

Operator: Good afternoon and thank you for waiting. Welcome to CPFL ENERGIA's 2007 Results' conference call.

Today we have with us the following executives: CPFL Energia's CEO Wilson Ferreira Júnior, and CFO and Head of Investor Relations Office José Antônio de Almeida Filippo, as well as other directors of the company.

This conference call is being simultaneously broadcasted on the internet on CPFL ENERGIA's Investor Relations website, on the following address: www.cpfl.com.br/ir, where you can also download the presentation. All participants will only be listening to the conference call during the company's presentation, and after that we will begin the questions and answers session, when further instructions will be provided. Should any participant need assistance during this call, please press *0 to reach the operator. This conference call is being recorded.

Before proceeding, let me mention that forward-looking statements which may arise during this conference call, relating to CPFL ENERGIA's business perspectives, projections and financial and operating goals are based on the beliefs and assumptions of the company's Management and on information currently available to the company. Statements and information about the future are not a guarantee of performance. They involve risks, uncertainties, and assumptions because they refer to future events, depending, thus, on circumstances which might or might not occur. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of CPFL ENERGIA and could cause results to materially differ from those expressed in such forward-looking statements.

Now Wilson Ferreira Junior has the floor. Please, Mr. Wilson, you may proceed.

Wilson Ferreira Júnior: Ok. So good afternoon ladies and gentlemen, investors, analysts, it is my pleasure to be here with you, sharing CPFL Energia Group's 2007 results, emphasizing, naturally, the fourth quarter. I will begin my presentation on page 2, where we have a summary of this result. I would like to point out the 16.5% year-on-year increase in our revenue, which reached R\$9,410 million. This result is mainly due to the growth in sales of energy in the concession areas of our eight distributors, and also the impacts of the acquisition of CPFL Jaguariúna, former CMS Brasil. We will give further details later. I would also like to accentuate the company's Ebitda, which amounted to R\$3,345 million in 2007, up 20% compared to 2006; and totaled R\$781 million in the fourth quarter, up 14% against the fourth quarter of 2006. The Ebitda is directly affected by the result, especially the operating result relating to the purchase of energy at better-than-usual conditions to supply our operations, and the reduction of costs or maintenance of operating costs below the revenue growth, which we will detail later.

I also think it is important to point out our net income, the highest ever in the history of this Group ever since its foundation, which amounted to R\$1,643 million, an increase of 17% compared to 2006. In the fourth quarter alone, net income reached R\$373 million. I would like to say this result... this improved result, this increase in result, especially the variations in the Ebitda margin and net income margin, are directly affected by the growth in power generation operations,

especially the commercial startup of Campos Novos Plant, where the group had an important advance in terms of installed capacity, we will detail this later as well, but this rise is higher than 40%, and it directly affects results because we also have operations in this sector, with the Brazilian benchmarks, that is, an Ebitda margin superior to 85%.

As a result of all of this, this very high income, we are proposing the distribution of R\$1,561 million in dividends, which results in annual dividends of 9.7%, which led to increased liquidity of our shares. CPFL Energia was listed on IBX 50 last year, Ibovespa, and Morgan Stanley's MSCI indexes. Thus, 2007 was a year to be celebrated, a year, as I've said before, when we consolidated our leadership in the power sector, and when we reaffirmed our belief in a strategy which is well known by you and which we will talk about later.

On page 3 we have our corporate structure, our shareholding structure. The highlight here is the 100% of RGE and its merger. Here we have all details of CPFL Jaguariúna's distribution operations, former CMS Group, of all acquisitions we've made, separated by distribution, commercialization and generation operations.

On page 4, we have the Group's positioning in the three activities where it has operations. The highlight here is that we have continually grown in commercialization and distribution, remaining as the leader of both markets. This is very important. The Group is currently the largest energy operator, both in the free and captive markets. Also, the Group owns four commercialization and eight distribution companies. These are relevant market shares, in concession areas which are outstanding compared to the whole country. These areas recorded growth above the country's average. So we rank among the ten largest generation players in Brazil, with important growth rates and with construction works to be finished. I also want to point out that the Castro Alves Plant, the fourth plant of the investments we started making in 2002, will start its commercial operations today.

On page 5 we have the details of the energy sales in the fourth quarter and in the whole year of 2007. Speaking of the year's growth, in the concession area it reached 12.4%, with a 10.9% increase in the captive market and a 17% rise in the so-called free market, even though the free market has been showing more modest results, as you can see when this chart is compared to the one above, the fourth quarter sales chart. We can see here a higher growth rate in the concession area, and a 13.8% growth rate in the free market. This shows the free market has started to stabilize, while the captive market has benefitted from the quality of the assets in the concession area and the strong economic growth the country has been through, which has guided our sales growth. Last year, as you can see in the middle chart, was a year when we consolidated our sales position, so sales are practically stable, showing a slight drop. It is worth reminding that we have a withdrawal of volumes due to the acquisition of RGE... A direct withdrawal from CPFL Brasil to RGE. These are now intercompany sales. This is why you have this drop, from a bookkeeping point-of-view. If we did not have this effect, the drop would have been of 2.8% year-on-year, and practically stable in the quarter. This is mainly due to bookkeeping adjustments, considering an increase in CPFL Group's and RGE's positioning; thus, sales of CPFL Brasil to RGE are considered intercompany sales, and are not booked as sales to the free market. Our distributors' sales, including free market sales, reached 44,196 thousand GWh in the year, an increase of 7.5% in the year, and of 8.3% in the last quarter of 2007.

On page 6, we can see the details of this performance, considering Brazil as a whole and the regions where we have operations through our distributors. This was a very good year: Brazil records a 5.4% increase in sales, while the Group reaches a 6% rise in the same comparison basis, and an increase of 12.4% considering the effect of the acquisitions. In the Southeast, where we now have seven distributors, growth reached 5%, while our distributors' growth amounted to 5.7%. In the South, especially the state of Rio Grande do Sul, where we have operations through RGE, growth was of 5.3%, while our operations gained 8.3%. At the bottom of the page you can

see further details. I would like to point out the strong sales in the residential and commercial markets: when acquisitions are not taken into account, growth was of 6.9%, and considering the effect of the acquisitions, growth ranges between 12.5% and 13.5%. Thus, this is evidently the key driver of CPFL Group's result, through its eight distributors, which together account for 70% of the results of the Group as a whole.

On page 7 you can see details of the growth in net revenues. The highlight here is the increase of 14.4% in energy sales revenue, which include sales... the 7.5% increase in sales I have already talked about, and then, naturally, the effect of the rate adjustments of Paulista, Piratininga and RGE, especially Paulista and RGE, during the year, an increase between 6% and 7%, and the first rate adjustment of Piratininga Group, which cut its result by 10% as of October 2007. The results of these adjustments are an increase in the TUSD revenue, in a market which has posted more modest results, as I've said before, this time growth of 15%, and reductions in the increase of ICMS tax. Thus, we have net revenue excluding non-recurring effects of R\$9,221 million. And because we will have this month the result of a regulatory application, where you must account for the write-off of free energy liability, we have a non-recurring increase of R\$189 million in revenue, which will be integrally deducted from expenses. Thus, this result is transparent for the Ebitda effect, and we naturally have booked this volume as a non-recurring effect for you to consider in future evaluations.

On page 8 you can see our Ebitda, which recorded growth of 19.9% in the year, this is a recurring value. This result is chiefly driven by the increase of nearly 19% in net revenues, up R\$1.5 billion year-on-year, with a deduction of R\$562 million - an increase of 13.4% in energy costs and charges, and R\$294 million, referring to operating costs and expenses, including the R\$189 million I mentioned earlier which refer to the write-off of free energy assets and liabilities. Excluding these effects, our cost increase would have reached R\$110 million, which corresponds to a decrease of 0.7% without the acquisitions and a 10.8% increase considering the acquisitions. This result is below the increase in energy volume, and far below the increase in the Group's net revenues. This explains the increase of R\$556 million in the Ebitda, from R\$2,789 million to R\$3,345 million.

On page 9 we can see these effects by market segment, both in 2007 against 2006, and in the fourth quarter of 2007 compared to the same period in 2006. You can see growth of 23% in distribution, especially acquisitions; of 29% in commercialization; and of 25% in generation during the year. In the quarterly comparison, growth in generation reached 16%; in commercialization, 22%; and in distribution, 17%. These are strong results which reaffirm, as I've mentioned before, the Group's operating performance in each of its activities.

On page 10 we can see the increase of 17% in net income, which was the best result ever in the Group's history, amounting to R\$1,643 million. This is a result of the increase of nearly 20% in the Ebitda, or R\$556 million, financial effects discounted. Another highlight here is the 40% drop in financial income, due mainly to lower financial application revenue, both because we had a lower volume of resources applied (this would be the main reason), and because against 2006 we have the Pis/Cofins resource, which was a non-recurring effect of R\$153 million. Thus, both factors determined the 40% drop in our revenues. But notice that in order to fund our acquisitions, the company's indebtedness process, to fund the acquisition of Santa Cruz, in the second half, to CPFL Jaguariúna, despite the increase in our indebtedness, we had a 3.5% reduction in our financial expense, due to the company's financial leverage strategy, especially in terms of the rates it used for the leverage. There was also a conclusion of the amortization of a net extraordinary item of 2006 relating to CVM 371, referring to pension plans, of Piratininga in this case. So we posted a record high net income of R\$1,643 million.

On page 11 there is the net income and Ebitda breakdown. It is very clear that distributors have the largest stake in the operating result of our Group. Generation companies have an increasing

stake of 16%, while commercialization companies have a lower 11% share. The chart at the bottom of the page shows a little lower share for generation, 15%, due to its leverage; while commercialization, which has no leverage, has a 13% stake. Note that from 2005 to 2007, we have growth both in Ebitda margin and net margin, a result which shows feasibility and especially the operating synergies resulting from the growth process.

On page 12, you can see the distribution of dividends per halves, showing the company distributed R\$1,561 billion in 2007, reaching R\$3.25 per share, which means a dividend yield of 9.7% for the past 12 months. If we take into account the distribution of dividends since the company's IPO, dividend yield is practically of 50% of CPFL shares' value. This is a very important result, which has guaranteed CPFL investors both the valuation of the shares due to growth in operations and liquidity in the form of dividends in values, the highest values of the Brazilian stock market.

On page 13 you can see the evaluation of the Group's debt profile. Net adjusted debt has reached R\$5.1 billion, resulting from a slightly higher than R\$6 billion financial debt, considering the values of debt with private pension fund Fundação CESP, net of cash and cash equivalents. By the end of the year, cash and cash equivalents were over R\$1.1 billion, while regulatory assets were at R\$573 million. You can also note that, despite the growth of nearly R\$600 million in debt in 2007 to fund our acquisitions, we have a continually decreasing Adjusted Net Debt/Ebitda ratio, which has reached 1.53.

On page 14 you can see our biggest challenge: the company currently has a capital structure which consists of 48% of own capital and 52% of financings. This structure has been stabilizing at this point. This is why it is important that the company continues to focus on growth alternatives, involving acquisitions, in such a manner that it can optimize its net debt/Ebitda ratio which is already low, and achieve a capital structure which is more favorable than the one it has today. This structure is really good, but it can be improved. Here we have an evaluation of this financial strategy, which I mentioned earlier, concentrating our indebtedness in CDI and TJLP, taking advantage of the drop in both rates, and the main debt rollovers during 2007, totaling R\$1.4 billion. As we can see on page 15, the company's AA- rating by Standard & Poor's, and AA by Fitch, has been boosted, resulting from the financial strategy conducted by our CFO, José Antônio Filippa, and as you can see it is very successful. And once again, for another year, our nominal cost of debt moved lower, reaching 12.1% in 2007.

On page 16 you will see a report on our investments, showing this new stage the Group is in. Investments in the company's own operations moved higher, reaching R\$1,133 million last year, which include values relating to acquisitions – R\$418 million in 2007 and R\$627 million in 2006, totaling R\$1,551 million in investments in 2007. At the bottom of the page you can see the key acquisitions. The highlight in 2007 was the acquisition of the CMS Group for R\$412 million.

On page 17 you will find a prospective evaluation of investments in operations. The highlight here is generation and distribution, areas in which we plan to invest nearly R\$5 billion in the next five years. Another highlight is the growth in distribution operations, which already incorporate the variation of new operations, five distributors, and RGE's pro rata, 1/3 of the acquisition made in 2006, resulting in growth in our investments, as well as additional investments in distribution operations, in view of the new estimates of market growth at rates slightly higher than those we estimated last year. In the generation area, the highlight is the conclusion of the plants of the Ceran complex in 2008, and our continual investment in Foz do Chapecó, the only which is ongoing, in addition to Ceran, up to 2010.

On page 18, you will find a preliminary evaluation of rate revisions. The first line refers to the values proposed by the Aneel in a public hearing, and the second line shows the values resulting from the discussion between the regulatory agency and the company, which generated slight

improvements in each of the presented cases. In the case of Paulista and RGE, the day before yesterday we held a public hearing of Paulista, and by the beginning of March, on the 13th, we will have the last public hearing of RGE. These are the two items pending closure proposed by the CPFL Group to the Aneel. When this process is concluded we will start the second cycle.

On page 19, I would like to point out the 19 mergers which generated a tax shield of R\$380 million to the Group. Here you can see the generation corporate structure; the highlight was the merger of CPFL Centrais Elétricas and CPFL Geração in the first quarter of 2007, a tax shield of nearly R\$80 million; the merger of CPFL Serra, the vehicle for the acquisition of RGE, in the third quarter, generating a tax shield of R\$265 million; and the merger of Nova 4 in the fourth quarter of 2007, which was the vehicle for the acquisition of CPFL Santa Cruz, resulting in a tax shield of R\$37 million. The only pending operation is the merger of CPFL Jaguariúna, which is the vehicle for the acquisition of all assets of the CMS Group, which we expect to generate a nominal tax shield of R\$49 million.

On page 20 I will begin to show you the operating performance, resulting from the implementation of better practices by our distributors. You can see delinquency dropped 0.3% in all our distribution assets. The highlight last year was the drop in RGE delinquency rates, by 3.2%, above the group's average, which was of 0.5%. Also, the Group practiced the best DEC hours and FEC times recorded in Brazil.

On page 21, you can see how these better practices, productivity, and efficiency are translated into better results of the acquired operations. RGE, with one year and a half of operations, reached the best result ever since its privatization, with Ebitda of R\$400 million, and increase of 36% year-on-year, and with income of R\$173 million, an increase of 43%. CPFL Santa Cruz also recorded its best result ever, with income of R\$ 38 million, up 70% year-on-year, and Ebitda above R\$50 million. CPFL Jaguariúna, which is merged only, recorded expressive results in the second half, with net income of R\$ 24 million, an increase of 20% compared to the same period in 2006.

On page 22, the increase, as we have said before, in our generation activity, reaching 1,588 MW of installed capacity last year, mainly due to the beginning of operations of Campos Novos and the acquisition of CMS's assets, where we have a stake at Lajeado. The highlight here is the continual growth, which we estimate will be of another 9.4% this year, resulting from the conclusion of the two operations - Castro Alves today, and 14 de Julho in the second half, Closer to the fourth quarter -, and the continuous work at Foz do Chapecó, so that we have a growth of 25% next year, reaching installed capacity of 2,174 MW. Growth is expressive in the generation sector, and it is the main result of the increase in our Ebitda and net income margins, for we operate with an efficiency level which is outstanding compared to the sector as a whole.

On page 23 you can see once again the figures of the Campos Novos plant, an investment of nearly R\$800 million, adding over R\$170 million of additional revenue per year, and which has a very favorable installed capacity per flooded area ratio, of 25 MW per km². Thus, our intention here is to have this asset's quality acknowledged, and also have carbon credits linked to it.

On page 24, you can see a continual work we have done since the creation of CPFL Geração, that is, the repowering of old small hydropower plants. Last year we worked on the Gavião Peixoto, Chibarro, and Capão Preto plants, adding 4 average MW. These are very important investments, which renew these assets. These assets are contracted directly with our distributors, an addendum to the contract... the only possible addendum in power purchase and sale agreements, at a price which makes a lot of sense to the Group. We also have potential to add another 15 average MW of assured energy to the existing small hydropower plants. As I've said on the previous slides, this is the Castro Alves plant. You can see the conclusion of this plant: first before the filling, and later on February 3, when it was already filled. On February 3 we made all tests for the beginning of

operations today, February 29, 2008. This plant adds 84 MW of power and 41 average MW to the Group's current capacity, meaning increase in revenues of R\$45 million. All this energy is already contracted with our distributors.

On the next page you can see the details of the two construction works in progress - 14 de Julho plant, with nearly 80% of the works completed, and expected to go online in the fourth quarter of 2008; and Foz do Chapecó, with ¼ of the works completed, and expected to start operations in the third quarter of 2010. It is worth pointing out, in the case of Foz do Chapecó, the sale of our additional 11% stake in the A-5 auction, at a rate of R\$131.49 per MWh, and CPFL's total investment, already taking into account the BNDES financing installments released in December 2007, worth R\$245 million.

On page 27, you can see the performance of CPFL Brasil, a set of auctions operated by the company for the long-term operations. We want to share with you the perspective of continuous strong commercialization operations in Brazil, and CPFL Brasil's excellent positioning in this market, because we held an auction in August where we sold energy until 2012 at an average price of R\$143 per MWh, and in September we held another auction for the period from 2008 to 2020, where prices reached R\$147 million. Moreover, the company has been working on the development of value-added services in the transmission and distribution system to connect customers to these networks, in assets, and self-production assets' management. In 2007 we could develop 200 projects, which represented total sales of nearly R\$50 million. So you have an idea of the importance of this activity, which is an important means to gain our customers' loyalty, ever since 2002, when we started this operation, we have already installed almost 1 thousand MVA at industrial customers, which is practically 60% of a company like RGE, which has over 50 years of operations, with 670 km of lines.

Moving forward to the last part of our presentation, I want to point out sustainability and social responsibility actions. In 2007, we worked with our internal audience on our code of ethics, which has been updated in line with the Sarbanes-Oxley Act, on the implementation of an ethics management and development system, which is unprecedented in the sector, and on the creation of CPFL Energia's ethics network. In terms of environmental management, the company is the first to print power bills on recycled paper. In 2007 alone, 56 million bills were printed on recycled paper. Also, we continued our Tear and Rede de Valor programs, as an attempt to bring this sustainability and social-environmental vision to our suppliers and customers. We have also maintained our community works, supporting the Municipal Councils for Children's and Adolescents' Rights, in an investment of R\$3 million. Another R\$1 million were invested in our program for the remodeling of charity hospitals and philanthropic hospitals. In terms of knowledge management, the company continued the cycles of the Espaço Cultural, the fifth cycle of global warming discussions, with 40 lectures and 6 thousand participants; and the CPFL Management, a program for the development of the company's executives, in a partnership with large institutions, including the IBMEC, where we trained and developed 159 executives of the company.

Now I will begin the last part of our presentation, showing that all of this has been monitored from the perspective of our shares. We had a performance slightly higher than the IEE's last year, but it is worth mentioning that in part the shares moved up because of privatization effects, I would say the important... continual demand for our shares. Thus, the number of retail investors rose from 18.7 to 21.1 thousand individual customers, an increase of 13%. Our shares also had an expressive valuation in New York, due not only to the company's performance in Brazil, but also to the valuation of the Brazilian Real against the dollar.

It can also be seen on page 30. The average traded volume, which has been growing since our IPO, grew 570% in the last two years, reaching a daily average of 750 operations in São Paulo, a volume of R\$17.2 million per day. This is a very important result. As you can see on the chart at

the bottom of the page, our operations have not only grown in Brazil, but also in New York, totaling R\$32.5 million per day in operations both in São Paulo and in New York. Without a shadow of doubt this has strengthened our positions and led us to be listed on the key indexes in Brazil and New York; in 2007 the company was listed in the Ibovespa and IBX50, and in the Morgan Stanley indexes, as we had mentioned in the beginning of the presentation. Investment funds pegged to the IBX50 and Ibovespa currently represent shareholder equity of R\$31 billion, and they have their portfolios in CPFL papers.

It is also important to mention, on page 32, that the company has been closer to analysts and investors. You can see a bit of what this team did in 2007 to strengthen the bonds with you, led by Mr. Filippo, the head of the Investor Relations area. A total of 11 APIMECs, 4 webcasts, 8 conferences, 6 non-deal road shows, 24 institutions covering the company, and 180 meetings were held in 2007. We strive to improve every day. In order to do so, we have relationship channels, brochures, newsletters, website. Our Investor Day was outstanding, and received the APIMEC quality award as the best presentation of 2007. Other awards are listed at the bottom of the page.

That ends the presentation. I am here with Officers Filippo, Gustavo, and Bassalo, to add further information or solve any doubts. Thank you.

Questions and Answers

Operator: Ladies and gentleman, we will now begin the questions and answers session. In order to ask a question, please press asterisk (*) one (1). In order to remove your question from the queue, please press asterisk (*) two (2).

The first question will be asked by Eduardo Hayama, from UBS Pactual.

Eduardo Hayama: Good afternoon everyone. I have three questions. The first is if you could give us a general view of what you think of CESP's process, minimum price, funding capacity for the acquisition, with concessions maturing in 2015? The second question is about Jirau. The auction is getting closer, and I would like to know if CPFL is still interested in participating in this bidding process, and what you think the ceiling price for the auction can be, having in mind that the first auction's rate was R\$79 per MWh. Finally, in view of the scenario of stress in the spot market, and with some independent traders being harmed, I want to know if CPFL Brasil... if you have seen any increase in demand because of this scenario of stress, if some customers have moved to sounder companies, if some movement like this has favored CPFL Brasil. These are my questions, thank you.

Wilson Ferreira Júnior: Ok, Eduardo. Well, about CESP's minimum price, for us, I mean, the way the process has been conducted, we understand the minimum price on the one hand has an implicit renewal of concessions, a process focusing on service... maintenance of utility concessions, with the addition of twenty years in the case of Porto Primavera, we clearly understand in this process, Três Irmãos in 2011 will have the same focus until 2015, in 2015 the renewal of Jupiá and Ilha Solteira, it is true that we have almost ¼ of the Brazilian estate being renewed by 2015, so this is something which has to be evaluated in terms of risk, the possibility that these operations have some sort of renewal criteria, not many companies, practically a good portion of the Eletrobrás Group, Cemig, Copel, and CESP itself, so this has to be evaluated, the minimum price includes this renewal, it does.

Well... about Jirau, we are interested, indeed, in participating in this entrepreneurship, we understand we have had a competitive position in the Santo Antônio auction, we were in a good pool, we understand the company has, as I said in the beginning of this call, a great challenge ahead in terms of maintaining a good capital structure, and we have to remember that the financing conditions for this type of entrepreneurship are private, this will be the second Brazilian Project Finance, and with very special conditions, payment term of twenty years, and pegged to the TJLP, low spread, so this is a very good financing for companies, I would say this is one of the greatest incentives apart from the entrepreneurship itself, but the financial conditions are very positive. So we are evaluating this entrepreneurship with a great chance of participating in the Jirau auction on May 9, we are working hard for this to be feasible.

About the third question, commercialization, you are right, we had already seen that some time ago, I mean, it is clear that when prices shrink, or when they get higher than the market's average value, this had happened in the last quarter of the year, I would say it got more intense in January, first we had several consumers trying to go back to distributors, which is practically impossible I would say, at a moment when the rule establishes this five-year term, so we had this type of operations in our distributors, but we also had operations we made with customers, trying to prevent or at least minimize our stake in the so-called "market settlement," so we made operations with consumers and we had an expressive result, I would say the company expands its market share, because it already is the largest player and because it is backed up by the Group, in a condition of trust, so this is a competitive advantage of the company, both in terms of service specialization and in credibility, which in moments like this is reaffirmed compared to other players, so we had a favorable performance in this market in January.

Eduardo: Very good. Thank you.

Operator: Now the next question by Márcio Prado, from Santander.

Márcio Prado: Good morning, everyone. I also have three questions. The first is about volume, I think... on slide 6 we saw growth in 2007 at a higher rate than Brazil and the Southeast, in the sequence, fourth quarter against third quarter, the difference is even higher, so I want to know if you can talk a bit more about this stronger growth, if there is any specific reason, or CPFL's actions, or if this is just a matter of economic activity in the regions where CPFL has operated, so we can understand a bit more about this trend. The second question, also in line with the stress caused by the strong variation in the spot market, but on the part of distributors, if there is any exposure to the distributors due to the redistribution of quotas of Itaipu, even if this has not impacted the result, because it would have been accounted for, if this can have an impact on cash, and what is the status of the discussion about it at the Aneel. And third, it is also a factor Wilson has addressed in the presentation about leverage, which is currently at 1.5 times the Ebitda net debt, if there is a... in the possibility of investments, obviously, if there is any target for this leverage level, if there are discussions about the reduction of the distributor's capital, if this type of conversation now, with the beginning, after the second cycle, if this has been discussed with the Aneel, and also about the CEEE, in Rio Grande do Sul, we have seen something in the media for the past months, if this has been discussed, if any action could be taken, if you could talk about it. Thanks.

Wilson: Well, Márcio, I will start with the sales breakdown, we had, last year, a period which I would say was very positive in the regions where we have operations, so if you pay attention to the figure accumulated to December, we had an increase in income of 3.2% in São Paulo and of 4.2% in the metropolitan region of Porto Alegre, so this explains to a great extent the increase in the residential and commercial segments, which are the segments which lead our, how do you say, our energy sales in higher values, due to the acquisitions effects, but they are, individually, close to 7% in the same comparison basis, they are driven by it. We also had, last year, a warmer-than-

average year, with temperatures nearly 2° higher in the two regions, so I would say the behavior of temperature and income, especially to complement the question, in terms of continual expansion of the payroll deductible credit, which grew 36% in 2007, increasing its stake in the GDP from 2 to 2.4%, apart from that, we had growth in industrial production in São Paulo of 6.2%, and a 7% drop in 2006 in Rio Grande do Sul, so it is obvious that last year we had an important increase in activity in Rio Grande do Sul, which is a state, as we know, with important exports activities, it reactivated this industry in Rio Grande do Sul, and it explains, especially in the Caxias and Gravataí hubs, the growth above the South's average of RGE, so we had, the comparison with 2006, in the case of Rio Grande do Sul, is a very favorable comparison, because it had a decrease in 2006, it explained, in the language that you, buyers at the Bovespa use, we bought the company when stocks were lower, and now we are benefitting from the increase in its market. These are the main reasons for the rise in energy sales.

In terms of leverage, as you know, as I've said, we are getting closer to 50/50, ideally our position with regard to our key indicators, it would indicate a leverage level, capital from third parties of 60%, and own capital of 40%, trying to limit here the debt/Ebitda indicators between 2.5 and 3. So, it is evident that we have room to work on this structure and hence the importance, as I've said before, of participating in entrepreneurships such as Jirau, as Santo Antônio, which can bring high quality financings in compatible terms and with exceptional rates so we can improve the capital structure, reducing even more the cost of capital from third parties. I would like to say that in the case of our distributors, especially the larger ones, we do not have any demand for capital reduction, because we do not have non-current cash issues, and they have a very appropriate capital structure, where we have accounting... maybe we are one of the leaders in these operations, of Capex financing of these distributors through the Finem program. We have, in the recently acquired operations, smaller operations which are not so leveraged, we can even have a demand in this direction, so as to have a capital structure closer to the Aneel's target structure, but we do not have any statement about it yet. Considering especially the positions of Paulista, Piratininga and RGE, which already have an appropriate leverage level, I would say the distribution vehicle, the distribution activity, has a very low demand, practically inexistent, in terms of these reduction operations.

And about the spot price you mentioned, the exposure of the distributor, in our case, about Itaipu, it is very different from some distributors which had expressive reductions, so we, I would say, we do not have this exposure, and especially because the closure of the operations of Paulista and Piratininga is a very favorable condition for these companies, through CPFL Brasil, which sells energy to them at around R\$92, so there was no exposure, and in the specific case of RGE, it counts on an agreement with Tractebel, also with favorable conditions, so we do not have this type of exposure, we will obviously await the entry, because there are values which will be accounted for as charges, which will have to be paid by these companies and it is being made by the Aneel.

Finally, about CEEE, CEEE's privatization, as you put it, as I've lived for a long time in Rio Grande, I call it CEEE. We have not had... see, I think this privatization movement, due to the last successful movements, both from the Federal Government and now the intention of the government of the state of São Paulo, might encourage similar processes in other states, I would say Rio Grande do Sul has important assets where it could have a reasonable liquidity level, generating more benefits for the state and for its taxpayers and consumers than it currently has, we are clearly favorable to that, because the assets are located in places which have appropriate growth perspectives, and because we can, when we participate in this process, add value, having more scale, etc... this makes sense to the Group, but we do not have any official information that this will happen, but I would say that, in terms of probability, if this was considered almost a taboo in the past, if you look at the state of Rio Grande do Sul, in particular, given its current financial conditions, an important budget cut, and the perspectives of these assets, I would say this is a possibility which has increased, even though it is not official.

Márcio: Thanks.

Operator: The next question is by Subhojit Daripa, from Morgan Stanley.

Subhojit Daripa: Good afternoon, Wilson. I have some quick questions. The first is about trading, you said some free consumers are starting to think about going back to the captive market, they will have to wait for five years in case they want to do this, but I believe this is not just a matter of spot price, but also because new energy costs have been reaching 120/130, R\$140/MWh, which might make, at a given point, going back to the captive market more attractive to free consumers, especially because the risk of this market is lower, let's say the systemic risk, so I would like you to elaborate a bit more on this intention of free consumers of going back to the captive market, and if you can see this happening to the distributors themselves, your own trading. And if there is, so to say, a magical figure above which free consumers would be willing to return to the captive market.

The second question is about RGE, RGE's result, Ebitda in the fourth quarter, it came in far below the third quarter's, I believe this is due to a non-recurring matter of assets write-off, higher expenses were booked in this fourth quarter, I just want to know if this, so to say, this balance sheet cleaning is something restricted to 2007, or is it something we can see during the first quarters of 2008?

And, at last, I would like... if you could speak a little about the technical notes, which are about to be discussed in the scope of distribution, now in March, in Aneel's final public hearing, about the model company, asset base, etc., and if there is the potential, I mean, these last figures we saw for CPFL's distributors, can they move lower or higher, according to this new methodology? Thanks.

Wilson: Well... Subhojit, about trading, our market is very tight, and this situation, I would say it will be like this for at least two years, so, I would say, it will be very hard for these free consumers to go back to distributors, because there is no energy to be contracted by these distributors in this market, it is not feasible here, and the adjustment auctions have proven this with very low liquidity. I have seen, indeed, several consumers saying they are coming back, many of them wanting to come back immediately, but they can't, and I see many opportunities in this field for traders which have reserves, proper reserves, long term reserves, so that they can meet this market's demand. It is true that in the last three to four years consumers who entered this market made a lot of money, so it is clear that they are now paying slightly higher prices now than they would pay in the captive market. I would say the sign... I don't believe in a magical figure, but I would say the sign of this expansion marginal cost, R\$130, something that has been used by companies, it ends up being the limit of a point of consideration for five years from now, obviously, with its consequent indexation, to determine the attractiveness of continuing or not in this free market, because if you consider the captive market will see as of 2012 rates around R\$70, R\$80 per MWh, this cushions prices for some time, and I believe those who are thinking about coming back will use... the uptrend for regular prices of distributors up to 2012 and then in 2012 the incorporation of these values of large scale startups, such as Santo Antônio, and then Jirau, at lower values, then if I had to establish a decision point, as an entrepreneur I would see this trend and realize that after 2012 this trend can change, I do not believe it will move lower, but it tends to stabilize a little due to the startups of large energy operations, notably Santo Antônio and Jirau. So those who will make a decision, will have to take this into consideration.

About RGE, you are right. We had, indeed, in the last quarter non-recurring effects of asset write-offs, especially due to TUSD, a past situation which was integrally accounted for in this quarter, so using the third quarter for the key recurrence indicators is more appropriate, or using the fourth quarter, but making the adjustment of these non-recurring effects.

About the ANEEL technical notes, I think the ABRADÉE itself has made a request for the discussion on the topics – reference price, accounting for base assets, etc., depreciation, each of

these items which make the so-called “second cycle of rate revisions,” that this discussion could be more comprehensive, and apparently the agency itself is aware of it and tends to make a more public discussion so as to exhaust the subjects. I do not personally believe, and you could see it, that the rate revisions would be expressively different, I do not believe this, in our case we have always expected an improvement, because, for example, we are located in the metropolitan region of São Paulo, we even have offices in São Paulo, so obviously when you consider the company with salaries in the interior of the state, it is not well priced, because salaries here in Campinas are sometimes even more costly than in the capital, but we have Jundiaí, Sorocaba, I mean, we have a group of cities which are located 20 to 30 km away from São Paulo, they are very close, so the labor market is more expensive, and we believe these methodologies can acknowledge this, the same way, the only advantage we have for having an economic Group which has invested in systems, electronic purchase systems, etc. is that it has the benefit of scale in its acquisitions, if you do not have appropriate price signs, you give a wrong sign to the sector as a whole, which lives in the world, and benefits consumers as this scale is incorporated to the Group and passes it through, from time to time, to consumers, if you do not give such sign, what you see is the opposite, so I would say we are positive that the agency will work on these matters and give the right sign to entrepreneurs of this sector, particularly the CPFL Group, but I do not believe that there will be an expressive variation, but there is an important sign that it can be seen with time, these are works which have to be developed in the medium and long terms, and you will not see this in one single operation. These are my answers to your questions, Subhojit.

Subhojit: Very good, Wilson. Thanks.

Operator: Ladies and gentlemen, I would like to remind you that for you to ask questions all you have to do is press asterisk one. The next question is by Cristina Garcia, from Lopes Filho Consultores.

Cristina Garcia: Hi, Wilson, how are you? Congratulations on your record high results. Well... I have two questions, one is about the establishment of the CCC, which the Aneel increased by 4.6 and Eletrobrás had requested 32%. The 32% had already been considered in CPFL Paulista's preliminary rate? I would like to have an idea about it. The second question is about CESP, Jupiá and Ilha Solteira, their renewal in 2015. Can't Aneel question the new controlling Group has only six years of appropriate operations against 50 years of the other concessions, which are with Furnas, Cemig, etc.? That's it.

Wilson: Well, Cristina, thank you for your considerations and questions. About the establishment of the CCC, you know the CCC is a pass-through, a full pass-through, so no matter what the value has been, in the case of Paulista and RGE, it will be taken into account in this readjustment by Aneel, so I would say we do not have any effect on our result, this might be one of the few advantages of having the readjustment in April, the value seen as of January goes to a CCC account, stays there for two months, and the new value is incorporated as of the readjustment month, so I believe it has been... it must have been considered at a little lower value, but it is adjusted at the time of the revision with the agency's correct value, so there is no impact, it reduces the financial volumes and ends up reducing the readjustment amount of the so-called “A portion”.

Cristina: Right.

Wilson: Well, about Jupiá and Ilha Solteira, you are right, what has to be observed... And I will tell you again, I must approach the personal matter, I worked for this company for 18 years, this company was founded with tax resources of the state of São Paulo, most of its assets has not been fully amortized, so the ideal would be the privatization process to have the same terms which existed for other privatizations, the privatization of Tietê and Paranapanema, that is, according to

law 9.074, acknowledge that the concession can be unified and extended for 30 years, this was the process which was used in the past for these two, and I have no doubt this was the model the state wanted in 2001, when it tried to sell the company, at that time, ahead of the rationing. It is obvious now, that if you compare a new entrepreneur, who will pay the minimum price for this extension, with Cemig, or any other concession, which has existed for 30/40 years, it would not be fair, so to say.

Cristina: Exactly.

Wilson: Someone has paid for this flow, and this was publicly acknowledged, I think by the secretary, who considered the renewal, this renewal would have occurred if it had followed the same procedure of the past, or there would be an addition, and it would have to be compared to entrepreneurships which have existed for 30/40/50 years, I think that this can undoubtedly sensitize the regulatory agency, the granting power, in fact it is not even the regulatory agency, in this case it is the granting power, in 2015, but it is something over which only the granting power can make a decision, it might not happen, but it would be the case of considering it, because this resource will generate benefits, etc., and the privatization can only be justified in this case, when you leave one sector where others can operate in a more efficient manner and with more quality, sometimes at lower cost, benefiting the population, and on the other hand this resource is taken to other directions where the state can have a more relevant, more determinant presence, and can produce better effects for the society and, again, in the case of CESP, it was integrally built on resources of the state of São Paulo. So this would be fair and it is a vision, again my personal opinion, that, indeed, if there was this renewal on the part of the granting power to make it feasible for new privatizations and the alignment with other privatizations done in the past on the same regulatory basis, and also to allow for CESP's evolution at higher efficiency levels than the ones it has today.

Cristina: Ok, thank you.

Operator: The next question is by Pedro Manfredini, from Itaú Corretora.

Pedro Manfredini: Well... Good afternoon, everyone. Wilson, I would like to ask you a question. Given the current leverage of CPFL, wouldn't it be interesting not to pay dividends this quarter in order to make cash for a likely group participation at CESP, or Jirau, or any other future entrepreneurship of CPFL?

Wilson: No. We have, as you could see here, we have had better performance, and for every one of these targets, where we have evaluated our participation, we have, on the one hand, structured and financial operations to back up this acquisition process, and on the other hand, each one of these acquisitions bring Ebitda with it, so it has the possibility that you have a structure which is, so to say, optimized, different, from example, from the case of Jirau, which is an investment in green field, but it is a Project Finance, so there is no corporate guarantee from the BNDES, it is different from the specific case, for example, of Brasiliana, or even CESP, where we have operations. And again, the company has cash which has a negative interference here, so for you to improve your capital structure it is important to make this distribution. It is obvious that a large scale acquisition, which will have a structured operation, etc., it can determine, in other quarters, if it is successful, a change in this distribution, reminding you that our policy is to distribute 50%, and that we have, for the past three years, distributed 95%, and this has not changed, on the contrary, our profile, we have seen it improving continually, reducing the net debt/Ebitda ratio, so I am just saying we are adding more Ebitda than debt, and this is due to the quality of the acquisition operations we have made, and that the company, as opposed to its current positioning, its capital structure, its ratings, it can access, and it does frequently access the financial market, so as to create in an appropriate manner these acquisition processes. Ok, Manfredini?

Operator: The questions and answers session is now closed. Mr. Wilson Ferreira Júnior will now make the final considerations.

Wilson: Once again I would like to thank everyone for participating in our result conference call, and once again point out this result is due to the application of a strategy which we share with the market, practically since the foundation of the company, and more explicitly after the issuance of shares of CPFL Energia in Brazil and overseas. It is obvious it has proven to be extremely, I would say, efficient and we have strictly followed, as I've said, each one of the commitments we have taken on with our IPO. This result, then, and this strategy, will be... are maintained, we will strive to, within the possibilities facing us now, especially in Brazil, be the most competitive as possible to participate in each one of them. We understand the Group is extremely well positioned, it has advantages which make it different from other groups, as I've said, in the activities where it has operations, it is the leader in two of them, with a relative gap from its other competitors, so this efficiency level can bring us more benefits, especially in market situations such the ones we have today. Then, an important operating leadership, a leading institutional positioning, financial capacity, currently the best in the sector, and the market's acknowledgement of the criteria and determination with which the management guides this growth process, are the strategies we will keep on using in the future, and I believe we have and we can expect results like these to be repeated in the future. Once again I thank you all for participating in this conference call. Thanks.

Operator: CPFL Energia's conference call is closed. We would like to thank everyone, have a good afternoon.