations, already known to the market. This evolution is the most important point, and it has also been an effort carried out by the company on that direction.

On page fourteen we have a slight problem for which I apologize. OK, the trouble has been solved. On page fourteen we have an evaluation of the distribution of dividends, of dividend payout, it was quite consistent, as you can see. The company is proposing dividend payment of R\$ 612 million – this gives the company a semi-annual dividend of distribution of 4.3%. In the end of the period we had 4.8%, this corresponds to a dividend payout or distribution superior to R\$ 1.110. This is an expressive result, in the 1H05 R\$ 401 million, and in 1H06, R\$ 612 million.

It is a consistent evolution, this is practice that we have been employing for the distribution of dividends, dividend payout of 95% of net income, exceeding the minimum payment of 50% on a semi-annual basis. So, it has been attractive because it is showing growth of its operations; the company also shows liquidity. So, it is an impressive payment of dividends.

On page fifteen we would just like to report that the company has a wide analyst coverage. Today we have sixteen institutions issuing reports on the company. It has been acknowledged and awarded by its constant commitment in the Brazilian Association of Brokers, Analysts and Investors of the Capitals Market, APIMEC, for four years in São Paulo and one year in the South of the country.

It was the eighth best company for investments out of the 300 listed on the Bovespa list, according to the ranking list of Estado Empresas, so we were recently awarded; and also by IR Magazine Awards. We were awarded in the area of Investor Relations and Corporate Governance.

On page sixteen, now we are moving to our value creation agenda. Moving directly to page seventeen, we would just like to mention that now we have five strategies that characterize the performance of CPFL Energia: efficiency in terms of distribution, generation and commercialization with benchmark quality of services; low cost and also a series of actions that are also very much known in the market; synergic growth, specially in generation and commercialization; financial discipline, in order to make growth possible; and a set of directives that allow the company to be deeply involved in timely consumption, and also with higher or lower costs. We have a distinguished corporate governance, and we are listed in this new market in Brazil, we do not have any other company in Brazil in

the same condition. And with a very broad program of sustainability and corporate responsibility insuring this performance in the future.

On page eighteen, just to report to you that we just concluded an operation of acquisition of PSEG stakes in RGE, and we are committed with the market in the sense of bringing proposals to capture synergies and implement CPFL standards for the next quarter. So, we have an alignment of the top management of CPFL companies and also being together with the Vice President of the company, that is going to be in charge of distribution, and as of June we are already running the company in order to establish an action plan for the company as whole in order to capture synergies as much as possible. So, this plan will be introduced in our next quarterly statements.

On page nineteen, just to give you further details on the acquisition of 11% stake in Foz do Chapecó plants. You can see on the chart that this power plant has 40% of CPFL generation, 40% of Chapecoense, which is the channel for Furnas investments, and 20% of CEEE. With this acquisition of CPFL, we paid R\$ 8.8 million, and now we go to 51%, with benefits for this project. We have a majority stake, and now we have better conditions for financing. We keep our participation in CEEE, it is lower, but especially for local agents related to population management, environmental management, and also partnerships with Furnas at 40% for CPFL.

Here we have some additions: 94 MW additional in installed capacity; 48 MW in assured energy, and an additional investment of R\$ 230 million, over R\$ 1 billion. So, just using as a reference in energy in the last auction, we could have an annual savings or revenue around R\$ 55 million on an annual basis.

On page twenty we can check this evolution for 2010. Considering this acquisition, we can have 2,087 MW at the end of the year in terms of the issued figure for 2010.

On page 21; over the last weeks we were very questioned by the market, so we found it relevant to work on details related to Campos Novos power plant. In this picture we can see the dam, the dam close to the rock, and on the right side we have two tunnels, actually two tunnels that can be seen that have three spaces, and these are the diversion tunnels, with three openings. In order to build this plant we have to consider the course of the river where we have the dam now, so we dried, as on the bottom of the picture you can see a part of ground and land, and on the top we have the size of the dam, 212 meters high.

In order to build this dam we have to divert the river. This will be clear for you in the next slides. It is important to highlight on page 22 that the diversion tunnel is a temporary structure made to deviate the river and enable the dam construction. Once the dam is concluded, the entrance will be closed with steel gates, and then the reservoir filling will be initiated. The next step is the definite closing of the tunnels with concrete, and this is only done once the dam or the power plant up and running. This is for alternatives in case you have any problems.

The works to close the tunnel were already being concluded when we had a leakage in the gate of tunnel two, and that led us to empty the reservoir. On page twenty-three, and just to clarify, we have a top vision, an overhead vision of the plant itself. This is a picture of the dam of the plant. And as the photograph shows, on the right-hand side we have two tunnels, tunnels that are here represented are TD1 and TD2, for the deviation tunnel. The procedure that was developed in order to recover the tunnel to restore and to the removal of the blocking, or a definite or final blocking of tunnel 1 that led to no problems whatsoever.

At the moment, water is going through tunnel 2. If you consider deviation of the river to tunnel 1, which is exactly the one that was closed, so we use dynamite in order to work on the closed structures of the tunnel, in order to have the same procedure in tunnel 2 now.

So, tunnel 2, which was with problems, we are going to have concrete and water will go through tunnel 1, that has no problems, as we can see on figure number two.

On figure number three we have a procedure expected for October 14th, we are going to close tunnel 1 and also the gate of tunnel 1. So, tunnel 2 closed with concrete, the red section is here, and just to give a better idea this red part corresponds to a concrete facility, or installation, of approximately 40 m, totally filled with concrete. So we preserve the gate that had no problems in tunnel 1 and this gate will then be closed and from then on we can start cleaning the reservoir.

Our forecast is that this might happen as of October 15th 2006. In this period, the filling period, we can begin to work on the block inspector, just as we did on tunnel 2. The same will happen now in tunnel 1.

On page 25 we have an inner view of the tunnels; notice that they are very large, very wide and they deviate the full volume of the river. We have two tunnels like this and this is an inner picture of the removal of these 40 m of concrete structure that were sealing, or closing, tunnel 1. Works have already been concluded.

On page 26, this is just to show you the plant; this is a three machine plant, three units, and these three units have already been totally completed and installed. We are just waiting for water for the final commissioning. With the start-up of filling as of October 15th, we have a small lake in terms of water volume and we expect that within 30 days this will be concluded and we need seven days to commission the first machine. A good part of this commissioning has already been concluded, just the water part still has to be concluded.

On page 27, by the way this is an important piece of information, people said we had problems in the damn; the first important piece of information is that the concrete surface that covers the damn... Just imagine the position, this is a side view, what it is connected to the hill. So, we have a 600 m length, it is 202 m high and have this left-side face where there is direct contact with the water, that is why we need a concrete structure.

As if it were a water-proof structure made of concrete, with this face in direct contact with the water... This coverage varies from 40-90 cm. Well, depending on the areas in which you would have to stronger with the water volumes, so it does not have a structural function. All it has to do is to protect against water. So, these structures do not pose any risk at all for the damn structure, especially because the concrete surface was solely build for protection.

If the reservoir had not been empty, we would not have any problems with the fissure, it would have been possible to cope with these fissures by improving, or increasing, the thickness of the surface, with the application of an elastic sealant. So, this is absolutely perfect in all Brazilian structures.

On page 28 we have a photograph showing that that fissure alone – by the way we had some photographs that showed erosion, that we do not have any erosion to the damn; what we have is some presence of mud, of sludge, so because it is totally in contact with the rock as we mentioned before. So we do not have any erosion whatsoever and no structure of the damn is committed or damaged.

Page 29 now, ust to conclude this topic on Campos Novos, we would like to show you analysts that, in our part, for CPFL, which is virtually half of the growing for the enterprise, or the venture, considering our current agreement, an EBITDA of R\$ 12 million per month or a net income of R\$ 3.6 million per month.

It is important to highlight that we have insurance for all the plant, in terms of engineering risks of these rebuilt work. So, the limit is US\$ 233 million. We will be spending much less than that, actually.

As for signing damage guarantees, in order to cover these EBITDA losses, we have an insurance for this damage under agreement, especially if you consider new operation, limited to R\$ 123 million.

What about financing? Well, this financing agreement established the beginning of amortization payments as of April 2007. So, this month we believe that the hydro-plant should be in commercial operations with sufficient cash to afford the payments.

Moving to page 30, we are changing gears now and we are talking about distribution again. Our quarter was very expressive, we have a record in terms of new connections, virtually 74 thousand new connections in this quarter, an average of 25 thousand per month, which improved our forecast in number of new connections per clients. Our perspective used to be 50 thousand per quarter.

So this shows an improvement in the income of the Brazilian population in terms of salary mass, so we do have a recovery process with higher number of jobs. So this has brought more dynamism to the company and also improved these figures, in terms of new connections.

On the other side we have commercial losses. For the quarter we had 138 thousand inspections and for Paulista and Piratininga we have R\$ 5 million revenues recovery or 38% increase over the same period of 2005.

We have been successful in terms of delinquency reduction. As you can tell, all distributing units have reduced, specially Piratininga with the lowest figure in our history.

On page 31, we have continuous improvement of our ratios of quality followed by the agency. In terms of duration and frequency of interruptions, especially for Paulista and Piratininga, 5x per year. So, as of the privatization it used to be 10x. So, it is a 50% reduction and for RGE 14%, which used to be over 30 interruptions. So, in Rio Grande do Sul we have the same thing that we have in the state of São Paulo.

On page 32, just reporting Paulista was awarded as the best distribution company and Piratininga was awarded by Aneel in terms of customer, or client, satisfaction for 2005, by IASC.

On page 33, as I said before, for commercialization, 48% of market share. So there was an evolution in the 1H06 of 1%; we have already a high level, it is a very competitive market. 50 agents, so CPFL really has a very good and comfortable positioning the market with 28%. In the movement that has been happening, as we have reported to you before, the migration to free markets is now much more prudent; as you can see in this period we had already 637 GW/hour sales at stake, in other words, clients that could be converted into free.

461 GW/hour were retained by the distributors, they have renewed their contracts with the distributors/ this is practically 75% of the total sales at risk. On year ago this situation would have been completely different; almost 75% would go to the market and only 25% could remain with the distributor. But as per outflow of free customers is more contained. CPFL Brasil is still conquering 108 GW/hour, as to the volume retained by CPFL Brasil. The retention of almost 90% in the CPFL group with the distributors and the commercialization unit.

As to market, we can still sell another 108 GW/hour, which will give us the surplus of 40 GW/hour. This is what ensures this increment in market share in CPFL Brasil and it is extraordinary performance we have in the company.

On page 34 we will talk about financial discipline. The net debt of the company amounted to R\$ 4.2 billion, slightly greater than what we reported in the same quarter of 2005, but not due to an increase in our financial debt, because we had a decrease in availability, because of this unavailable amount, because we had two acquisitions. And, after that, when you consider our debt, we are going to change slightly the debt profile. As you can see on the right, the adjusted net debt/EBITDA, as a ratio that shows the good indicators reaching R\$ 4.3 billion.

The company continues to perform positively within the nominal cost of debt, because it is just 13.2%, 1.5% less than 2Q05. We can see that this would be close to 85% of CDI, the inter-banking deposit rate.

Here TJLP 30%; TJLP and IGP, the main indexes in our segment also index financial expenses. So, with reference to financial expenditures we are quite healthy.

On page 35, this just to close, we would like to mention two important things. The company is doing a more relevant social responsibility work and sustainability work. We work with small medium sized companies and on a share with Ethos, FNQ, Harvard Business Review, Sebrae (with small and medium sized companies), in a partnership with all of these companies we are trying to innovate with the creation of some programs, social responsibility criteria for small and medium sized businesses, we are focusing in competitiveness, in profitability and use CPFL example, which is big company, a very healthy one, but we also use examples of small and medium sized companies trying to educate the entrepreneurs, so that they can perform better in their activities.

This is very important in this moment, when Brazilian economics is recovering and will create better conditions for these companies to develop, will be an ultimate beneficiary of this performance improvement. This is an important work, by the end of this year we should reach out to 3,000 small and medium sized entrepreneurs with this kind of action.

On page 36, now we are talking about social responsibility. Ethos institute and IADB (Inter-American Development Bank), chose eight large companies that are going to perform sustainable networking. They identify socially responsible companies so that they, together with their suppliers, can form this kind network of social responsibility processes. CPFL was among the eight large companies chosen. It was the one chosen in the electricity sector and we now have an important responsibility in the TEAR program, within sustainable network.

And this is basically it and actually we do have page 37, that is visibly a summary. In the light of the five strategic items, we want to give a summary of this quarter. Synergic growth with the acquisition, referring to the 32.69% of RGE, acquisition of 11% of Foz do Chapecó HPP, operating efficiency, we can see that, and with a benchmarking operating indicator, a highlight for distribution. And for financial discipline, the company is trying to maintain an optimal capital structure with a net debt/EBITDA ratio below 2.

In the sustainability and social responsibility programs, the two programs that we have just mentioned, we are doing quite well.

And finally, corporate governance, the main event was the election of the Board of Directors independent member, which took place in the beginning of April.

And with that I close my presentation. I, together with my officers, are here to answer your questions.

Pedro Batista, Pactual:

Good afternoon to all. I have two points; one has to do with the market; in the months of July and August, what is the market behavior? Do you feel an

improvement vis-à-vis what we saw last year or in the 1H06, particularly regarding economic activity in the concession area of CPFL distributors? That is my first question.

The second is regarding generation; I would like to hear a little bit of the management's opinion about the projects that the government has been mentioned that there are going to be auctioned. Would CPFL be interested in participating?

Still in generation, as you have just acquired Foz do Chapecó, would you be considering acquisitions in projects that are intended to be with one or many partners maybe even in the project, there is a lack of strategic interest or a lack of financial capacity.

Wilson Ferreira:

Let me start with the last question. I think that the Foz do Chapecó is an example, undoubtedly a good one. If we had other enterprises with the same prospect of adding value, because adding value is key. With this acquisition we have an investment that is going to give yield above what you normally see.

Secondly, with regards to future enterprises, we are completing some feasibility studies and if we identify good opportunities we might consider doing partnerships, this is important. CPFL has an assumption investment in energy, share the risk, however, as long as we lead this indicator, or as long as we have an equal position as the second largest so that we can be ideally in a kind of situation creating better conditions regarding financing of projects.

That was the second remark, we are completing studies regarding two other plants. These are the biggest power plants, so see to have compatible return from our investment.

You also mentioned the auctions. We are working and the prices are showing some growth, closer to marginal costs. When we improve the UBP deferments, the cost is much closer to the marginal cost, which again brings us some appetite for this kind of investment. But, like I said, we are expecting the conditions with partnership in order to share the risk and ideally with a stake that can allow us, together with the private investor, to lead the project.

You asked about the market and I am going to give the floor to Roberto Cass to make some remarks about the last events.

Roberto Cass:

IBGE, for example, for industrial production in the 1Q showed 4.6% growth vis-à-vis 2005. I mean in the 2Q, only 0.8% of that, together with the USD exchange rate, real is over-appreciated vis-à-vis the USD, caused us an impact in the industry, particularly in the exports industry and the domestic industry that can suffer attacks from the international market.

As for industrial consumption in the last quarter, we have seen a reduction. On the other hand, there is dramatic growth in the domestic and commercial consumption and in the other classes as well. We observe, for example, the residential segment in this quarter showed a 5.2% growth, as shown before and the industrial segment a 3.6%. Therefore, we expect greater growth in the other classes and no longer in the industrial class for this year.

Pedro Batista:

What about July, in the beginning of the 3Q, do you think the behavior is similar?

Roberto Cass:

Yes, very similar to what we had in June.

Pedro Batista:

Perfect. Thank you.

Sergio Tamashiro, Itaú Bank:

Good afternoon. I would like to know more about the price mentioned, the R\$ 130; what kind of return could you get? What CAPEX if it were going to be R\$ 2.4 million per MW, that you had with the acquisition of Foz de Chapecó? Talking that, impact on the corporate structure and what would be the cost of debt that you would be considering?

That is the first point. The second point about the decision recently announced by the shareholders. Do you think that the valuation of CPFL is reaching a peak? How can we interpret the recent announcement made?

And the third, I would like to have more detail in CAPEX, particularly from 2006 to 2010, now considering the Foz do Chapecó hydroelectric power plant.

Wilson Ferreira:

With regards to the investment of 2,400, we are considering something around R\$ 2,400 per installed KW, R\$ 2.4 million per MW installed. That price that I mentioned 130 would be approximately the price paid in the last auction, 125, plus the UBP deferment. That would give us more than R\$ 130. That was the price to be considered for this investment.

Specifically Foz do Chapecó, financing has around 70% of the value of the investment, TJLP plus three. Actually, this is what BNDES offered, for 80% of TJLP with a variable spread below three and the rest in debentures backed by IPCA. Basically this is the mix that we have for Foz de Chapecó investment, even with a return on the investment that would be beyond 15% on equity.

Sergio Tamashiro:

The 70% is debt? 80% is TJLP and 20% debentures, is that it?

Wilson Ferreira:

Yes, exactly. Debentures back to IPCA.

As for Bradespar, I cannot really comment. The evaluation is done by Bradespar, Bradespar is a public held company and I think that they can answer your question better than I can. I also received the news, I read it in the papers so I read exactly what you have read. Until this morning, we were in the press conference and I could not have any kind of conversation with them. What I recommend is that you get in contact with Bradespar, because I am sure that they are going to be willing to explain their position.

Did I leave anything behind?

Sergio Tamashiro:

About the long-term CAPEX.

Wilson Ferreira:

Well, the CAPEX for the company, the original was R\$ 858 million. The CAPEX increased due to two events: the apportionment that we had of responsibility in RGE; the investment was estimated of R\$ 100 million. In the 2H06 we are going to take over 3/6 of the company and not 2/3, to have an additional investment between R\$ 15-20 million. That would reach around R\$ 880 million. And 11% stake of Foz de Chapecó, but the enterprise in fact should start only in November, so we are probably not going to have any impact on CAPEX for this year.

For this effect we invested in the acquisition. This year, if we count the almost R\$ 9 million for the acquisition of Foz de Chapecó, plus RGE, R\$ 380 million, that amounts to almost R\$ 400 million.

Investment this year, considering acquisition and organic growth of our operations, should be something like R\$ 1.3 billion. We are very attentive to possible acquisitions that can add value to the group. As you know, our forecast for this year was R\$ 893 million, the amount will be greater, particularly because of the 11% stockholding of Foz de Chapecó and because we reached practically 100% of RGE.

We are still analyzing these figures, it is very probable that we are going to have something from R\$ 50-100 million, that is very close to R\$ 1 billion; of course this investment in Foz do Chapecó. We are thinking of about R\$ 200 million in the next four to five years. So, that CAPEX chart has been impacted in about additional R\$ 50 million per annum, and the specific RGE case went about R\$ 20-40 million. You will not make any serious mistakes if you add values around of additional R\$ 80 million per annum to the perspective of investments for the next five years.

We had R\$ 858 million, it is going to be R\$ 880 million; R\$ 893 million is going to be close to R\$ 1 billion; R\$ 642 million in 2008 is going to increase to R\$ 720-750

million; R\$ 580 million in 2009 is going to increase to R\$ 650 million, and R\$ 500 million in 2010 is going to increase to R\$ 580 million.

Vitor Fagá:

Sérgio, you heard the data of the CAPEX, in the disclosure of results of 2005 on March 9th. In the next disclosure of results for the 3Q we will have detailed CAPEX, reflecting all of these adjustments and changes referred to by Wilson.

Sérgio Tamashiro:

A final question, if I may. We see that investment opportunities are scarcer and scarcer; there used to be those opportunities that we considered natural – buying the paulista transmission units, the remaining of RGE – but it seems that the market now is a lot more competitive. The competition for transmissão paulista units. And we are talking about Dardanelos, Mauá... are you going to have a new focus or will you continue to focus on generation? Are there any other alternatives?

Wilson Ferreira:

No, no. The focus is investments on electric energy that will add value to the existing platform. This is our growth objective. We need to introduce two assumptions. In the CTEP specific case, that was an important, because it would allow CPFL to get into the transmission segment, with a size that would be comparable to the CPFL Energy, and we would have a platform for growth. Now, that was not possible, because the amounts paid, the amounts discussed by the players, were too high; they did not offer us a risk/return ratio which was compatible.

You have the modeling, it could be imagined the return rate that, we can presume, was attained by this acquisition. It would take value out of the CPFL Energy value platform; that is why we did not get into that. But we are still considering synergic growth in distribution; there are possibilities of some small utilities growing in generation, and never did we give up growing through auctions. There are some possibilities, but the price has to be compatible with the risk of the business.

Because we are borrowing money for 14 years; you are matching it with a venture for 30 years. You are taking all the risks of building for four to five years; and if we take all the risks into a total, we have to have the correct return – and we have used that kind of ratio for the other investments and enterprises. If we identify possibilities of participating with a good chance of winning, worth of our return, we will play the game.

We have the PCH processes, and in the end of the year we bought four PCHs in Rio Grande do Sul; we have potentialization orders for another two PCHs in São Paulo, a contract with the company. That will allow us to have return on equity rates of around 21% in these powering enterprises. These are additions that add a lot of value to the group, without increasing – on the contrary, increasing the profitability.

And in transmission, we are evaluating our strategy, but there are no transmission assets for sale. So, we are going to have to evaluate whether we are going to bid in an auction or not, but we are (61:21) that in the company, together with our shareholders. We will not participate in the transmission auction scheduled for August. We will be considering future opportunities.

Sérgio Tamashiro:

Thank you.

Gustavo Gattass, UBS:

Good morning. I have some questions. I would like to start with a strategic question for you, Wilson. This time, we noticed, for the first time in the history of CPFL, you paid more dividends than what you had in available cash.

Has there been any change in the policy? Or are we still focusing on growth, and dividends come when you have more cash?

José Antonio Filippo:

Gustavo, just to have a better understanding: when you say "available cash", we had R\$ 1.3 billion, which was the reported figure.

Gustavo Gattass:

Yes, and now in late 1H, when you disclosed it, you had R\$ 470 million, against a report of R\$ 611 million.

José Antonio Filippo:

R\$ 470 million was in late June.

Gustavo Gattass:

Right, June. This dividend was forecasted to be paid in September; so, until then, you have cash generation, so this is totally aligned with the cash flow expected for the company.

José Antonio Filippo:

This is not an issue. Especially because, as Wilson said, we bought RGE's (62:44) with cash available, but with this program of acquisitions, this will be consolidated and, if necessary, we are going to have some kind of long term debt, in line with the plans of the company.

Gustavo Gattass:

This is not a concern, actually it is a hope. My second question has to do with Campos Novos. Could you better explain what was said in the presentation? On slide 29, you mentioned signed damage assurance. So, could you explain that better, please?

Wilson Ferreira:

Gustavo, this is an insurance with some goals that have to be achieved. So, if these milestones are not matched, as long as it is proved that the reason why they have not been matched is not an act of God or an event of force majeure. Then, in this case, you can recover these damages, and the amount of their cap is R\$ 123 million. So, what was the event that was not met in our evaluation? It is a serious of events or construction works that have to be done, so that the event – for instance, commercial generation of machine 1 – takes place, but did not happen.

Since it failed to happen, then you have the insurance in action. So the insurance company is going to make an assessment, to check whether the milestones were met or not. And the company has to show what the damage was, the damage incurred, show the financial impact of the damage. As long as it is not on a long term basis – and we clearly show that our expectation is to be, in November, with this operation up and running – the value of the insurance will fully cover all the financial impacts of this delay.

Gustavo Gattass:

Right but, in this case, the financial impact that you propose is EBITDA? Or uncaptured profits? Or, for instance, any other factor?

Wilson Ferreira:

It is the EBITDA.

Gustavo Gattass:

Right. I have two additional questions about Campos Novos, I will be brief. The first question is: have you ever cancelled the pool contracts that you had, related to energy to be replaced by Campos Novos? Or not?

Wilson Ferreira:

We never had this pool contracts, we have contracts between Campos Novos and distributors.

Gustavo Gattass:

So, you never declared Campos Novos energy as missing energy for those energy auctions?

Wilson Ferreira:

No.

Gustavo Gattass:

Perfect. So my last question is: officially, if you consider the balance sheet, are you already considering Campos Novos as complete, or not? What about interest on construction works – have they been capitalized?

Wilson Ferreira:

No, not depreciation or interest amortization.

Gustavo Gattass:

Thank you.

Subhojit Daripa, Santander:

Good afternoon. My first question has to do with Foz do Chapecó. I have some questions, basic questions, actually. What about the increase in stake? It went from 40% to 51%; 11% stake increase. Why did both assured energy capacity and CAPEX had a 27% variation?

The second point still has to do with Foz do Chapecó. Could you briefly explain how you got to this R\$ 8.8 million payment? Does it related only to the cost of studies for concession, or do you have anything else involved? Just to give an idea of how it has been calculated.

And the third question has to do with the new projects, Dardanelos and Mauá. As for Mauá, we know that COPEL is interested, it has never denied that, and because it is COPEL, it has to be the majority stakeholder and, in the end, it is not possible for them to have any partnership with you, because, as far as you understand, you only want to be in the project as a majority stakeholder.

So, why choosing the concession that normally has a strong competitor? And you also have the fact that it is a state-owned company. Why do you not look for other players? I would just like to understand the rationale for these two plants that you are taking into account.

Wilson Ferreira:

These questions have to do with the indicators 94 mW or 48 mW of assured energy; they are 11% of the total venture. So, 94 mW is 11% of 885 mW, which is the venture's capacity. 48 mW average. Got it?

Subhojit Daripa:

Right. So that was much more basics than I would have thought.

Wilson Ferreira:

Right, all you have to do is multiply by 0.11 p.p. Just a joke. The second question had to do with the value paid, right?

Subhojit Daripa:

R\$ 8.8 million paid to CEEE. What about valuation?

Wilson Ferreira:

That was very simple, actually. This project, we had bidden it in 2001. Ever since 2002... Well, it has the previous license, the installation license; so we have a set of investments – considering all the partners, including CPFL – over this period, and sometimes we had land dispossessing, because in the auction, not the action but the EARIMA that was approved, you have to consider land for natives of indian populations. So, everything was updated by a consulting company. Ernst & Young was updating parameters and established a price, and we have the preference right in terms of price. And, as I said before, we had investments amounting to R\$ 40-50 million nominal values. Updated, we had 11%, R\$ 8.8 million. Basically that is it.

As for these two enterprises you mentioned, Mauá and Dardanelos, the choice has to do with the size of the venture. It has a lot to do with our belief that higher ventures have better chances of having more effective investments, considering the perspective of return. It is not by chance that PCH has higher energy costs, in terms of the production scale of this kind of venture, which is very different. Based on our firsthand experience, in ventures with more than 250 mW we have the best conditions, with a very good balance in terms of investment and return. So, basically, this is the reason.

The second point, as to the way of investing, this is typical of all ventures Iready done by the group. We always wanted to have at least an equal position, in terms of leadership, in the consortium. First, we always had partners to share risks; second, the group, in its assessments, always had a minority interest, considering a state-owned local company. This is very helpful in terms of promoting our environmental licensing and relationships with the community, etc.

As for being a majority interest, well, this is not the only condition, but if we consider a private structure, you have a better assurance that the project will be private, considering the advantages for financing and so on and so for. So, these are assumptions and, ideally, we follow them. Obviously, it also depends on the negotiation of creating conditions with our partners; but, whether it was Barra Grande, Campos Novos, Ceran or Chapecó, we never had any problems.

For Barra Grande and Campos Novos – Barra Grande, originally – we had around 50% of the original project. Vis-à-vis financial difficulties in the past, we had to monetize part of the investment, in Campos Novos and also Barra Grande. So, that is the reason why, especially for Barra Grande, our take is lower. But, originally, it used to be over 50%, and for Campos Novos it would reach 74%.

Subhojit Daripa:

So we can say that you are not considering being a minority interest in an association with Copel, (72:53).

Wilson Ferreira:

Yes.

Subhojit Daripa:

Now, on a qualitative basis... I know it is too early to have a final decision, but as we already have public inspections by ANEEL and referred from the press, that we have a negotiation between ANEEL and ABRADE, which is representing distributors as a whole. Would you share with us your idea of the major points of conflict? Could you comment on the assets base, regulatory default, and also model-company? So, what are the conflicting points between the parties?

Wilson Ferreira:

We are still in a discussion phase, officially opened – in terms of publicity – last week. I think the most important fact has to do with the asset remuneration base, because this is the major driver of revenues of the company. In this case, by the way – I mentioned it this morning to some reporters – we have the need for adjustments, in terms of base, so you can have a regulatory principle adopted in Brazil, which is regulation by incentive.

When you set an asset base for all the utilities from your concession base, over the last two years, performance at that time, that is, your effective base, up to 2003 followed without no guidance whatsoever. From 2003 to 2005, in ANEEL's figures they used a price reference for pricing the base, and, normally, it used the lowest price used. So, if you bought, for instance, a measurer, for over five years by R\$ 100 or R\$ 80 or R\$ 50, if you did it for R\$ 50, pricing was always based on R\$ 50.

Obviously, now that you have more information, you do not have any incentive to work with the lowest price, because you know that you have a pricing of the whole base. This is a wrongful incentive for you to work on a higher price. Obviously, the agency will not be willing to do that. But, rather, it will establish references to be worked on, so if you pay higher for a measurer you will be penalized. But if you pay less, you will have benefits, it is going to give you an incentive to be efficient or to work on a lower price.

Why should ANEEL do that now? As I said before, if everybody knows, everybody is motivated for the wrong reason; so, they will do that. This is the most important element we discussed: what are the indexes to be used, or the references for average price, and so on and so forth. In terms of the reference company, this would be the second revenues driver. We have to know that there has been an evolution in terms of costs for utility companies, and that is why part of this value

should be captured as tariff motricity. Another part should be used to motivate people to have more efficiency than what that reference company established.

So, things related to, for instance, differentiated remuneration by region, something that is not proportional today... Think about the difference in salaries, if you consider the Southeast, the most expensive, or other regions, it is not even 10%. And, in practice, we know this is different. So, issues like this, related to commercial losses... We have to admit that you cannot put all the commercial losses that we have in concession companies.

So, what is the best reference? Because this is going to determine the energy pass through that you are going to have in the concession utilities. And concession utilities do not have the same loss standards. So, you need to adopt a reference, and then, now in negotiation and adaptation process with a different target for these companies; maybe, in a second moment, you would have a single criterion for all. So, there is a transition process to be negotiated.

And, naturally, we know that there is an evolution in the macroeconomic scenario, and this should also have an impact on the evolution of parameters to set the remuneration for owned capital and third party capital. On the other hand, we also have to admit that our capital structure is 50%/50%, without allowing concession companies to invest in other businesses and, certainly, this will make it harder to maintain this capital structure. What I am saying is that, in these companies' lots, perhaps you would have more owned capital rather than third party capital.

So, these discussions are going to evolve a lot over the next three to six months; but I believe, based on the easiness with which they have been taken by regulators, specifically by ANEEL's Director Jerson Kelman, I think we are going to have a very good outcome, in order to have a good balance, in terms of the best interest of the society, the government and the companies, so we can be sustainable in this sector. I am very optimistic.

Subhojit Daripa:

Thank you for your answers.

Wilson Ferreira:

Thank you.

Anderson Frei, JP Morgan:

Good afternoon. Actually, I would just like to hear from you if you would be interested, in terms of the possibility of CESP's privatization, if you would be interested in assets.

Wilson Ferreira:

Well, overall speaking, I think it depends on the price. I am familiar with CESP's assets, they are exceptional, it is a 7500 MW company, so it is a very strong

company; and now, with the last capital solution, it improved a lot. It has long term debts, their structure is more suitable now. These are assets that make a lot of sense for the group. This is a very big company, if we consider the figures. So, as I said before, it depends a lot on the perspectives of growth, in terms of privatization, and the price, obviously, that may be used.

If our price perspective does add value to our existing platform, undoubtedly in this activity we are very well positioned, and this is a state where we have a lot of investments, – the state of São Paulo – this is where our main investments are focused; in distribution and generation. So, strategically speaking, it is a position we would like to pursue.

Anderson Frei:

OK, thank you.

Operadora:

I would like to give the floor to the speaker for his final remarks.

CPFL:

Once again, I would like to thank the participation of investors and analysts in this results conference; Again, it is a great satisfaction to bring you our results which are, from what we can see, very aligned with some of your estimates. I believe it is important to highlight the actions for growth that we had, be it with RGE, Foz do Chapecó... These are investments which will produce return rates that will add value to the group. When we do not invest, we do not invest because the profits were not positive; the risk was too high for the possible return.

It is important to say that we are absolutely keeping our eyes open to business opportunities where we are already involved, so that we can use the advantages that our group has, having access to debt market or, especially, the possibility of entering the capital market. I believe it is very important to maintain our perspective of the efficiency brands of the group and, especially, financial discipline, so we can always grow for the same assumptions, offering a maximum of efficiency, respecting our limits of leveraging so that we can, indeed, add value to our shareholders.

I believe that the 2Q results are evidence of that, either if we consider the results of our operations or the movement of growth that the company shares with you today. This is CPFL's commitment, this is the commitment of this board, and I hope to be here next quarter, to confirm the positive trend on the continuity of our work. Thank you very much.

Operator:

CPFL Energy's teleconference is now closed. We would like thank you all for participating. Good evening.