



Transcription of the teleconference of 1st Quarter of
2008 Results
May 13, 2008

Operator: Good afternoon and thank you for waiting. Welcome to the teleconference of Results from the 1st quarter of 2008 of CPFL Energia.

Today we host the following executives: Wilson Ferreira Júnior, CPFL Energia's CEO and José Antônio de Almeida Filippi, Vice Financial and Investor Relations President and other company directors.

This teleconference is being broadcasted online on the Investor Relations website of CPFL ENERGIA: www.cpfl.com.br/ri, where you can find the respective presentation for download. We inform that all participants will only listen to the teleconference during the company's presentation and, then, we will start a section of questions and answers. Other instructions will be provided later on. If any of you need any help during the conference, please ask an operator for help dialing *0. Please remember that this teleconference is being recorded.

Before proceeding, we would like to clarify that any statements made during the teleconference related to the outlook of CPFL Energia's business, forecasts and, operational and financial aims are beliefs and premises of the Company's management, as well as the current available information. Future considerations are not a performance guarantee. They involve risks, uncertainties and premises because they refer to future events and, therefore, depend on circumstances that may or may not occur. Investors shall understand that the general economic conditions, industry conditions and other operational factors may affect future performance of CPFL Energia and may conduct the results that differ, materially, from those expressed in such future considerations.

Now, Mr. Wilson Ferreira Junior will take the floor. Please, Mr. Wilson, you can proceed.

Mr. Wilson Ferreira Jr: Good afternoon Mr. and Mrs., analysts and investors. It is a pleasure to be here sharing the results of CPFL of the first quarter of 2008 with you all. We are going to present around 30 slides. I will start, then, with the second slide, showing the main topics and occurrences during this first quarter of 2008.

We are talking about continuous growth of our distribution platform and trade. We are here presenting 8.1% of the sales volume in the concession sector of distributors, more than 14% of the sales sector to free consumers, a total of 8.5% of total sales promoted by this group.

The startup – still with a small delay – of Castro Alves plant in March, 2008 already with 100% of the secured energy, an auction of carbon credit trade already from the first complex (Ceran), Monte Claro's plant – then, we have an estimated sum here of around 10 million euros already part of our program to increase its efficiency, and the second cycle of price revisions of our distributors ends here with the creation of the position of Administrative Vice President, focusing on the rationalization of corporate costs, involving part of the infrastructure, vehicles, real estate, logistics, material distribution center, purchase, supply and, chiefly, management of all the IT service contracts. I am going to address this during my presentation.

I am going to report on the expansion of the new business here, mainly in the sector of value added services, invoicing initiatives and initiatives in helping consumers with two companies, CPFL Total and CPFL Atende. The pioneering launch of "Proxy Statement", a manual on participation for shareholders' meetings – was issued in February and it guided investors in our meetings in April. An valuation of shares due to the set of good results that we had here in the first quarter of 9%, surpassing even Bovespa and electric energy index and the end, as I said previously, of price repositioning of CPFL Mococa with -5.65% and -3.57% of CPFL Sul Paulista and -1.58% of CPFJ Jaguarí and -1.65% in CPFL Leste Paulista - these four belong to a holding company called CPFL Jaguariúna, a result from the acquisition of distributors of CMS group and -7.13% in CPFL Santa Cruz and, now, in April, the conclusion of the processes of Paulista and RGE, where Paulista received -13.6% and RGE +4.77% due to the repositioning. We are going to discuss during this presentation that we had to carry out, due to an opinion from Aneel during Paulista's price revision process, a provision related to the process of season adjustment between CPFL Brasil ad CPFL Paulista and Piratininga. So this is the effect, which is important and will be detailed to you during my presentation.

I would like to mention that I will show our company structure on page 3. No important modification, only highlighting here the company free float 27.6% and the participation below from CPFL Jaguariúna with each one of its units in the distribution, trade and generation sector.

On page 4, the next slide, we are going to detail on the group sales during this first quarter. As I said previously, we highlight sales, a continuation of a recent process of areas in the concession sector. This may be noticed in the part above this chart. So, we had an increase of 8.1% on sales in the concession sector and we added the acquisition of CPFL Jaguariúna to this value. On the same comparison basis, we would have increased 4.8%. These values are distributed in the captive market, where we notice an increase of 7.2% and in the wire market – that is, the use of the price to use the distribution system – increasing 10.8%.

On the right side of this chart, we have the effects separated by market segments. The focus of this month during this quarter is the home segment, 7.4%, and the rural segment with 15.3% and this is mainly encouraged by the long drought we had in the beginning of the year, where, in order to replace systems to use irrigation systems, we had, by then, an increase in the sales in the rural segment.

In the part below the chart, the free market sales had a good performance with the increase of 14.8% and the sum, therefore, of the captive market - which increased 7.2% - with the free market - which increased 14.8% -, we find the total sales of the group, an amount of 8.5% during this quarter.

So, it is a vigorous growth, according to what we said previously. No doubt is it the result of the power of our distributors, especially when we observe a comparison of growth of 5.9% in the south region on the right side of the chart. Our operation in the RGE, in Rio Grande do Sul increased 6.3% on sales; there are seven operations, seven distributors operating in the southeast region. This region grew 3.9%. In the area of these seven operations, it grew 4.4%. Due to the growth of Brazil, it increased 4.3% and the distributors of the CPFL group grew 4.8% without effects concerning the acquisitions and, as I said previously, 8.1% with the effects of the acquisitions, concerning CPFL Jaguariúna.

We are going to page 5 to attempt to analyze, on the right side, the result that we reported and, on the left side, the result reported considering the non-recurrent effects – then, we are not going to consider the non-recurrent effects-, which is important to you, analysts, for future previsions of the projects that you work on about CPFL. So, on the right side, we are reporting revenue of R\$ 2,484 million, which represents, concerning the result reported in the first quarter of last year, a growth of 15.4%.

I would like to say that we had two negative effects on our results that became fully recognized in this first quarter: One of them is a definitive way, which corresponds, exactly, to the delay on the start of Castro Alves operation – I will show it in the next slide – but it calls on an exposition to the Electrical Energy Chamber of Commerce – in the prices verified by these chambers in January and February – and this is about R\$ 19 million; the effect is expressly in January and February, and the operation has already finished fully, with 100% of its energy secured from March on.

Yet we had an effect of a questioning in the inspection process and an understanding process between the company and Aneel, related to the energy sales operations of CPFL Brasil, by means of regulated contracts, contracts approved by the agency and that determined, according to the agency and its evaluation on the price revision process now, in the beginning of April, a questioning, a deeper evaluation that determined an inspection thereto. Such questioning regards to the seasoning adjustment of the contract carried out by CPFL Brasil together with Companhia Paulista de Força e Luz and accepted by it, as I said, with clauses that established this acceptance – this acceptance is explicit – but they were not accepted by the agency at this moment, which made us carry out this correction in our balance sheet, removing the effect of the season adjustment from the revenue of CPFL Brasil, the way it had already done against the way proposed temporarily by the agency. So, this determines a reduction on the revenue of contracts in processes when making accounts again for the Electric Energy Chamber of Commerce of R\$ 60 million. After

having performed it, the result was negative to CPFL Brasil and positive to CPFL Paulista and, further, in terms of accounting procedures, to CPFL Piratininga.

These two effects, from the frame of reference with revenues of the Commerce Chamber, it is solely verified by means of the price revision process of Paulista and, as I said, as an extension and of procedure uniformity – provided that the contract of Brasil occurs with Paulista but also with Piratininga. Then, to make the procedures uniform, we already recognized this operation fully in the first quarter. Yet all data reported in this non-recurrent effect are temporary and depends on the evaluation and, naturally, termination of evaluation works carried out by the National Agency of Electric Energy.

On the left side, we reconfigure our result for potential future comparisons, if there was no temporary effect. It would have been R\$ 2,524 million with an increase of 17.2% in relation to last year position in the same quarter. You will realize that the main variation does not occur on the revenue, but on Ebitda in relation to the next page. We will present details on page 6.

These details are considered on the right side of the reported values. As you notice, there appears a reduction of our Ebitda of 25.7%, that is, in relation to last year result, R\$ 869 million, we are reporting R\$ 646 million. We will discuss about the sequence, in which these non-recurrent effects that determined this reduction and, we will reconfigure this amount afterwards, such a way that you, analysts, may have a not biased series of these non-recurrent effects.

The first thing to be added is exactly R\$ 40 million from the previous slide. Brazil has a loss of R\$ 60 million, Paulista and Piratininga, a profit of around 20 million, a result of a net value of R\$ 40 million and Companhia Paulista - not viable by the agency temporarily, as I said - the transfer of energy costs, a value of 79 million, costs verified throughout the year, which were assets to be recognized in the revision process and it was not temporarily – so it was placed here. As an extension of the procedure, the same cost verified in the case of Brasil with Piratininga – the energy cost, which constituted assets to be recovered in the price re-adjustment - was made uniformly, also estimated in R\$ 46 million.

These three effects - R\$ 40 million in revenue, R\$ 79 million in costs from Paulista and R\$ 46 million from Piratininga - are estimated here and may be modified naturally after the conclusion of the analysis carried out by Electric Energy National Agency, regarding to the procedure adopted by Companhia Paulista. We, conservatively speaking, recognize all the values during this quarter and the fact that they are not recurrent, so it happens only once, and we wait for the final position of the agency naturally.

The next R\$ 19 million is exactly the exposition that I mentioned before, concerning the Castro Alves plant in the months of January and February. This effect also does not repeat itself, as the plant is already operating. Then, we really have a major non-recurrent value around R\$ 183 million, which affects Ebitda negatively during this first quarter. Such comparison is not also balanced when it is carried out that of 25.7% because we gained recognition on an energy purchase demand in 2007 by Paulista together with Itaipu in particular, and which were recognized in 2007 re-adjustment of CPFL Paulista and generated a credit of R\$ 79 million at that moment.

By deducting this effect from this IRT 2007 recalculation on the left side, we would have a recurrent Ebitda of R\$ 790 million, instead of R\$ 829 million and, by deducing the temporary effects on the upper side, we would have a recurrent value of R\$ 829 million, instead of R\$ 646 million, which would result in an operational project of 5% to the company, despite of the effects that I just reported.

On page 7, we have a presentation of our net profit, an estimate of R\$ 273 million in the first quarter, a fall of 42% in relation to the same value reported in the first quarter of last year, a total of R\$ 473 million. Likewise, this result in the last line adds the non-recurrent effects that we reported here in the middle of the page, that is, the net effect of Ebitda of R\$ 183 million negative added to the financial update of values reported by CPFL Brasil of R\$ 5 million, a lower value and, obviously, when carrying this negative provision out, the income tax proportional credit and social contribution on the net profit on these non-recurrent events. These results were a net value of R\$ 125 million on the profit related to the first quarter of 2008.

Reconfiguring the same result of the first quarter of 2007, besides that positive effect of R\$ 79 million of Ebitda from Paulista, the corresponding income tax and social contribution – for that result in a single installment of R\$ 27 million - and also bringing up here the effect, which was not recurrent, from a fiscal credit in the incorporation of the company Semesa to CPFL Geração – it resulted in a profit of R\$ 40 million at the time, all at once.

Therefore, we had a positive effect during the first quarter of 2007 of non-recurrent R\$ 92 million. Well, considering these two remarks I presented in a little while, the recurrent profit of the first quarter of last year would have been R\$ 381 million and it is presented a growth of 4.5%, deducted the temporary and non-recurrent effects in this first quarter of 2008, a result of R\$ 398 million. The reported value is R\$ 273 million and the value to be considered by you, analysts, in a recurrent way, is R\$ 398 million.

Well, I will detail some of these variations of values that determine these changes in the results from page 8 on. Consequently, our variations of the net revenue were R\$ 2.153 million in a recurrent way, plus 17.2% - it is mainly budged by the increase in the energy gross revenue and incorporating, here, basically the growth in energy sales, acquisition of CPFL and Jaguariúna and price re-adjustment applied to 2007 and had an effect throughout the year, including this first quarter, especially concerning CPFL Paulista and RGE, which were positive and relevant values. The other lower values are related here but the most important are basically the sales volume and positive price readjustment.

Besides, we had – and I will detail it in a while - an important growth in our strategy of providing value added services, we have a positive variation of 478% here, comparing to what we had the same quarter last year.

This only demonstrates that we elaborate a potential a winning strategy in other segments to face the results of price revisions, that is, taking profits due to productivity verified in the first cycle and conditions we have, so that we may renew this efficiency increase process throughout this second cycle.

The other values are lower, the reduction of TUSD – because in the first quarter, we had a reduction on the sales volume in the free market. Everyone knows why the spot market prices went up and, naturally, it determined reductions on the consumption of big consumers, which is verified in the TUSD and the revenue deduction and other ones compared to the first quarter of last year. The recurrent growth of 17% on the revenue, deducting the effect of R\$ 40 million that we reported, I will detail soon throughout the slides, a total of R\$ 2.484 million.

When we go to page 9, I will mention the reported values and 2007 non-recurrent effects on the left side. In the middle of the page, Ebitda variation in 2008, in this quarter and the non-recurrent values reported in the right side. It is important to add here that we had a recurrent increase of 17.2% in the revenue, as we just mentioned how it has been achieved in terms of Ebitda. It is composed of: an increase of 24.7% to the cost related to energy and, taxes, R\$ 279 million.

It is important to highlight that this increase follows the participation additional fee of CPFL Jaguariúna of R\$ 34 million at this moment, and by the amortization of the installment A negotiated after rationing in R\$ 62 million to Paulista. RTE ended, due to rationalizing effect and effect on its sequence, there was a 15-month application concerning the recovery of deviations of installment A that we had at the time during 2001. Then, it is a total of 62 million and this effect is null, according to Ebitda, because it is also in the company revenue, according to what has been reported in a little while ago.

If we had deducted these effects, we would have had an increase on energy costs of 16.1% - which is also high - due to the fact that the revenue had increased just a little more than 1% and it happened so mainly because we had a few CCEE contracts since January, especially those about thermoelectric plants – and as everyone knows, it has kept so since then - this makes, besides the energy price and the availability, us have to consider the fuel price and that is what determined this higher increase of costs, provided the situation mainly hydrological that we observed in the first quarter of this year.

Besides this increase on the energy cost and taxes, we had an increase on operational costs of a little more than 20% - and it is also important to detail here the additional cost due to CPFL Jaguariúna, around R\$ 20 million, start of operation in Campos Novos and Castro Alves plant, a total of R\$ 1 million. If we deduct these effects for a balanced comparison, we would have an increase of 11.8% in costs, which may make you understand why Ebitda grows: A growth of 17% of revenue, 16% recurrent growth from our energy costs – below 17 – and a growth of almost 12% of the operational costs. The others are non-operational readjustments on the result of R\$ 5 million.

Proceeding to page 10, there are details about net profit. It finds balance in the increase of Ebitda of 5%, in a recurrent way, deducted from the financial result here, a reduction of 5% on the financial result, a total of R\$ 5 million. This result occurs because we had an increase of 6.8% in our financial revenue – equivalent to 7 million – and it already incorporates credit of carbon small hydroelectric plants (PCHs) of CPFL Geração of R\$ 1 million – the first financial input of these resources – and the increase below 5.9% of the financial expenses, a total of R\$ 12 million. This happens due to the input, already in financing terms of Campos Novos and Castro Alves, in the value of R\$ 8 million. Hence, the expenses related to these financing, as the plants started operating. Later on, by means of comparison, the increase on income tax by increasing the result of the company of R\$ 17 million, as such increase is proportional, if comparing to 39 million from Ebitda.

Apart from the non-recurrent effects, this profit of R\$ 398 million that was reported in the recurrent way, reaches a total result of R\$ 273 million, incorporating the adjustment of R\$ 125 million of non-recurrent effects.

Well, proceed to page 11 to get details, where the results come from. We see that, in the comparison of Ebitda and the net profit that the company keeps in a predominant way, in what concerns the contribution and distribution of 70% in Ebitda and 72% of profit. In what concerns Ebitda, the participation is already bigger than the generation with 18%, commercialization 12% and these results are changed in the last line, especially due to the fact that the generation has to face the financial expenses, regarding to the investments that it did - it explains why its net margin is lower as it has financial expenses to pay. It does not happen with the commerce activities, because it is not a promotion activity.

We see, then, in the next part, what is natural. We are going to watch a reduction on the margin of Ebitda and net margin of the application result of price readjustments or negative price revisions getting, as I said, the efficiency that was added throughout the last four or five years, depending on the company. Notwithstanding, we are have superior margins, Ebitda margin superior to 30% - which is a positive data. Net margin was 15.8%.

We make a report of all the price revisions of the eight distributors on page 12, the value of the public audience in the line above, the final value of the price revision of the line below and what we may observe all assets is a slightly better value in the line below, which shows that the interaction with the agency was positive and there was understanding of some disputes in the company. The only one that does not have this profile is Paulista, which started with 10.28% and stopped with 13.61%, and this

variation is mainly due to the lack of temporary recognition of a transfer of energy costs carried out by CPFL Paulista together with CPFL Brasil. As a result, I would say that the balance of the price revision processes is positive.

We will see it more clearly on page 13. There will we gather the basis of gross and net compensation of installment B - which is where we obtained the result of the distributors - and the recognition of the reference company. We will make our first comparison with the assets we had and we will compare the second cycle related to the first cycle that corresponds to CPFL Paulista, Piratininga and RGE.

In this manner, we can observe an improvement of 21% of our basis of gross compensation over it, result from investments that we have done. Concerning the net compensation basis of 18%, it reaches R\$ 4,547 million now. Concerning installment B, there is a variation of 21% and the company of reference of 31% - just remember that we had IGPM (general market price index) and IPC (consumer price index – CPI) variations throughout this period, between 22 and 24% for Piratininga, and 29 to 30% for Paulista. To this extent, the values are quite narrow, especially regarding to the costs of the company recognized by the reference company - these are values, where there is a big possibility of working on.

Acquisitions add more R\$ 528 million to the gross basis, a group total of R\$ 10,425 million plus R\$ 284 million to the net basis, a total of R\$ 4,832 million plus 173 million on the installment B, then a total of 2,378 - Ebitda goes to the distributors from there - and the reference company, plus R\$ 104 million, a total of R\$ 1,132, a growth of 45% in relation to the first cycle. So to say, we are satisfied with the process and we have a new challenge now, when we decided to increase the efficiency of the companies.

Please proceed to page 14. On page 14 and 15, we just demonstrate synergies and we will continue to report on the operational efficiency. We will report the values for each one of the distributors with evolutions presented in an increasing order and the consolidated value on the right side. This group reduced the non-compliance of 1.8% to 1.5% of its net revenue and the result on the RGE is highlighted, whose operation started last year with values nearly 5% on the quarterly comparison reducing from 3.7% to 3.2%.

We are using a new tool, in addition to cutting expenses to stop noncompliance, which is exactly the process of negative qualification of defaulters in SPC (service protection service) and we had only in the first quarter. This decreases the company costs to stop noncompliance and increases its effectiveness in some specific segments. We collected R\$ 73 million by means of this tool.

The accounts re invoicing rate — this is rather important, once an account issued wrongly ends up determining a number of operations in call center, consumers follow up operations etc. —, Observe we have as our main problem exactly on CPFL Santa Cruz operation, which presented a significant reduction of more than 82% and the whole group, in a consolidated manner, will thereupon reduce from 2.1 re invoiced accounts from each 10,000 issued for 1.8, a reduction of 14%; and most of the contribution comes right from the reduction at Santa Cruz.

We have the duration and frequency of interruptions on page 15. A comparison with the Brazilian average value is profitable in that matter, and thus we may observe that the group reduced in a consolidated manner the interruptions duration in 6.6%. The reduction of 16% in RGE is one of the highlights, which reaches 8.5 hours now and the same behavior may be verified in the frequency and the group reduces it, so it is 6,8 times... 6.8 interruptions per customer a year.

We are going to focus now on page 16, one of our main bets in regard with this second cycle. After we end the Paulista's tariff revision process, on April 8th, we approved, on the 9th, the creation of an Administrative Vice Presidency, which will be in charge of optimizing processes, reducing operational costs, acting focused on corporate costs, promoting improved speed and effectiveness in order to be possible to observe corporate synergies. In view of that, we hereto deliver our set of assets: it consists of 1,000 realties, as we can verify. A fleet of more than 2,300 vehicles concentrated here in the State of São Paulo.

We have two distribution centers in the logistics, one in São Paulo, and one in the State of Rio Grande do Sul and more than 140 materials points of delivery in our advanced stations, more than R\$ 1.1 billion in purchase of materials and contracting of services and a number of Information Technology contracts arising out of the companies where we run operations, in special in those acquired recently, amounting more than R\$ 100 million. We understand there is an objective perspective of costs saving and control to that matter, in addition to setting forth best practices in order to reach synergy.

We brought an extraordinarily accomplished professional of the area to take the position. For twenty years, this person was the Chairman of a major international consulting corporation, which ran business in the area of electric power for the last ten years, experienced in each of these aspects we just mentioned. Therefore, we are very optimistic. Together with our group, José Marcos Chaves will be able to contribute to dealing with the themes we just pointed out.

We will briefly address our generation section on page 17. To report the only two works in progress now: we completed around 90% of the 14 de Julho plant works, we have one work to be concluded of a plant that will begin operating in the last quarter of this year; and, on the right side of the plant of Foz do Chapecó, with more than one third of the works completed, there is a plant that will start its operations in the first quarter of 2010. Investments projects mainly of CPFL on both undertakings circa R\$ 1.4 billion.

We have great works on page 18, but we haven't taken for granted the small works and the value-generating potentials that we have with small hydroelectric plants. The company is pioneer in this repowering process of Small Hydroelectric Plants (from

Portuguese “Pequenas Centrais Hidrelétricas” — PCHs). We are reporting above the ones we have already calculated and the result we have obtained: 39% of installed power increase, 58% of power ensured, which generates a profit of more than R\$ 14 million per year; and, in repowering projects arisen out of plants purchased in the last year and in the year before, which were already submitted to the ministry, yet waiting for the approval of National Electric Power Agency (Agência Nacional de Energia Elétrica — ANEEL). These projects are to be implemented at the plants, the Small Hydroelectric Plants of Andorinhas, Guaporé and Três Saltos, the latter being so old that they will have a great improvement with the modernization not only in the installed power, but in its ensured power as well; and thus may generate more than R\$ 6 million of yearly revenue.

We can see, on page 19, it does not suffice repowering, we have to pursue new projects as well. Therefore, we hereinafter report last year initiatives to you: we analyzed 70 projects, and, for 10 of which, we applied for records in Aneel, once the latter ones were feasible in short and medium term. Four projects with total power of 75 MW are deemed as short-term projects, with proportional investment around R\$ 285 million. What we refer to as feasible in short term we mean a period of 2 years, 2.5 years, when we already have an inventory and record before Aneel. This year we will address only the basic projects, the environmental surveys to obtain a Provisional License (from Portuguese “Licença Provisória” - LP) and, once having it, have Aneel and environmental bodies significant approval. We are to that extent hopeful these projects will be attained during the year of 2008, or beginning of 2009, and then we may afterwards obtain the Installation License (from Portuguese “Licença de Instalação” - LI) and build the Small Hydroelectric Plants mentioned.

Due to privatization auction of the Electric Utility of São Paulo (from Portuguese “Companhia Energética de São Paulo” - Cesp), which did not have a result as yet, we also find important to clear the terms of concession of our plants, on page 20. We must be one of few groups that have concessions winning after 2030 in the first concession, without any renewal yet. It may be noticed that, since 2003, all of our efforts, whether in Small Hydroelectric Plants that were renewed, in the plants acquired such as Serra da Mesa, in the plants we built, such as Monte Claro, Barra Grande, Campos Novos, Castro Alves; and for that matter we have listed the terms for these constructions under each one of them.

Thus, we have an actual stable flow, once we were granted with a long-term concession, of 30 years, we have tariffs approved by the agency, with values sufficient to settle and make these investments profitable. Once they are long-term concessions, we do not estimate any risk related to concession terms of our main plants, they are all included here.

And the terms are not enough, it is important to maximize the extraction of values from the assets. We also were pioneer as the first group in the world to do business with the recognition of carbon credits in run of the river Small Hydroelectric Plants, trade of credits of more than 38,000 related to the repowering of the previously reported plants, as well as the work made in the largest plants, with a rate of installed power/flooded area rather favorable, that is, low flood for the great installed power. The first benefit from this feature was the Monte Claro plant. We are now holding an auction for overall more than 700.000 tons of carbon credits, what will bring an estimated revenue of circa € 10 million.

This year, we have specific targets to do the same procedure of Castro Alves ... of Monte Claro in Castro Alves and 14 de julho, as well as begin the work in Campos Novos.

On the next page, page 22, I will begin reporting on next pages, in addition to the effort we are undertaking in the group's set of companies with the creation of the Administrative Vice Presidency, it is also important to achieve the value. We have begun this activity in a way supplemental to the financial system – to bank agencies etc. - once we did not have means to receive accounts from our clients in part of our cities, and, therefore, we created a collection network named as CPFL Total, located at some affiliated establishments to receive the electric power bills, and afterwards we started collecting telephone, water and credit card bills, as well as invoices, de mobile phone recharge bills. Now we had, since first quarter, an evolution – we barely doubled the network size for 850 service agencies – referring to those equipment that receive cards, and we estimate the amount to double once again next year, reaching 1,800 agencies.

Observe that we increased the number of transactions, barely tripling it, 200% of the number of transactions — they are received accounts, almost 1.7 million this quarter and a gross revenue achieving the value of R\$ 1.4 million. Those are small contributions, but the whole of the small contributions is important for us to mold our outcome.

The next subject, dealt on page 23, corresponds exactly to the difficulties of operating several call centers, situation which was worsened since we acquired Santa Cruz and Jaguariúna units. Therefore, here is a new potential of cost rationalization, improvement of services, and of standardization of processes. We are currently creating a company to operate in the telecommunications area, in the call center area, equipped with more sophisticated resources from a technological standpoint, the CPFL Atende, which will assist the Jaguariúna operations, the Santa Cruz operations at a first moment, and it may implement the transfer of the Caxias and Campinas operations in order to rationalize the costs, as you know, in relation to the times and prices of telecommunication that will be incurred by the service telephonic desks.

This way we have the opportunity to reduce costs and have here a potential assistance of more than 6 million clients, cost reduction of more than R\$ 1.8 million a year, in addition to a set of tax benefits, specially the reduction of the Social Integration Program (PIS)/Contribution for the Financing of Social Security (Cofins) aliquot and working together with a Labor Union, which is related to this activity.

The first initiative for the value generation with the aspects we mentioned in the beginning of this presentation – the strong growth of the service rendering with earned value — will be addressed on page 24. We completed works, 3 works in the first quarter of the year, with total revenues of R\$ 7 million and we have fourteen construction works in our portfolio, amounting more than R\$ 46 million. As if it the construction of substations and connection lines would not suffice — what is set forth in the works just referred to — we have hereto distribution system works, works to the self-producers, and we also have an assets management line, an electric installations maintenance line for great consumers. We entered into a long-term contract, of 3

years, with a major client this quarter. Such contract alone with generate a revenue of R\$ 3 millions a year.

Therefore, there is an expectancy and a potential related to this activity. Observe below there are 60 contracts, from January to April, 2008, with 48 clients amounting more than R\$ 4 million. Because of that, this amount is the ground for this extraordinary gross revenue increase within these contracts; which, in comparison to the same quarter of the previous year, changed from R\$ 4 million to R\$ 21 million. This amount of 21 million almost reaches the whole value of year 2007.

Lastly, addressing now the company debt, we are reporting he an adjusted net debt of R\$ 5.1 billion. As can be seen below, it holds a favorable relation in net debt indicators/Ebitda; there is low variation in relation to year-end once we did not have any acquisition. As you may remember, from 2006 to 2007, the relation was altered to make the financing of Santa Cruz and Jaguariúna acquisitions feasible. Because of that, we now have an indicator under complete control and a sales volume rather compatible with the Grupo CPFL results production profile.

A further detailing on our indicators is addressed on page 26. We may observe the result obtained in the financial strategy conducted by Filippo, where we had more than 52% of our commitments related to the Interbank Deposit Certificate (from Portuguese “Certificado de Depósito Interbancário” — CDI), a rate debt/own capital of 51/49 practically balanced, and one important thing: the initiatives undertaken in this first quarter before a set of tax changes made by the government, where we extended terms for the debts of CPFL Geração and RGE in the amount of 787 million, increasing it for three years, with return in the amount of 105% of CDI. Therewith, we kept debt nominal cost around 12%, with a longer term.

On page 27, it is evident the repercussion of this strategy, or its perception in the capital market, and, hence, a significant performance of CPFL in Ibovespa and the IEE in Brazil, and a result that is amplified with Dollar devaluation in comparison with Real, may also be verified in New York. On that account, the comparison is set forth herein in connection with the main indexes: IBrX50, ITAG; this company has a performance of 9.1% in all indexes it is included.

One of the highlights of this quarter is the new increment of daily volume of 5%, achieving around R\$ 34 million per day, in comparison with around 19 million in New York — this one has an inversion — and around R\$ 15 million of Bovespa, which portrays that is already an interest in the external market by the Brazilian ADR's. In view of that, CPFL starts trading again a higher volume in New York in relation to Ibovespa.

The result of this valuation of shares may be seen on page 28, hence the market cap of the company considered from the standpoint of the shares value is of R\$ 20.1 billion verified in last May 5th and of 12.1 billion dollars also for the same day. As a result, a growth of circa 158% since the launch of IPO three years and a half ago and of 347% in dollars – obviously also accrued due to the valuation of the Real in relation do the Dollar.

The company has a strong commitment with the transparency, arranged and leadered by Filippo and Gustavo: a set of meetings of the Association of Capital Market Investment Professionals and Analysts (from Portuguese “Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais” — Apimec) held last quarter: São Paulo, Rio, Rio Grande do Sul, Bahia; the Expo Money held in Curitiba; the booth we have here aside; three national conferences, and an international one; one non-deal road show in Europe, with 25 institutions addressing questions to the company; a set of interactions held this quarter in 42 one-on-one meetings. Filippo and I are also going to supplement this exhibit to international investors in the United States next week, where we will be detailing such results.

I spoke in the beginning of the proxy statement presentation, explaining how the company was groundbreaker, in addition to adding transparency, equity and accountability — which are the main benefits, facilitating a clearer view of information. I also addressed the General Shareholder's Meeting and we had an increased participation, which was, undoubtedly made possible by the issuance of this proxy statement, the latter used for the first time, as I mentioned, at the General Ordinary Meeting (from Portuguese “Assembléia Geral Ordinária” — AGO) on the April 9th.

I would like to close my speech talking about our cultural center in Campinas, which is being a huge success during the last 5 years, with more than 2,500 events held, participation of more than 350,000 people, issuing 220 programs edited with exhibits thrice a week. So far we are attaining a significant impact to the trademark connected with the company's action as cultural producer.

We have been evolving in this cultural center — a line referred to as CPFL Cultura and, as a concept, it has to be broader, address more aspects. In view of that, we are taking initiatives that were concentrated in Campinas to Bauru — which is one of the centers of Paulista's region — to Ribeirão Preto, also in Paulista, to Caxias do Sul — headquarter of RGE — to Santos and to Sorocaba, cities covered by Piratininga. To that extent, this initiative aimed to share these initiatives/programs with a higher number of people within our concession area.

Well, I apologize for being a little bit slower to facilitate the simultaneous interpreting. My team and I are now available to answer the questions. Thank you very much.

Questions and Answers Section

Operator: Excuse me, Ladies and Gentlemen. Now we are going to start the questions and answers section. In order to make a question, please, dial asterisk (*) one (1). In order to remove your question from the list, dial asterisk (*) two(2). Our first question comes from Mrs. Carolina Carneiro da Raymond James.

Mrs. Carolina Carneiro: Good Afternoon to you all. In fact, I would like to make a specific question in relation to costs. You have demonstrated a great ability on how to carry out the costs performance in all quarters and the increase of costs and your costs of operational expenses, even excluding the acquisition effect of Jaguariúna and new projects was still significant, around 12% year by year. I would like you to highlight any non-recurrent event so that it may occur. And you may give an overview on what you are expecting from assimilate synergy and the acquisitions and from now

on, in relation to your costs performance, if you have already had an estimate for what you may optimize in the company. That is it. Thanks.

Mr. Wilson Ferreira Junior: Thanks for your question. Actually, we have checked, besides the acquisition effects as you may notice, we also have the entry effect of new initiatives related to the services, which have associated costs. The example that I have just reported, that is, R\$ 21million of income in CPFL Brasil related to the added value service, plus its counterparty are the costs of these operations. They totalled a growth of R\$ 6 million only in this first quarter. We also have a change in PIS (Social Integration Program)/COFINS(Contribution for the Financing of Social Security). We have to make a provision, a contingency in Funcesp, of shares that have been discussed, amounting more than R\$ 4 million.

I meant to be, obviously, we have a greater initiative in service provision area and these services are related to personal expenses, material expenses, services provided by third parties, and so on; this situation must go on, because we are prioritizing such type of initiative.

Now, we noticed throughout the years a proportional reduction in our O&M generic expenses at a rate about 3% and 4% per year in real amount; this is the production rate that we were incorporating into our distribution operation results, especially, more expensive operations. And we will continue to do this.

Let's imagine that, when providing initiative as the call center, as the collection company - reminding that this company's highest cost, in terms of third party service - is exactly the cost for collecting accounts, the second highest cost are related to processing costs - primarily IT expenses, the third refers to account reading and delivery, for each one of these. We have a specific initiative, as I said before, which is creating a service company. It is worth to emphasize that no company has low prices as CPFL Total has; that is the reason why CPFL Total is recognized by the Agency, providing the distributor with motion, as well as earning, naturally, a more discreet income resulting from this operations. I would say that the company will have to experience all types of operations, such as the call center, being some of these processes new to the company that has to properly rationalize its expenses.

Now, we are in accounts reading and delivering area. We are also running some tests referring to new technologies for issuing accounts while the account is being reading, eliminating, therefore, one operation. Thus, there is a range of technological instruments and corporate initiatives that, jointly with creation - as I said later - of the vice president for administration, enabling us to manage IT better, which is a primary account to the company, as well as other assets, promoting assets and costs related to these assets, such as real state units, vehicles etc. This will help us to continue on providing services efficiently within technology and system areas, processes carried out by the management area. CPFL will apply this strategies with the purpose of positively performing this second cycle, ensuring an increase in production at a rate about 3/4, perhaps 5%, in next years.

Mrs. Carolina: That will do, thank you very much.

Operator: Excuse me. Mr. Pedro Manfredini from Itaú Corretora has a question.

Mr. Pedro Manfredini: Good afternoon you all. My question is related to the carbon credit. I would like to know how do you understand the potential of hydroelectric plants, PCHs and cogeneration? And how this can make some projects viable? Would this make the implementation of some projects possible?

Mr. Wilson: Thank you for the questions, Pedro. Group's assets potential in terms of the practices that are being applied, the ones we had already done, for re-upgrading PCHs and hydroelectric plants. As Fio D'água has a small reservoir, a comparison between installed power and flooded area has to be made; if the installed power is higher than 10 MW per square kilometer, then, there are some rational data for determining the quantity of carbon credit will be granted to you. Our evaluation - if we will be able to implement it, besides Monte Claro, Castro Alves, 14 de Julho and Campos Novos, we expect to commercialize, according to carbon credit point of view, amounts around € 70, 75 million. In order to achieve 2008's goals - which I shared with you later – have to deliver results, that is, we succeed in Castro Alves and 14 de Julho concession process. Now, we are demanding a concession from ONU, as well as for Campos Novos. Considering all this, the potential volume of resources, according to the amounts we have been trading referring to the carbon credit, total about € 70, 75 million.

Mr. Pedro: Ok, thanks.

Operator: Excuse me, Mr. Eduardo Cancian from Itaú Corretora has a question. Excuse me, Mr. Eduardo, you may speak now.

Mr. Eduardo Cancian: Hello, I am sorry. Good afternoon you all. I have a quite simple question regarding these four projects and PCH that will demand an investment of 285 million. Referring to the installed power of 75.6%, I would like to know how much installed power these plants will be able to provide?

Mr. Wilson: Well, the question is simple and I am not able to answer that because the assured energy is estimated when you submit the basic project to the Agency, which will be further submitted to the Ministry. I would say that these plants are to be installed at Brazil's south region and their "capacity factor" of such plants would surpass 50%. Therefore, these plants are major hydroelectric plants having capacity factor that surpasses 50%, slightly higher than 50%, or something like that. We were talking about 75 MW installed and around 40 megawatts of ensured energy, but this ensured energy can only be established before installing the basic project.

Mr. Pedro: It's ok. Thank you.

Operator: Excuse me, Mr. Reginaldo Pereira from HSBC has the next question.

Mr. Reginaldo Pereira: Good afternoon you all. I would like to know your opinion concerning CPFL in Jirau auction and if, after the auction, CPFL would join one of the consortiums. I would also like to know, if possible, about the possibilities of other acquisitions, as well as knowing how the company is dealing with it, as we can see how last acquisitions had a positive impact on company's results. And, last but not least, I would like to make a more specific question: slide 24 informs that the 14 works on progress, concerning services with added value, would demand R\$ 46 million. So, when this will be calculated and which would be the Ebitda rate for this business?

Mr. Wilson: In what concerns Jirau, not at this first moment. We understand that the amount mentioned is the ceiling price and, according to the project that is more complex than Santo Antonio because it has an increase in its transmission line of around 150 km, and, furthermore, it also has, different from what we verified according to the frame of reference of the civil arrangement where you had a ready abutment to make Santo Antonio – you will have to make the project structure, which is a bit more complicated as we had already invested R\$ 94 in Santo Antonio and we did not have motivation due to the available data, including the first operation, in order to participate competitively, so as to find return taxes that we consider to be reasonable to share with the market – which is why we are not there now.

Possibilities to have an option for some winner participation always exist. I do not know if this possibility exists on the prices where there is dispute and if they are real. If some of the winners offer the company a project that are compatible with the investments volume to be demanded in terms of participation and, there is a return tax that is also compatible with this sector and the practices that we have in the company, I do not see any obstacle. Yet this is an offer that will be done after the auction - we are not able to answer this today.

The second thing regarding to your question on the accumulated value, the amount that we discuss of R\$ 46 million is to be delivered within twelve months. This portfolio must be delivered within twelve months and we will operate with a margin Ebitda in this segment around 12%.

In relation to your view in terms of acquisition, our view in terms of acquisition, we understand that the remaining acquisition of large side is the Brasiliana process at this moment and the development of greenfields, we have been questioned to some opportunities, etc. , But it has reduced in Brazil. There is also the work in Brasiliana which may be redeemed in the second semester, but I think that it is important to monitor based on we have always shared at the end of the tariff review cycle, we arrive at this cycle, you may observe a set of important tariffs reductions applied to the group of 64 distributors, some are not completed yet and from this moment the movements happen, why? Because it establishes a new WACC. Therefore, there is a challenge in order to increase the asset volume established by Aneel, in the ceiling price established by it, there is a demand and a great effort to productivity and since the reference company has decreased, unequally to the market growth verified in the last cycle. So that the performance parameters of these companies to the

shareholders changes and the recovery, some of you may ask: What are you going to do? We have already shared some strategic lines of what we are going to do. And the question addressed is: Will everyone be able to do? Why these guys have started to do? It is possible that the answer is not. If not, the evaluation process for future acquisitions starts again and we understand that we are well-positioned for this moment. Consequently, when the process has finished, I believe that these movements may appear and I think that people from the financial system have their own doubts, some of you have already contact us, but I believe that the movements will result from these facts, at the end of this second cycle of tariff review and consequently opportunities will be created. That is it.

Mr. Reginaldo: Thanks, excellent.

Operator: Excuse me, our next question comes from Mr. Sérgio Tamashiro of Itaú.

Mr. Sérgio Tamashiro: Good Afternoon to you all. Wilson, in relation to your investment program, we would like to know – firstly: Castro Alves has delayed a little in January and February and bear a cost of 19 million. I would like to know how is the progress of 14 de Julho which is scheduled for the 4th quarter and Foz do Capecó?

And after the second question, also complementing, the current Ebitda of the generation is still in 18%, that is, when do you expect, after the entry of all projects that they may achieve, keeping or not the new acquisitions? And, finally, in your investment program, we could notice that it is being through new acquisitions of other distributors. And we also notice that now in the generation part, all this remarkable growth up to 2010 was in your portfolio before the IPO, from now on, what we did not see is what is around the corner in 2010/13/14 and so on? I have noticed that you are not taking part of the other auctions, Jirau, or even Energia Nova. I would like to know what may happen. Is the secondary market disputed? What is your growth view? Thanks.

Mr. Wilson: Perfect, Thanks Sérgio. Well...regarding the 14 de Julho and Foz do Chapecó, I would say that Foz do chapecó is duly up to date with the original deadline. 14 de Julho has a little delay of around 60 days and since it is entering in the last quarter, we do not expect high variations. In case of Foz do Chapecó, we are a little advanced in relation to the original project. It is important to highlight that the completion of these two projects cause in terms of added value, turn to 18% the Ebitda composition, if we do not have changes in the distributors, from 18% to 27%. Just to remind you, it is important to point out, a little different from what you have said, at the time of IPO, we have the perspective of being in Foz do Chapecó, but having 40%, now we have 51%, we did not have all generators that were incorporated by CMS acquisition. They are closer to 100MW that comes from CMS, in case of Foz do Chapecó has an interest increase of 11%, also closer to 100 MW, amounting 855 MW, so these two are the amounts. And you are right, we are reporting up to 2010 since this large projects are completed.

We understand that, in terms of the projects that have been developed or, at least, auctioned, in the specific case of Santo Antônio and especially Jirau, we understand that the attractiveness to these projects with value creation was lower, that is the reason why we decrease. I included here the effort that has been made in the short hydroelectric power plant, since it is important to have this asset, including in order to defend the mid-size market or A4, between 500 and 3 MW, using this supply type the company has been a leader in these efforts and I may say that it will have a good performance, two hydroelectric projects in the south of the country, whose power may reach closer to 1.000 MW, thus at the moment in which we make feasible these two initiatives, we will put in question to this growth. I think I have answered your questions, Sérgio?

Sr. Sérgio: For sure. Adding to what you have said, 14 de Julho has a delay of around 60 days, therefore, we may also imagine that the loss to the spot market or your repurchase may reach R\$ 20 million or it has already been contracted?

Mr. Wilson: We are hiring. You may find the proper moment in order to make this hiring, but I question that we are going to have a similar effect like Castro Alves, since Castro Alves has generated this delay in a moment where the spot market was very high, at the top of the prices. It is good to remind that it was the first time it had happened since the 2001 rationing. For that reason, we may have a similar effect, but in a lower extent.

Mr. Sérgio: Ok. The last question: you have mentioned that you do not have interest in joining the Rio Madeira projects. In the last tariff, you have made an offer to a less complex project. Santo Antônio was R\$ 94, now the price cap is R\$ 91. It is interesting. Imagine that the price remains R\$ 79 or R\$80, what is the IRR(Internal Rate of Return)? As you are not participating, what is the IRR that these winners must get?

Mr. Wilson: Sérgio, it is hard to say since it greatly depends on how it may finance this project, but I may say that IRR is around 7%.

Mr. Sérgio: Ok. Thanks.

Mr. Wilson: You're welcome.

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

Mr. Anderson Frei: Hi, Good Afternoon. In fact, I would like to make two questions. First, I would like you to make a brief comment on what you are expecting in terms of timing and in relation to the auction of BNDES part in the Brasiliana. You have already mentioned that you are interested in, therefore, when do you expect that it will happen and if there is any possibility to make a partnership with AES, in case that AES remains with its part and it needs a partner?

And the second question is related to the losses due to the contract with the two distributors. Why has Aneel considered 2007? I would like to know if this contract remains with this active season adjustment for 2008 and if it may generate more losses or a potential disapproval of Aneel or anything to the next tariff readjustments? Thanks.

Mr. Wilson: Ok. In relation to the first question of timing of Brasiliana, I imagine that based on what was said by the government, we may have the recovery of this project in the second semester of this year. I suppose a timing in the second semester.

We have interest in establishing a partnership with AES, but it may only happen after the auction. However, CPFL may establish a partnership where it may add a value within a government rules that is compatible with it. CPFL is not a financial investor. It is not interest to the company to make financial investments without using your practices, its technology and its competence in order to create value. The company establishes any partnership within the principle of value creation. If there is this possibility with AES or any other player, CPFL will take into consideration, but it may have this perspective.

Considering the said losses, Firstly, I would like to explain that we do not make any recognition for uniform practice in the 2007 contracts with Paulista and Piratininga. However, the worst thing that may happen is now constituted and in a temporary manner, waiting for the Agency resolution in this matter. And then you may ask : What is going to happen in 2008? The contracts season adjustment is based on the load movement. It is important to highlight since it is a current market practice. All contracts with Paulista has the characteristic of adjusting the load or offer to contract manager the possibility of adjusting the load. For this purpose, the flat season adjustment is not the best choice.

Answering your second question: because the CPFL initiative has to make an additional contracting in 2007 in order to supply, due to the lack of ruling regarding the unintentional disappointment. In 2008, in the last March, it was published the regulations of this practice that was not available in 2007. In these regulations, the value determined for the involuntary exhibition of this company to CCEE is totally transferred to the consumer. It will not use additional purchase in order to make this supply. It will not make, since it is not necessary. Instead of sale to the concessionaire for R\$ 91 or 93, which is the contract value, it will make in the free market using better conditions. On that account, this risk does not exist. There is the consideration risk - if it is better to choose the flat season adjustment for 2008 or if it is better the common season adjustment.

This discussion has already been done at the Agency. The simulations carried out in this year, both for Paulista and Piratininga, the flat season adjustment is worse to the consumer than the common season adjustment of this contract. I believe that, as consequence of the evaluation which Aneel is providing in this operation with Paulista, it will also issue a supplemental regulation determining the transfer limit in these conditions – if it is a flat season adjustment or other season adjustment. And it is important to highlight that these contracts are regulated contracts and therefore, between related parties, approved by the Agency and all contracts have clauses related to the approval or disapproval to the season adjustment conditions.

The season adjustment is not determined by the purchaser. It is negotiated by the purchaser with the seller and it is not commonly flat. Therefore, the applicable rule is a rule established in the Chamber, as a supplementary rule when the purchaser and seller do not make an agreement on the season adjustment. It must happen in December of the previous year. Therefore, when it not happens, in order to not impair the accounting process of the Chamber, it is temporarily used the flat season adjustment, while the purchaser and seller reach an agreement with it. I would say that It certainly was not the case, since the purchase was accepted, the purpose of CPFL Paulista when purchasing this amount of 76 MW, the exact frustrate value of PROINFRA and the auction of A-1 having the physical resource as that amount and do not submitting to the risk of subcontracting and when having it cause higher penalties. That was the purpose of that purchase. It has nothing to do with season adjustment. The accepted season adjustment was the one possible to be delivered by the seller that was the sole supplier with flexibility in the contract allowed by the Agency. Any other person could do it. The only person who it could do was this one. And it is also important to highlight that it was the lower energy price among all energy purchase contracts that the company has made.

Mr. Anderson: Ok, thanks.

Operator: Excuse me, our next question comes from Mr. Eduardo Hayama from UBS Pactual.

Mr. Eduardo Hayama: Good Afternoon to you all. I would like to make three questions. The first one is related to the distribution. Taking into account that the tariff reviews have just finished, I would like to understand which the company strategy is in order to increase the other income, considering that these other incomes will be redeemed for the next 4/5 years and some companies have already made this as a way to add Ebitda in this period. I would like to understand a little what the company strategy is and what the potential type you may see to the other services are increasing. This is the first question.

The second question is related to the expansion. Recently, it was published an article in the Valor Econômico showing that some plant owners are not more interested in selling to the government in the auction that will take place on July 30, taking into account the prices used in the free market are more attractive, including the CPFL Brasil as a potential purchaser of the available energy. I would like to understand a little more about how CPFL is operating in this market, if the company's idea is operating together with the plant owners in order to sell, making feasible the projects in order to sell to the captive market or keeping the current strategy that is the biggest negotiator of this market and promoting even more to the free market. This is related to the generation part.

The third question is a large view on how you are dealing with the demand flexibility, taking into account that there were many companies with strong decrease in the tariff, how are you dealing with this impact on the consumption? If there is any impact or not, but what is the perception type that you are foreseeing? These are the questions. Thanks.

Mr. Wilson: Answering your first question in relation to the strategy of other incomes. It is important to highlight that all initiatives that I have mentioned – CPFL Total, CPFL Atende and part of the service – they are not developed by the distributors, but by the companies created in the energy and services marketing which are the CPFL Brasil holding using prices that are smaller or equal to the competitors. In relation to what I have mentioned, either collection or call center, that is why it allows the relationship. It participates in the competitive processes, competing with other players in the sector. Therefore, the strategy is not incorporating other incomes in the distributor's area. Instead it is having an activity using the V0 of the customer service to CPFL Group that may expand and provide service to other companies, considering an expertise in the energy area and the regional capillarity that makes sense. That is the first aspect.

Considering the biomass question, you are right. We verified two movements here – the company strategy at this moment, within this area and besides being a purchaser and may operate increasing the energy portfolio resulting from the biomass and may provide service to medium consumer around 500 to 3MW. It is the biggest purchaser of this volume, of this type of energy in the Brazilian market, around 40% of all exceeding energy of co-generation is purchased by CPFL, By CPFL Brasil, but also being an investor in this area. Therefore, we are evaluating some projects, where we may have a partnership with a plant owner in order to exclusively develop in the electric potential, that is, in the electricity cogeneration. And we are using, beside the projects expertise, the capacity of being an EPC(Engineering, Procurement and Construction) representative, coordinate an EPC representative for the development of this cogeneration plant, having a capacity of selling or pre-purchase the volumes or act on behalf of this plant owner, in his interest, in the sale of this energy in the free market.

The company have a great advantage here: the plants have its energy amount to be sold, but when it is sold to the free market, you must have a perfect match between what you have produced with someone who purchase it, otherwise, you must settle the difference, whether positive or negative, in the CCEE and that is another CPFL Brasil value creation element due to its size or range that it has achieved. Therefore, when it uses one of this captures, we have tried either to purchase, act as the seller or participation entrepreneur in each of this projects, I believe that we have some news in the next months.

Finally, concerning the flexibility, I would say that our evaluation of the flexibility effect of these increases has not yet occurred, but it is possible to happen. Based on the increase of the consumption, we have noticed that it is much more related to two largest effects: The first one is related to the pay roll. It continues to increase and in the last quarter has registered an increase of 5.8%. Therefore, the pay roll, total income, has been the first responsible for the increase in the home area. In a moving average, it has increased 5.8% and it has enhanced the sale of properties, of electrical appliances, and after has increased 15%, 15.5% in 2007, has registered a increase of 18.8% in the accumulated income by February of this year, in comparison the same period of 2007.

Therefore, see: Pay roll supported by a relevant credit basis that continues to grow have been the main mobilizers, or vectors of energy demand or sales growth, especially in the low tension areas – home, business, rural etc. I have no doubt that the reductions close to the tariff reviews and the financial effects that were in the tariff in the last year have reduced 15 and 20%. It is difficult to find a flexible reaction in order to adequate this type of initiative. I believe we are going to have some effect, but in the future.

Mr. Eduardo: Regarding the third question, the free consumers will probably anticipate this movement. Have you notice a strong energy demand of these consumers today and what prices are you willing to pay? Taking into account that Cemig has just announced some contract of around R\$140 from 2012/2013, have you already notice this stronger energy demand in the future?

Mr. Wilson: Yes, we have already notice. We have made some auctions by 2020, where the values were higher than this one, R\$ 145. We have checked. Your reference is correct and there is a group of consumers who are searching. That is true.

Mr. Sérgio: Ok, Thanks.

Operator: Excuse me, Ladies and Gentlemen. We have finished the questions and answers section. Now, Mr. Wilson Ferreira Júnior is going to make some final remarks.

Mr. Wilson: Above all, I would like to thank your participation up to this time in our call. We have been discussed for one hour and forty minutes. I think we had an important discussion here since we had positive and growing income in this month, this quarter, due to this temporary treatment, we had a small change in our course. Based on the measures we have implemented, this change corresponds to a very small change. We are operating together with the Agency in order to negotiate this process, provide more information and positively interact, besides the possible recognition, we may have clear rules in order to operate in a transparent manner, in the light of consumers, investors, etc. This is an important information. It is an isolated event and using a first line corporate governance, we were recognized in the whole chain involved in this questioning. I believe that we may develop due to the Agency's treatment and the ruling of the electric sector in such way we do not have this type of event anymore.

Above all, I think that it is important to highlight that the second cycle has finished and a new perspective is established. CPFL have been studying with determination, possible strategies, giving a value to a group of shareholders who, up to our free float, around 60 thousand individuals, institutions and controllers called as Grupo VBC, Previ and Bonaire. The Executive Board is responsible for evaluating these alternatives and proactively operate in order to achieve them using financial discipline, high-level corporate governance etc.

I think we have shared some strategies with you today. But we are much more optimistic about continuing to grow and creating value in this platform which is the biggest Brazilian private platform in the energy area. This is our commitment and it is permanent.

I appreciate your attention today. Thank you very much.

Operator: The CPFL Energia Audio Conference has finished. We thank all your participation and have a good afternoon.
