

**Operator:**

Good afternoon, thank you for waiting. Welcome to CPFL Energia's 3Q06 earnings conference call. Today we have with us Mr. Wilson Ferreira Junior, CEO; Mr. Jose Antonio Filippo, VP of Finance and IR; Mr. Miguel Normando Abdalla Saad, VP of Generation, and other company directors.

We would like to inform you that this event will be recorded, and all participants will be listening to the teleconference, after which we will start Q&A session, when more instructions will be given. Should you need any assistance during the conference, please reach for the operator pressing \*0.

We have a simultaneous webcast that may be accessed through CPFL's website: <http://ri.cpfl.com.br>. The slide presentation may be downloaded from the 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.

I would like to give the floor now to Mr. Wilson Ferreira Junior, CPFL's CEO. Mr. Ferreira, you may begin your conference.

**Wilson Ferreira Junior:**

Good afternoon ladies and gentlemen, investors, annalists. It is a pleasure to have you here with us to announce our earnings for the 3Q06. You probably have available with you the presentation; we are on page two, where I show you the agenda for this meeting. We have three items, starting with our results, then we have the capital market performance assessment – and this part of the presentation will be made by Jose Antonio Filippo, our VP of Finance – and we will conclude our presentation with an update of our value creation agenda.

We are on page three now, where we have the highlights for the 3Q06. On the right we have the highlights of our net income, increasing almost 20%; our EBITDA increased almost 39%, R\$ 792 million. And our net income growing 86%, reaching R\$ 447 million.

These three results are the consequence of what we have listed on the left: a strong increase in total energy sales, both in the regulated and free markets, and I am going to give you more details on that later.

We have total energy sales increasing 11.5% in the first item. These sales are also contaminated by the acquisition of RGE – without RGE, we would have 6.7%, which remains a very expressive result.

In this quarter, we acquired Companhia de Luz e Força Santa Cruz; we are still awaiting ANEEL's final approval. CPFL share prices increased above IEE and Ibovespa; we had the annual tariff adjustment of CPFL Piratininga, of 10.79%, and to non-recurring positive effects, which were also very relevant,

The first, we sold our minority shareholding of Comgás, generating net gains of R\$ 4.1 million. The second positive effect was the legal decision for PIS/COFINS, leading to an increase in the calculation base in favor of CPFL Paulista and CPFL Piratininga, generating net gains of R\$ 75 million. The numbers speak for themselves; the results are quite significant in the history of our group.

On page four, we have the corporate structure of CPFL Energia, which changed quite a lot over 2006. Three movements: the first change, back in May, when we acquired the remaining capital of RGE; the second event, in August, when we acquired 11% of the additional participation of Foz do Chapecó, having 51% of this consortium, leading this company now; and finally, the last event, in October, when we acquired almost 100% of the shares of Companhia Luz e Força Santa Cruz.

That is what we had for the three quarters, and it followed exactly our forecasts of consolidating our presence in the distribution and strengthening our participation in the generation market.

On page eight, we have the details of energy sales. We start with the area of concessions of our distributors. We have a set of numbers; here in dark blue, we have sales done directly by distributors to consumers. In purple, we have energy that was transmitted through our distributors – well, we do not sell energy, but it is almost as if we were leasing our network to large consumers.

What we can observe in this chart is a significant growth around 10.8% total. If we excluded here the RGE acquisition – the results of RGE were incorporated in the results of the company this quarter – the growth would have been of 4.8%. In each of these segments, as you can see, the result is very strong. We have here 11.9% in the residential market. Down below in the chart we have the values without RGE, 31% in the rural area, 11.5% in the commercial market, and a number that is not here: in the industrial area we had an 8.1% increase. In the industrial area, without RGE, this number would be 2.9%.

These results show a good performance in the captive market, and we understand that we are following a path of sustainable growth.

It is also important to highlight, as I had said before, that we had 29.4% of TUSD sales increase. We had free clients using the network of the company, but this is also a significant growth.

On slide number nine, I give you the detailed total growth of sales. We see in dark blue, on the left, concession area sales and free market sales, and total distributors energy sales and CPFL Brazil, totaling 11.5% growth - as I said in the beginning, 6.7% without the effect of the RGE acquisition – therefore, 10.488 GWh.

This is the growth that is impacted by our growth in the free market. This increase in free market sales accounted for 35.6%. We have energy sales in the first nine months increase 7.7% and 43.6% in the free market.

Therefore, a company that sells energy in the captive market and the free market positively impacted by growth in both markets.

Now I am going to break down the results in the net sales in the distribution, commercialization and generation. In terms of net revenue, we have this result: a net revenue of 2.344, an almost 20% growth vis-à-vis the same quarter of last year. With that, we have the main effects that are determining this increase: we had a 17.3% electricity sales revenue increase, we had 11.5% of energy sales growth, and we have to highlight the effect of the tariff adjustments in the three distributors of the group.

We report here the adjustments we had at CPFL Paulista and RGE, back in April 2006, and in CPFL Piratininga adjustment, in October 2005, of 1.54%.

Later on, I am going to give you more details of the difference in tariff review index of CPFL Piratininga, from October 2003 to September 2006, amounted to R\$ 24 million. So if we add all that, we account for the increase of total sales. Also to be highlighted, 41.3% TUSD revenue increase. In volumes, we grew almost 30%. These tariff realignment in the industry that brought into additional amount, and we had a 41.3% revenue increase. And minus ICMS and other revenue deduction, which amounted R\$ 115 million.

That way, we covered all three items: a R\$ 450 million sales revenue, a R\$ 53 million TUSD revenue, minus R\$ 115 million of taxes.

Over the first nine months, the net revenue of the group grew almost 15%, reaching slightly more than R\$ 6 billion.

On page 11, we have a variation of EBITDA. We are reporting R\$ 792 million, a 39% growth, compared to the same period of last year, R\$ 517 million. The main element amounting for this increase is the net revenue increase of R\$ 387 million. Well, sales revenue, we had to buy energy to support the sales, a total of R\$ 186 million, energy costs plus CCC – energy was R\$ 110 million – and CCC and CDE cost increases, R\$ 76 million.

And we had an increase in our operating expenses, in order to support the sales increase, of R\$ 51 million. But R\$ 17 million of those were the pro-rata additional shareholding that we now have in RGE. If you discount that event, we would have an increase of operating costs and expenses amounting to around 15%.

This is an important non-operating result that will be more detailed later on of R\$ 71 million, due to the sale of our minority shareholding in Comgás. Resulting in R\$ 71 million. To make this easier for the analysts, we are making a pro forma available without this result of our selling of Comgás. And this would amount an EBITDA of R\$ 729 million, a growth of 27.8%. The accumulated EBITDA for the first nine months would be R\$ 2.1 billion, a 29% growth compared to the same period of 2005.

On page 12, I am going to give you now our net income. We are presenting a net income of R\$ 447 million, 86.2% compared to the same period of last year. This result is due to R\$ 221 million of EBITDA increase that we have just explained, the 38.8% increase. We also have benefited from financial results improvement, basically led by a favorable decision related to PIS/COFINS; as I said we had a provision return amounted to R\$ 114 million.

The company is operating with less cash, to fund some of the acquisitions. That is why we have a slight reduction in our financial net income, and composing this pro-rata funding of RGE, we add 11.2% to our financial expenses, which increased.

The final result is positive in R\$ 72 million. The operating increase of EBITDA of R\$ 221 million, financial results increasing another R\$ 72 million, and the counterpart of that is R\$ 87 million additional income tax. So just breaking down the non-recurring events – out of the extra R\$ 87 million, we have R\$ 21 million come from the sale of our participation in Comgás, and R\$ 29 million from the decision related to PIS/COFINS.

Net income reached R\$ 1.059 million. Our growth, compared to the same period of last year, is 37.6%. Our net income is R\$ 230 million. In the first nine months, net income reached, as I said, R\$ 1.059 million, bigger than what we had in 2005, which was R\$ 1.025 million, and this accounts for a 65.3% growth over the first nine months of 2005.

As always, on page 13, we show you the last 12 months, ending every quarter, again, to show the constant growth of CPFL group. As result of our organic growth, of our completion of some generation investments and recently announced acquisitions; in the last 12 months, quarter ending in September 2006, we have R\$ 2.593 billion. In the pro-rata behavior, we would have a R\$ 1.439 billion net income.

This is just a demonstration that the company has, according to the forecasts, showing an operating growth which is quite sustainable and constant.

On page 14, we have EBITDA margin; it has floated around 31%, excluding these non-recurring events; that is 31.1%. This is the value according to the forecasts, and it corresponds to an increase of 3% vis-à-vis last year.

On page 15, we show the initial data on our share performance. Our share performance is doing better than our energy competitors, and is way above the Ibovespa share performance and the NYSE, that is quite good. We are performing

quite well, and I would like to highlight our daily average volume, which showed a 145% growth.

On the left, we are comparing CPFL with the main ratios of differentiated corporate governance. We have performed better than all of them.

I will give the floor now to Filippo, who is going to give you our market performance, two years since the IPO, and we will go back to the value creation agenda.

**Jose Antonio Filippo:**

On page 17 I give you our performance. In September we celebrated two years of IPO. I will try to show you our share performance.

On the top left corner, we have our share performance in Bovespa, an 84% variation, almost 85% against 83% of the electricity industry. And Ibovespa, 57.1%, the electricity industry had an appreciation push by some generators, including CETEP and CESP; they pushed the ration forward. Still, to CPFL had a performance above the general ratio of the electricity industry.

On the right, we have our share performance in the NYSE; the variation is more expressive, because of the appreciation of the real vis-à-vis the USD. CPFL appreciated 144.3% when compared with our benchmark, which would be the Dow Jones Brazil 20 – the 20 most trades ADRs in New York, 94%.

It is worth remembering that the company mentioned that our goals for the future would be to actively participate as a player and consolidating the electricity industry, growing not only organically but through generation investments, which we have been doing, and being an active player in selling energy.

Here on the left we see what this period has been like. The growth in distribution, the acquisition of RGE this year, followed by the acquisition of Companhia Luz e Força Santa Cruz, and our organic growth amounted to 419,000 new connections in this two-year period. In terms of growth in generation, we acquired 11% of the shares of Foz do Chapecó, and 30% of capacity growth, and we concluded two of the six enterprises we have undertaken – Monte Claro and Barra Grande.

And, finally, growth in commercialization – an increase of 114% in the number of clients, a growth of 13 p.p. in the market share.

And here we see the evolution of the market gap of the company; starting from the IPO, the amount of shares was R\$ 7.1 billion, and now it is R\$ 15.3 billion. It is an expressive growth of the company, which reflects the perception and added value of the company in this period.

Page 18. Now we highlight an important thing that has to do with company liquidity. On the upper chart, we have an evolution quarter-over-quarter, a daily average volume comparison; if we add both markets together – Sao Paulo and New York – we have an 145% increase if compared with the 1Q05, right after we



went public. And now for the last quarter, which is the 3Q06, we notice that we are reaching R\$ 17.2 million on an average daily created volume. This is very expressive, reflecting interest in our company and more activity with our shares.

But another chart shows that, not only that, but these volumes do not reflect only Bovespa, but also NYSE. The daily interest or stake of CPFL in the Bovespa market has been growing as well, not only in nominal value, but also as a percentage, reaching more than 0.5% over the last quarter.

And at the bottom chart, we have the number of trades, with an expressive growth, reaching 377 trades on average, on a daily basis. So, we have a dilution; these are expressive volumes, but a lot of trades. And this shows all the actions over these two years; notice that, if we consider our balance sheet, especially for IR, we are coming close to investors, we have individual meetings and attendances, APIMECs and ABAMECs, with the presence of the high management of the company always close to investors. We had 503 one-on-one meetings since the IPO, one every two business days. So we have support to institutions that provide coverage – 18 institutions are working on the reports of CPFL.

And also minority migration from the company's subsidiaries, adding a number of investors in the holding company, and also several indexes, especially for differentiated corporate governance.

On page 19, we have recognition by entities related to IR market. We have awards for the company because of regular participation with investors.

**Wilson Ferreira Jr.:**

Now we are moving to our value creating agenda. On page 21, we would just like to report that the company is featured by five basic strategies. The first two are related, so the company prefers to have a synergic growth, so we integrated our functions, we share our scale. And we stand for operating efficiency, especially if you consider our operational benchmarks quality of service, efficient costs, and so on and so forth.

In this sector, we try to leverage with a brand for financial discipline, with a lot of parameters, and we also want to have all our financial under control, in the best practices. And there are two things that are core and critical for the company: differentiate corporate governance – we were pioneer in the Novo Mercado sector. We are still ADR level three in New York. In addition to a concern with our inclusion in the communities where operate, in order to promote sustainability and corporate responsibility.

I have the pleasure to share some of these programs with you. First of all, on page 22, we have a disclosure of our activities for the last three months in RGE. We have been leading this company ever since early June, and this is the first balance of our plans for the company.

Two weeks ago, we defined a new organization chart, tried to share synergies with CPFL group, bringing it a new system for the operation. And based on that, we had a 45% reduction in the number of functional areas; so we have some squares in the organization charts of the company. We have more operational areas that are management focused, in order to improve efficiency and work on additional investments of the company, in order to reduce our costs right after that.

Consequently, we have already improved our CAPEX for the year; we used to have R\$ 92 million in the estimate, and now we have R\$ 132.5 million. And for 2007, we have additional R\$ 66 million; this is part of a strategy to improve the reliability of the electric system, and therefore reduce costs. And, naturally, these investments are also focused to increase the remuneration base of the company, especially for tariff review over 2008.

We also have a set of initiatives that are already ongoing. In addition to our organizational structure, we are trying to centralize our materials purchases – materials like cables, gauges, transformers, on the unit base. We are also centralizing all human resources processes, including the payroll; we have a call center virtual unification, for RGE more specifically. We used to have a complementary operation with a private enterprise, and now we decided to have, in our call center in Campinas, by using RGE as the complement.

We are also trying to optimize licenses of software, support services, and also companies that provide services for IT. Infra-structure optimization: we used to have two facilities in Porto Alegre, and they are outside of our concession area, so we are reducing one as of January next year.

We are trying to work on delinquency; we have about R\$ 60 million of credit to receive from local authorities. This is an important activity we have conducted, and we have already negotiated with 16 city halls, and we have lawsuits in more than five, and we have already had expressive reductions in delinquency.

We are also working on cost of debt, and the parameters are different from CPFL groups as a whole, so we are going to benefit from cost reductions, tax and insurance premium. And we also want to work on goodwill tax credit optimization.

As part of the process of restructuring for the electrical system, we also have unbundling of RGE's operation over the 1Q07. Consequently, we believe that our results... We have an increase in EBITDA, R\$ 32 million on an annual basis.

Second event, page 23, is this acquisition of Companhia Luz e Força Santa Cruz. Once again, on page 24, we want to show our concession area, which is perfectly close to Paulista, and we have the group in three municipalities in the state of Paraná. Through this acquisition, we exceeded 5,750 million customers; today we have about 5,850 million. And now, our concession area is close to 200 km<sup>2</sup>.

On page 25, we are accounting our install capacity today – 1.1 thousand MW. We have CPFL, we have other companies in the state of São Paulo, in the Southern states, our stake in the Serra Mesa power plant, Seram, our stake in the Monte

Claro power plant, and Baesa, where we have 25%, and the total is 570 MW medium for assured energy.

We begin to repower two additional companies, in the state of São Paulo, for their operation that has already been modernized, and we are starting it next year.

On page 26, for the future, we will probably conclude – I think we have a slide on that – Enercan, we will probably conclude our civil works over the next few days, we are waiting for ANEEL's approval; and next year, we will also be delivering the Castro Alves power plant, and the 14 de Julho power plant. And for Foz do Chapecó, we have concluded everything related to IPC, and we are about to submit all our documentation to the BNDES for funding purposes.

On page 27, this is the current status of Campos Novos power plant. This is the status of civil works; you, analysts, know that we had some cracks on the surface. This has been totally repaired, all the machines are already assembled, in the stage of commissioning with water; each one of them will demand only seven days of commissioning with water to start running.

So, we are still waiting for ANEEL's assessment and approval, so we can begin to fill this plant. We believe that, considering the volume, we have about 45 days for the filling process. It could be longer or not, because we have different water flows in the long-term process.

The important thing is that we are about to conclude this work, waiting for ANEEL's approval for another filling of the reservoir.

Having said that, we conclude synergic growth, and I would like to share some figures on page 29, related to operating efficiency. First, something very relevant for distribution – a reduction of commercial losses. We are still having a good performance in Paulista and Piratininga and, once again, we checked all the figures for RGE. We have reductions in Paulista and Piratininga, and a new figure of 2.53 for RGE; and based on that, we will begin to have reductions in RGE as well. For the quarter, we had more than 143 thousand inspections; as the result of these activities, we have had R\$ 37 million.

I talked about delinquency in the beginning, and we are further reducing delinquency in Paulista, 3%, and we are virtually stable in Piratininga, 1.44% - it is the lowest in the sector. And now we have an intense collection process on RGE, and we had a reduction of 40% in delinquency, reaching 3.86%, with an additional potential of R\$ 60 million to be obtained from these negotiations with the private and public sectors.

On page 30, some details on results, related to the reliability of the system. We have Paulista and Piratininga with the best performances in Brazilian companies, in terms of duration and also frequency of interruptions. But on the right, we also have an impact of these actions with RGE, with an important reduction of 32% in the outage interruption, and 21% in outage frequency.



We think we will be able to reduce it even further over the next two years, coming close to 13-15 hours for adjusted, something around 10-12 adjusted.

So, we still have some room, considering our investments, in order to further improve reliability. And you know that, from the moment we do that, our operating structure can be a little bit lower, therefore generating cost reduction to the group.

Page 31, We are reporting some initiatives in our commercialization. As Filippo said before, from start-up we doubled the company's market share, 27% now. And, over this quarter, we added for our number of customers 90 free customers.

It is important to point out on the lower chart customer flow today. Over this quarter, we would have 996 GWh. So, we had some consumers who were terminating or closing their contracts; they had a chance to migrate to the free market and I noticed that 70% of them decided to renew their contracts with the company's distributors. 13% of the volume was traded with CPFL Brasil. And, in markets outside the concessionary, we could add 23% of the volume. We have 90 GWh as a positive balance.

So, this is a trend for the group, that remained over this quarter, improving a little bit our volumes and justifying the growth that I mentioned in the beginning of this conference, something around 35% of growth in the free market.

Page 32, we are breaking down the effect of the annual tariff review for Piratininga – as you know we have a link between Bandeirante and Piratininga. Bandeirante was acknowledged by ANEEL with an increase in the revenue share asset base value; so, the readjustment in 2003, which was mandatory, the lowest applying to both companies. Well, it moved from 6.67% to 10.14%, and the same went for Piratininga. Effects, or results, are shown here: an increase of R\$ 27 million in net income – well, this goes back to two years, R\$ 16.2 million. So, from this moment, according to the analysts, year-on-year we had R\$ 8.5 million impact for Piratininga in the next 12 months.

On page 33, just a report on review perspectives for the distribution companies. Well, we do not all the figures here, but, considering all the disclosers and public audiences and hearings, we have good outlooks for the process. Up here, we have moments for tariff reviews in the company's group. In October next year with Piratininga; February 2008, Santa Cruz; April 2008 with Paulista and RGE.

It is important to highlight, though, that the first thing is the regulatory asset base defined in the first date, which remains protected. So this is the key element to be used in the next review, and it will not be changed.

Changes in this protected asset base, first of all have to do with IGP-M variation in the period, investments made, that are added to the base, and regulatory depreciation and write-offs. This process can be followed-up by you from the moment we have additional investments and also depreciation for each one of our distributing units.

In addition to protection and preserving the values for the first cycle, we are trying to improve methodology by considering the inclusion of some items that were not considered in the first item.

Interest during construction, followed by additional cost of construction and minor components. I do not know if you remember, but we had a set of questions and concerns. We improved the process by including each one of these items. Besides, we have what we call incentive-based regulation. In the first cycle we also used a lower value to price the base, the lowest valued by the company. And now, we have the creation of a price-based reference by ANEEL, stimulating the company that can buy at lower value at this price, and then creating an incentive to promote a lesser price war, that assures you some benefits.

The second important item is the cost of capital. Here we have the capital structure review, considering domestic and foreign market references – this is an important piece of data. There is a possibility to move these items, but ANEEL, the regulating agency, has been very transparent that they are going to use this capital structure, which is also 50/50 considering domestic and foreign market references.

This is not a discretionary action, it is completely based on the market. And the debt cost included in the WAC will be the same for all companies. That was another question that we had, which was clarified by the regulating agency.

On page 34 we have other elements related to, for example, the reference company. First thing is the maintenance of the reference company concept, by area of concession, motivating operating efficiency. We are not going to have a method for every company, we are going to have one single method to be applied to all companies, obviously that will benefit the most efficient ones.

Another very important thing is that we have some services that will be taxed, and now they will be considered as part of the costs of the reference company. Most of the companies do not have this cost recognized and their revenue was used for a lower period. But, in order to provide these services, there are some costs incurred and they will be considered.

And now, the revision of the regulatory delinquency, considering the effective history on losses, things will be much more feasible than the previous ratios that were used before.

Another important fact was that the regulating agency recognized that that index, which could increase the factor X, which was customer satisfaction, which was really symmetric. Customers could benefit if they claimed to be dissatisfied with the company. This is going to be excluded of the factor X.

In other revenues, some companies worked to make the infrastructure more profitable, renting facilities etc, and this was also used for cheaper of tariffs. Now we are going to have, at least, 10%, that will be allocated to the distribution company. That was a significant improvement. With that, I will include the item on Operating Efficiency.

And, on page 36, I will ask Filippo to talk about the fiscal area, and to give you the main indexes of the company's funding.

**Jose Antonio Filippo:**

Some considerations on page 36 about our debt. We have here the financial debt, starting with the bank debt of R\$ 5.1 billion, adding to the CESP Foundation, the total gross debt would be of R\$ 6.37 billion. And then we start with the deductions: availability cash and financing and investments in RGE – it is debt without RGE, R\$ 1.1 billion, and the adjusted net debt is R\$ 4.4 billion at the end of 3Q06.

On the write upper hand corner we have the adjusted net debt; we see and increase in net debt to R\$ 4.4 billion, and what explains this variation is the acquisition of RGE, because we incorporated the acquisition percentage of the RGE's debt portion, that increased our net debt.

However, if we observe the adjusted net debt/EBITDA curve, we had R\$ 1.71 billion at the end of 3Q06, indicating that the debt RGE had incorporated was smaller compared to the EBITDA that came with the acquisition. That puts us in a very comfortable position in terms of net debt/EBITDA.

In the bottom chart, nominal cost of the debt, by coincidence the cost of the debt is the same comparing the 3Q05 and 3Q06, although we see that CDI interest rates dropped in 2006. But, in 2005, we had a deflation of IGP-M, so the weighted cost of the debt in 2005 was lower because of that IGP-M deflation – that can explain the same cost of debt. So, the cost of debt remains low, compatible with the risk level of the company and the level of funding that we have today.

Analyzing the indexing factors, TJLP increased, amounting to almost 1/3 of the debt, 31%. This reflects financing by BNDES approved for the CAPEX of distributing companies and by generation enterprises.

The last detail, to only strengthen, the 6% that we have of USD indexed debt are backed by assets in the company and, in consolidated terms, the number has no USD indexation spread of our debt.

On page 37, I give you some information about what we are calling non-recurring events of 3Q, when we sold our common shares of Comgas. The 3.93% shareholding of CPFL had no strategic value to us, because the company was still controlled by two other integral investors that had 76% and, 20% belongs to Shell and Integral. We did have the write of voting, but we could not really participate in the management of Comgas. These investments were not strategic to us.

When we could sell that shareholding, as this was not a strategic investment, we sold our R\$ 369 million total shares at R\$ 243.65 per thousand shares. A total book value of investment of R\$ 27.2 million, giving us a net gain of R\$ 41.4 million. This was important for the company in monetizing, we could monetize this investment that we shared in our sheet.

**Wilson Ferreira Jr.:**

On page 38 we are considering the inclusion of investments for Foz do Chapeco and RGE, totaling, in 2007, R\$ 1.077 billion. Obviously, this does not include possible acquisitions, this is just the organic growth by the company. If we divide that, R\$ 487 million in the area of generation and R\$ 590 in the area of distribution.

This year we have had organic growth investment in the amount of R\$ 560 million in the first nine months, adding R\$ 390 million as a result of the RGE acquisition; and 11% from the participation in Foz do Chapeco.

We have planned for the 4Q06 investments amounting to R\$ 60 million in expanding our activities, generation and distribution. And, when we closed the Santa Cruz acquisition deal, that should put the group investment position at around R\$ 1.4-1.5 billion invested in total.

We are finishing this item, I would just like to ask for your attention for another two minutes for our corporate responsibility. The company has insisted in social responsibility; we have developed a series of programs that I would like to highlight to you. The Value network, a program where we disseminate good practices in corporate governance and social responsibility. We carried out the 5<sup>th</sup> Annual Suppliers Meeting in August of 2006, as I said, with a participation of 90 suppliers. The company was chosen in the electricity industry as the company to disseminate good practices and to honor suppliers.

And celebrate one year of the CPFL program of Revitalization of Catholic Hospitals, we trained more than 1,600 participants, employees of these hospitals, so they can, therefore, improve the quality and performance of these hospitals.

For that, we have a series of partners I would like to highlight, like Compromisso Pela Qualidade Hospitalar and NGO that gives a certification of improved management. Our goal is that hospitals will have lower costs, will be more efficient, more assertive in diagnosis, will see patients in less time... out of the six hospital assessed, five of them were qualified with good or optimal management quality.

On page 41 we talk about the environment, another initiative by CPFL is the sales of carbon credits. We had 120,000 tons of CO2 equivalent. I believe that this should ensure for the company in the next years, where we will be selling this carbon credit at around € 1.2 million. This was recognized by the Clean Development Mechanism. We are working to recognize the credit of Monte Claro power plant, and it has not environmental impact.

This kind of work is very important, because we some additional revenue, and we see that the hydroelectric power investments are recognized that high quality in sparing the environment.

As a complement, we are going to launch more than 400,000 alevings in the water base of São Paulo and we will be donating more than 70,000 seeds to promote the reforestation, planting more trees in the urban area.

On page 43, to close, I would like to talk about corporate governance. As recommended by Sarbanes-Oxley and international consulting funds, we reviewed our code of ethics; we have submitted to the approval by our Board and we will be posting in our website the new review of the code of ethics. We have a series of commitments now made very clear – ethical commitments by our collaborators and top management – so that we can advance in ethics and dealings of CPFL.

These were my initial remarks, my group and myself are available to you, ladies and gentlemen, analysts and investors. We are open to your question and we would love to respond to them. Thank you.

**Edardo Haiama, Banco Pactual:**

Good afternoon, I have two questions, one regarding RGE, your were saying that you would have a R\$ 32.5 million annual gain. Do you think this is the top that you can get or do you expect to have more gains, I am just trying to know more about the situation of RGE. That was my first question.

My second questions is regarding expansion. Now, there is one power plant that is going to be offered in the market, or is going to be auctioned in the market. I would like to know if you would be interested in participating and making a bid?

**Wilson Ferreira Jr.:**

Regarding RGE, this was a 90-days study, we believe that we have covered the company well. We believe that in the potential of the company on average of values there might slight variations, due to our ability to invest, but I believe that this is somewhat solid and comprehensive study. We feel very safe regarding the amount of benefits that we can ripe annually. This is not a one point event, just on one year, we believe that this can added to our operating profit permanently every year.

This should be the possibility of participating in Celesp's auction, first we have the preference that is given to the partners. You were probably referring to Machadinho; I believe that they are going to exert that preference right, the company is not participating in Machadinho, so the company will not be able to participate.

**Eduardo Haiama:**

One more question regarding RGE. When do you think you will be reaching R\$ 32.5 million annually? And when do you think you will be implementing that?

**Wilson Ferreira Jr.:**



To be very clear, R\$ 32.5 million is an average value, mind you. I believe that next year we will be achieving that value. We might have higher values in the first years, because how effective we were in two items: delinquency recovery – we have had some favorable rulings, as I said, when we negotiated with 16 municipal governments, and we had favorable verdicts in many of those. I did not want to disclose the results, but I believe that we might have some positive surprises in this number of legal rulings.

And the second area is our commercial losses. We are putting together a structure so that, just like we do it in São Paulo, to be more effective regarding commercial sales, so that we can have more benefits than what we have estimated. We are trying to reduce our losses over the next 3-4 years, getting to 1%; if we are more effective we might have a positive surprise.

**Eduardo Haiama:**

Thank you very much.

**Gustavo Gataz, UBS:**

Good afternoon. I have some questions about the future, not really about the result. You mentioned, Wilson, in the presentation that ANEEL now takes into consideration that delinquency would be based on history. I do not understand that. Have you discussed that with the authorities? Are you going to do it company by company or is it going to be general history?

**Wilson Ferreira Jr.:**

Gustavo, this has not been defined yet. This is more a feeling that delinquency, just like losses, will be dealt with company by company based on history, so that we will have something more compatible. What we assessed is that this would be done in clusters. They would cluster together equivalent, or similar, companies, so that they can establish the parameters.

I believe that this is a shared opinion by agents in the industry, that we would have for unrecoverable revenues the percentage by company, considering history to come up with a target.

**Gustavo Gataz:**

My second question is regarding Campos Novos. I would like to know about the results in a more strategic question. Are you going to compensate the insurances related to Campos Novos, or anything that can happen will happen in the end of the story?

**Wilson Ferreira Jr.:**

Actually, we have two types of insurance: one insurance, relative to costs of repair – they have all been covered, there is no burden to the entrepreneur. And the

second is insurance due to indemnity of economic damages. This is part of insurance regulation and the result will be incorporated next year.

**Jose Antonio Filippo:**

Let me add to Campos Novos; it is not operational yet. Before all related costs are deferred, they are still being capitalized and they will be amortized as the company starts operating. We are considering costs and financial costs, we are still in a grace period, and the company is not operating yet.

**Gustavo Gataz:**

But, Filippo, let me try to understand that. What about energy purchase contracts? Are they being deferred as well? Or just the plant?

**Jose Antonio Filippo:**

No, I am talking about the plant project.

So, the cost of acquisition are being included.

**Gustavo Gataz:**

What about Foz do Chapeco, your presentation still considers 2010 as a potential start-up year, but you were involved in the new energy auction with it. Do you think this is feasible? What is your schedule for the beginning of works, so we can keep an eye on that?

**Wilson Ferreira Jr.:**

This is for December to begin the works and, therefore, the production schedule is mid-2010 until the end of 2010, with four machines. We are not there yet, but you can imagine that this energy will be worth money over 2010-2011.

**Gustavo Gataz:**

So, Eletrobras wants to be involved in this process, even though we do not have everything included as a new energy auction, right?

**Wilson Ferreira Jr.:**

Absolutely.

**Gustavo Gataz:**

My last question – actually I have two questions, but I will try to be brief. For Campos Novos, initially in the last conference call you said you could have start-up in October now. We believe that the reservoir filling will be a little bit ahead. Just to clarify, was there any unexpected delay? Or just normal safety procedure to make sure it will be up and running correctly?

**Wilson Ferreira Jr.:**

Gataz, we mentioned that in October we would be about to conclude work. There is a group of consultants representing ANEEL, and they asked for some additional repairs. We are about to conclude them, so they can inspect and authorize fillings. So, I believe we have a 20-day delay, or something around that.

But, considering the level of water, this is lower than the previous period. That is why I say that this work will effectively start-up with commissioning in the 1Q07. If we have a higher volume of water, it can be in the beginning or in the medium period if we are closer to our forecast.

**Gustavo Gataz:**

Thank you. And this is my last question, I think this is more addressed to Filippo, it is more strategic. When you closed Santa Cruz acquisition, which is really a concession agreement – today we have only eight years – what is the assumption used vis-à-vis the end of the construction? Are you sending back, less of synergy? Do you have an initial positioning?

**Jose Antonio Filippo:**

Obviously that was taken into account, and we think about what we do, but we do not have to be too specific, but everything has been priced.

**Gustavo Gataz:**

Thank you. Thank you, Wilson.

**Sergio Tamashiro, Itau Bank:**

Good afternoon. My question has to do with Campos Novos. In the previous call you also mentioned additional EBITDA, R\$ 12 million per month. I want to understand that better. By the end of the period, or in late 1Q, EBITDA that was realized, R\$ 12 million, could come at the end of the 1Q announce?

**Wilson Ferreira Jr.:**

It has to do with the insurance regulation. The insurance should be regulating and has to submit its position; and also we have that regulator from the moment you have the effective operation by the company. At any moment this can be regulated and your decision can be released or approved.

**Sergio Tamashiro:**

Anyway, you are going to have an extraordinary EBITDA for next year?

**Wilson Ferreira Jr.:**

Right.

**Sergio Tamashiro:**

What about this increase in free flow, when you mention three years? What about September next year? I know this is not exactly related to you, but if it is outside the control block, we can think of something outside the free flow – 25%. Are you going to have a parallel process in order to be independent from Bradespar? Or Bradespar is already there and you no longer have a program for secondary placement?

**Wilson Ferreira Jr.:**

We have not come to a decision yet, Sergio. Actually we will be waiting to see what Bradespar is going to do with its own share. This is not a public factor, it has not been disclosed, I think they have a strategy and the company should be involved in case they decide to do so. So, we still have to wait for Bradespar's positioning and decision so we can make our own decision.

Obviously, what used to encourage us to have a primary and secondary position was the possibility of consolidation. In the trades closed this year we could use our own capital, structure, cash available and access to funding. And we did not need to have access to the capital's market. But, the moment the opportunity exists, then we can go on.

**Sérgio Tamashiro:**

Think about timing, maybe it would take them longer to come to a decision, and then you are going to be locked in the process.

**Wilson Ferreira Jr.:**

They said that they would conclude this in December; that is a relevant fact. And we can wait for that.

**Sérgio Tamashiro:**

And what about CAPEX? Could you give me new data? You are including 33% of RGE now, and maybe we are going to have a review that is a little bit upper on the scale.

**Wilson Ferreira Jr.:**

That was R\$ 40 million for RGE this year, and R\$ 60 million more for next year.

**Sérgio Tamashiro:**

Could you give me the total consolidated figures?

**Wilson Ferreira Jr.:**

Vitor can do that.

**Vitor Fagá:**

Distribution, Sérgio, was R\$ 590 million in 2007. For generation, R\$ 487 million, totaling R\$ 1,077 billion for 2007. Notice that this excludes any additional investment and new acquisitions. This is just the current business plan of the company, considering 11% of Foz do Chapecó for generation, additional investments in RGE, and excluding any additional investments that Santa Cruz provided – they have not been approved by regulatory agencies.

Breakdowns for 2010, you have this on the Financial Discipline slide.

**Sérgio Tamashiro:**

OK, thank you.

**Lilianna Yang, JP Morgan:**

Good afternoon. Regarding acquisitions, I would like to know whether you are focusing on generation and transmission. And could you tell me if this would be about CESP? Is that a real possibility or would this asset be too high? And what about transmission assets?

And also a follow-up: for 2006, will you decide to pay 100% of the profits? Thank you.

**Wilson Ferreira Jr.:**

We have been able to pay these 95% - 100% in one quarter, 95% that I adjusted over the year. So, primarily, this is our drive.

As for the acquisitions, I would say we have few options, both for generation, or maybe no option now for generation or transmission. So, we decided, for generation, to think about auctions. So far, at least in the last auctions, we have not identified the price paid that is going to add value, and that is why we did not participate in that.

Now, we are moving into another phase, that is more productive, considering growth, and we have to add about 4,000 mW/year. I imagine the government will make that available and, somehow, have recognize more clearly the need to have the private capital involved, and I believe we have both the technical and financial means to be able to develop projects, provided they are in the auction agenda.

That is our preference for the generation area. For transmission, we qualified the group, and we formed a team, and we are qualified for the next two auctions. The main goal is to fully develop in this area, identifying the key capabilities,



professionals, companies that could partner with CPFL in order to develop winning projects. So far, we do not have a decision from our Board related to such participation, but we will be sharing the results of these analysis for the first auction next week.

**Lilianna Yang:**

Could you comment on the potential purchases of existing assets, from CESP, for instance? Or even in transmission, under the new model? Thank you.

**Wilson Ferreira Jr.:**

For CESP, all we have is the speculation from the market. I am not so sure, considering this thing. I know this asset makes a lot of sense to the group, it is very expressive, although very big. I believe this operation should be carried out... If we have a decision from the government, then we could see how to it would do it. It actually has, the possibility of dividing this asset into smaller power plants; I mean we have a very big plant, like Ilha Solteira, which is almost half of the whole CESP asset, but it also has Porto Primavera, Jupia... So it really depends on the model that is going to be developed by the regulatory agencies.

Certainly, we would be interested in that asset, especially if it were structures into smaller units, so we could be more deeply involved.

As for transmission, so far we are not aware of relevant operations to sell assets. We have not had access to any of them. As we said before, we had made a strategic decision to be in transmission through the privatization of a big assets, CETEP. We were not successful in that operation and we formed a group, like we are doing in generation, to try to go to green fields.

**Lilianna Yang:**

Thank you.

**Operator:**

Now I would like to give the floor back to Mr. Wilson Ferreira Junior for his final remarks.

**Wilson Ferreira Junior:**

Once again, I would like to thank you all for attending our earnings conference, and to emphasize our trust in our strategy that we have just shared with you. We are very pleased to be here with you, to put this strategy forward, now with examples of the three acquisitions for the year.

Especially, I would like to express my satisfaction with this increasing improvement in the energy sector, especially the low voltage sectors that add more value to the company. Not to mention our very positive outlook, and very balanced vis-à-vis the tariff review process, which has been taken calmly by regulatory bodies, very

productively with our agencies. So, we are very optimistic with our next quarters and financial accounting periods in the energy area, and we are confident that this will lead the government to bring more opportunities for generation and also for transmission.

We imagine CPFL, considering the demonstrations, the earnings, and its size, will be present in this new era of growth in the electrical sector.

So, once again, thank you very much. We hope to see you again in our next call.

**Operator:**

This thus concludes CPFL's conference call. We would like to thank you all for attending. Good afternoon.