

Operator: Good morning ladies and gentlemen. We would like to welcome everyone to CPFL ENERGIA 1Q13 Earnings Results conference call.

Today we have here with us the executives **Mr. Wilson Ferreira Júnior**, CEO of CPFL Energia and other officers of the company.

This call is being broadcasted simultaneously through the Internet in the website: www.cpfl.com.br/ir. In that address you can also find a banner through which the presentation will be available for download. We inform that all participants will only be able to listen to the conference call during the company's presentation. After the presentation, there will be a question and answer session. At that time further instructions will be given. Should any participant need assistance during this conference, please press *0 for an operator. It is important to mention that this teleconference is being recorded.

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 ENERGIA management, and on information currently available to the company. Forward-looking statements are not guarantees of performance. 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 ENERGIA and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the conference over to **Mr. Wilson Ferreira Junior**.

Mr. Wilson, you may proceed.

Mr. Wilson Ferreira Jr.: Good morning to all investors and analysts who are listening to us in this first quarter earnings conference call of CPFL Energia. Today, our presentation will be somewhat longer, and we will discuss, among other things, some of the changes in the profile of consumers of the company, which leads to a very positive outlook.

I also find it important to share with you some of the evolutions in regulatory matters that we finally had, and which obviously have a significant impact in our results for this month.

Of course, we will discuss results, market outlook for our companies and conclude with the progress of the main construction works, the main investment the company is making, particularly CPFL Renováveis.

So, I'd like to move to page 3, even because we had an important fact this first quarter, with an increase in consumption, after 12 years, of residential consumers of CPFL Energia, resuming or exceeding the levels seen at the time of the 2002 energy rationing.

It is important that you know, more than this exceeding value, a relevant change in the scenario of energy consumption, in the macroeconomic scenario and Brazilian demographics. And this is what establishes the healthy perspective we will be able to share further on.

Note that in this period, the country's unemployment rate fell by more than 50%, to 5.5%; the real wage bill also performed well, with a real growth of 57%; the minimum wage also rose almost 59% in real terms; credit grantings...

Each of these elements have an impact on residential and commercial consumption: credit granting increased 63%; Brazilian urbanization rate reached 85%; the GINI index, which analyses income concentration, fell 3 p.p. to 0.52; and note the indicators of home appliances owned: refrigerators reached 93%, television exceeded 95%, but there is still an important growth potential in Brazil.

We have here, for example, washing machine, which is present in 44% of households, not to mention the freezer, microwave oven and etc., which are home appliances that are becoming a part of Brazilians' lives, and all of which have low indicators of ownership, all below this washing machine ownership level.

Household density is also decreasing following a global trend, from 3.5 in Brazil to 3.1 people per household, and we also notice an increase in energy efficiency, which refrigerators consuming 20% less than in 2004, and washing machines consuming 7% less. All of these variables, as I mentioned, result in important changes in future consumption profile.

I also find it important to share with you, on page 4, an overview of the change of positioning of Brazil in relation to the world. Note that at the turn of the century, shortly before our IPO, the main players in the global economy were developed

nations, which has now changed completely: today, the main players are emerging economies.

Crises used to have a rapid and drastic effect on peripheral nations. Brazil was a victim in the late 90s of major impacts from these crises, whereas today's crises affect mainly the central economies, chiefly the European and U.S. economies.

There used to be a lot of financial volatility at the turn of the century worldwide, whereas emerging countries have today a greater level of autonomy, and Brazil is certainly an example of that. Note the important changes in the case of Brazil: at the turn of the century, we had interest rates close to 20% per annum, whereas today interest rates are stable at around 7.25% per annum.

Now we also have a very solid domestic market: our public debt decreased from 60% of GDP to 35% of GDP; the country risk, which at the time exceed 1,500 points is now at 147 points; we practically had no internal reserves (US\$ 38 billion) and today we have around US\$ 379 billion; there was little attraction of foreign capital, and today we have an intensification of social policies: about 20% of Brazil's richest account for 57% of the income, compared to 63% at the turn of the century.

We started the century with the necessary learning on the theme of energy crisis, and we will talk about that, how much we evolved in these 12 years.

It is worth noting that the Brazilian GDP in the last decade of last century grew at 2.7% per annum, compared to 3.6% this decade.

So, I consider it very important to make this reference of the change of level in Brazil, and obviously this change corresponds to intense efforts in the fields of infrastructure and energy, which might just be the best Brazilian example to be pursued by other sectors of economy in the area of infrastructure, from a regulatory viewpoint and considering the action of private agents around the investment.

On page 5, we have an evaluation of demographics. Note the perspective of the Brazilian economy, which is currently the 7th economy in the world with GDP of R\$ 2 trillion, and which should grow more than six times in the next 18 years, placing Brazil among the four largest economies in the world by the end of 2030, with GDP of R\$ 12.2 trillion, and this evaluation is very important: the relative participation of Brazil increases materially.

You can observe at the bottom part - this is not CPFL's average data, this is Brazil's average data – that in this period (next ten years) we have a growth perspective of 23% in energy consumption per consumer per month, from 186

KWh/month to 229 – and once again I say this: this is not within CPFL's concession area, we already have a consumption level that is higher than that as we saw a while ago – while the ownership of home appliances increase and their energy efficiency increases. So, this is an important driver. You know, more than 90% of consumers of a concessionaire are residential consumers, which, in the case of Brazilians and in the case of CPFL specifically, have very positive perspectives.

Very well, let's now move to page 6, where I believe it is important to share with you at this initial moment resolution CNPE No. 3, which established changes in the PLD (spot market price) to better reflect the hydrologic risk and increase system safety. Note that until March 2013, PLD determined the difference from the order of merit; but more than that, for energy safety reasons, it was possible and it is possible a decision outside the order of merit and this charge, called energy safety, was paid equally by all captive and free consumers.

The change in CNPE No. 3 establishes a period of transition from April 13 to July 13, and if you move now to page 7, we notice that the decision out of the merit is now shared by all agents in 50% of the volume, while the other 50% area added to the PLD price, shared only by agents with short-term exposure.

This transition, as I mentioned, will occur by July and the most relevant information is what happens, as you can see on page 8: PLD now more adequately reflects the cost of the decision, and therefore, as of August, when the method is consolidated, we will have here a decline in the decision outside the order of merit, a very clear signal in terms of price, and which determines the order of merit and the changes, the charges necessary for the decision for energy safety, and therefore outside the order of merit, will be shared by all agents.

This should lead to a reduction in the cost of this charge in 2013 alone, since we anticipated this sharing as of April, of around R\$ 900 million, or 15%. So, this should more adequately reflect the price signal and obviously as there is a burden for the agents exposed, short-term agents, there will be, of course, a better allocation of energy price among these agents.

On page 9, and this is also an important piece of information in this learning process, how much we've evolved in terms of the level of reservoirs to have in our Brazilian system a hydrothermal system, the dispatch capacity of these thermoelectric plants. Note that we ended the year – the graph at the bottom left of the slide makes this reference - we ended the year with the lowest storage level of recent years (slightly above 30%) and in this period of three months we managed to increase this storage to close to 61.5%, already close to the values of the main

levels of previous years, and clearly higher than our storage level in 2001 (bottom curve), thus showing the importance and the learning we had of the theme of transmission systems interconnecting all Brazilian regions and enabling a better distribution of energy in all these sub-markets, but particularly the recovery in storage levels from the use of thermoelectric plants, which, between us, is almost like paying the insurance premium only when there's a chance of loss.

And this leads to – you can see at the top part – in the main water systems we had in fact a year with less water inflow. At the systems, rainfall was below average, although showing important recovery over the last few months in Paranaíba, corresponding to just above one fourth of the Brazilian store capacity, the Rio Grande water system, which is almost 20% of the Brazilian capacity, and the Rio São Francisco system.

Note that in the case of the Southeast region, which is the largest, the Brazilian water tank, these two water systems alone account for almost 50% of the Brazilian capacity, and **they are performing** at close of 100% of the average, or, in the case of Rio Grande, in the month of April, at 114% of the average.

All of this enabling, and we do like to share the rationing risk index prepared by consulting company PSR, a reduction from 9% in January to zero in May. So, summarizing, lessons learned, systems in evolution. There's still work to do, but we certainly have here an important lesson being shared, providing safety to the Brazilian system.

Very well. Moving to page 10 now, where I start with the highlights of the quarter, this first quarter of 2013. It was marked specifically by sales growth in the concession area of 4%, to be detailed further on. It was also marked, in our case, by the conclusion of the tariff adjustment at Paulista in April, with an adjustment slightly above 5%, precisely in line with the forecasts made previously in public hearings.

And an important fact that will detail further on was this injection by CDE. Obviously, the important regulatory efforts by agents, including CPFL's joining of associations for calculation not only the financial aspect but also the economic aspect related to CDE, that charge, with nearly R\$ 698 million already received by the company, which is very important to preserve the company's financial capacity in relation to its investments, and also, given the sensibility of the agency itself in its form of accounting, using to reduce current expenses, and we can also use this treatment in the company's balance sheets.

We invested R\$532 million this quarter, paying dividends of R\$456 million at the end of April, and we also had an increase above 8% in the daily trading volume of our stock.

Some important awards and recognition: our distributor Santa Cruz won the IASC – Consumer Satisfaction Index promoted by Aneel. Santa Cruz also ranked first in Aneel's service quality ranking, while other concessionaires of the group (Paulista, Piratininga and RGE) also had their service quality recognized, ranking among the top 12 in the country, among a total of 63 distributors. An important award given to the group's sustainability commitments: we ranked first in the Utilities sector of the 2013 Sector Leader Award promoted by Environmental Tracking Global Carbon Rankings.

So, these were important facts, in an important quarter, a quarter that, like I said, was marked by important regulatory developments in the infrastructure sector, in the field of energy.

Very well. On page 11, we have energy sales. You can observe a growth of 4% in the concession area. This growth is due to an increase in direct sales to final consumers, of 1.9% (captive distribution consumers) and an increase of 9.6% in sales to free clients, which are large industrial clients, already in line with this outlook of growth.

On the bottom portion of the page, note that we also had a very steep increase of 8.3% in the residential sector, and of 6.3% in the commercial sector. This somehow reflects the evolution in the macroeconomic scenario and consumption scenario mentioned earlier in this conference call. Also notice a positive 1.5% in the case of industrial clients, which opens positive perspectives in relation to Brazil's annual growth.

As a result of this, our concession area has grown above Brazil's average (4.5% against 2.5%) and notably in Southeast, the difference in the concession area of the distribution companies of the group in relation to the region is more striking.

We now move to slide 12, which shows energy sales and direct sales to final consumers. We had already mentioned about 1.9% of the captive market and you can see two more blocs: commercialization in the free market and conventional generation grew 8.7% and renewable energy sales grew 55%. I will provide the details later on but it is certainly a view of the performance of the wind energy system, also notably by the expansion of CPFL Renováveis, with the operational startup of several power plants (Santa Clara, Bons Ventos and the Salto Góes HPP).

Thus, this is an important moment. I spoke on the topic of free consumers and you can see below that the company has been operating in a highly organized manner in this segment, which presents important growth prospects over the coming years. You can see that in the first quarter last year, we had 172 free clients supplied by the group, of whom 38 were outside the concession area of the company and 134 within the concession area of the group's distribution companies.

Note that this year, we registered growth of around 90 new free consumers, bringing the total to 262. Of the new consumers, 31 were acquired in this quarter alone, 13 of them outside the concession area and 18 within the concession area. Thus, it was an action that has been effective. These are seeds being sown for the company to consolidate itself. It is still the largest operator in Brazil's free market with nearly 10% market share and these new consumers will certainly boost the results of the group's free market segment.

We have a chart on top only to show that until the end of last year, the installed capacity of the group had been growing since 2004 at the rate of 12% per annum to reach close to 3,000 MW, and we still have a few operations to be added during the course of the year, about which I will talk later on.

We will now move to slide 13, which shows the result of this first quarter, which was marked by revenue growth, naturally due to the sales volume that we had detailed earlier, and the tariff revisions between the first quarters of last year and this year. We are presenting, as always, the results in IFRS and, in IFRS with generation proportional consolidation starting this year.

For investors and analysts to have a recurring view of the company, we have here a reduction from the regulatory assets and liabilities account that is not adequately, in our opinion, recognized under IFRS, that is, the cash disbursement ends up being a current expense and CVA naturally allows, by its practices of more than twelve years, it allows that in US GAAP and BR GAAP, this expense must be deferred so that it is booked as an asset only at the time of... during the anniversary of tariffs of each of the concessionaires you could have the alignment of revenue to be calculated in the consumer market with that expense that, indexed to Selic, was sustained by the company on behalf of the consumer in this period.

Thus, the bottom chart shows that recurring revenue grew 18.5% to reach R\$3.604 billion. Note that in both the IFRS chart and the recurring chart, we can see that EBITDA grew between 6.8% and 7.8%, and as a result of this slight distortion in IFRS, net income fell 1.8% to reach R\$405 million, or on recurring basis, R\$410 million.

I wish to point out the non-recurring items this quarter. We made a few additional provisions to strengthen our balance sheet and one of the main items is the exposure to MRE, noticed in January, mainly incurring 66 million in the EBITDA base and 44 million in the net income base. We therefore have a variation of 76 million in EBITDA in this comparison of the first quarter of 2012 with 2013, and R\$ 5 million in net income.

You will notice that we have an important receipt here, which I have already highlight in the beginning of the presentation and which we feel is important to share with the market in greater detail. On slide 14, pursuant to Decree 7,945, we have a methodology that is being used since and the first part of it corresponds to a full coverage by CDE through monthly pass-throughs, firstly, by the effects of the provisional measure 579. And what effects are these?

The first is the involuntary exposure of the company resulting from that allocation of quotas. Given that a few concessionaires did not join or choose to renew their concession, we had a number of quotas made available to all distributors, including those belonging to the CPFL group, lower than expected. This obviously caused in each of the distributors an involuntary exposure, that is, they are selling more than they have in terms of contracts with their quotas, this exposure covered fully and monthly by the CDE.

There is a second issue. When there was the conversion of these energy volumes to assured energy volumes of those plants that did not join the provisional measure, there was also a change in the criterion. These concessionaires which are now operators of assets will no longer assume the hydrological risk, that is, the risk of having lesser water than the volume of Brazil as a whole, and this hydrological risk is now the responsibility of the consumer. Thus, the distributors ended up with this risk associated with quotas and this risk is fully covered by CDE through monthly pass-throughs.

Moving on to slide 16, there is the dispatch of the thermal plants. It is in a different color. This thermal dispatch outside the order of merit starting from January 2013 is what increases the system service charges. This thermal dispatch outside the order of merit also is, based on this new methodology, covered by CDE through monthly transfers. Later on, I will detail the economic and financial amounts of this transaction.

On slide 17, we see that in this methodology, there is a second treatment: so, there are three elements, the three referenced above of two different effects, that is, the effects of the Provisional Measure (MP 579) and the effects if the dispatch outside the order of merit are paid by CDE through monthly transfers.

There is also this important evolution in terms of regulation, a treatment given to the accrued costs not covered by CVA, more so because last year we had a higher expense, which was responsible for maintaining or allowing the filling up of our reservoirs.

There is also the treatment made in the sense of anticipating payment, that is, the total or partial payment of the balance in the CVA, which accumulated and increased sharply since September last year in such a manner as to limit the impact of the tariff review on the consumer to 3%.

Thus, the concessionaires verify how much will be passed through that a transfer of more than 3% would give and then this volume is made in anticipation payment for the concessionaire, exactly what happened in the case of Companhia Paulista de Força e Luz (our largest distributor), exactly now as of April 8, when it had its tariff review.

So, this corresponds to the fourth item of disbursement, that is, these are the contracts for the energy purchase in the regulated environment (the famous CCEARs) by availability, that are subject to the variation of the PLD and the dispatch was outside the order of merit and were not... hence, the company had in April last year a perspective pointed out by the agency as to what would the PLD be. The PLD was higher than that and hence it had higher costs. These costs would be calculated or would be recovered by applying an amount in their tariff, which would be higher than 3%.

Thus, the treatment given is 3% and the other amounts will be paid to the concessionaire at sight at the time of tariff review. This obviously brings benefits to CPFL.

On slide 18, we see these three blocks already with the amounts calculated, that is, our effect from PM 579. We had R\$ 105 million in the first quarter, the thermal dispatch outside the order of merit R\$ 222 million, and the accrued costs not covered by CVA in the amount of R\$ 371 million, these specific to Companhia Paulista de Força e Luz, our distribution company.

If you click once again, on slide 19, we will see the breakdown of these R\$ 371 million from the viewpoint of three elements: the element of purchase of energy in 2012, the CVA of 2012 (R\$ 243 million), the system service charges of 2012, it was not detailed in the previous year (44 million) and 84 million from purchase of energy in January 2013, which was also included in this statement.

And finally, clicking once again, on slide 20, we have the accounting, as I had mentioned. It was not enough for the concessionaires, especially for most of them

a question of rating (which was not the case of CPFL), for you to have this accounting as a reducer of energy purchase expenses and charges. We joined the blue items and the green items relating to energy purchases, which comes to 432 million, that is the sum 105 million, 243 million and 84 million; on the other hand, the energy system charges (ESS), which are 222 million plus 44 million totaling 266 million.

Hence, relating to this first quarter, we have recognized in our balance sheet R\$698 million to this new treatment given by decree 7945 and as of today we expect to pay all these funds to the company's cash.

Let us now move to slide 21, which evaluates the behavior of EBITDA and net income, taking into consideration those impacts, that is, you can notice even the positive effect. The non-regulatory events are small, given the treatment of R\$698 million, so we are talking here of EBITDA that grows at the rate of 4.7% at the managerial level and which grows 6.8% in IFRS, with amounts quite similar between them.

What determines if this variation is positive in one of the cases? In the first place, the 11% growth of net revenue, R\$ 357 million; here there are two positive events: basically the growth of CPFL Renováveis and the commercial generation and commercialization and services in the comparison between these quarters. We have here in the specific case of distribution, a reduction obviously due to tariff reviews in both Piratininga as in the case of the five smaller concessionaires in São Paulo state (Santa Cruz and the Jaguariuna holding company).

Therefore, as a result of this application of the tariff review and more than this, the reduction of 20% in tariffs in January for all consumers of all concessionaires, so we have a reduction in distribution of R\$ 463 million and an average tariff adjustment of -12.6%, thus resulting in tariff reviews and the reduction of 20%.

And finally, as a result of this, when comparing the quarters, we had a gain in revenue deductions: since revenue is lower, the deductions too were lower than in the previous year, so this justifies the growth of R\$357 million in net revenue.

On the other side we have energy cost and charges increasing 9.7%. For some time this hasn't been happening, meaning, this is an energy cost and charges lower than net revenue. This is due to the net increase of 28% with energy purchased, where we had an injection from the CDE of R\$ 432 million, an exposure in MRE (the so-called GSF of the large conventional and renewable energy generator) of 66 million. This is a non-recurring event due solely to that

treatment made in January and, a net reduction of 60% in the sector charges through the injection from CDE once again, amounting to R\$ 266 million.

Finally, we have this increase in the operating costs, personnel, material, services and other expenses of 35%. Here, it is important to highlight that we have a set of non-recurring expenses: First, the legal and judicial expenses (and with this, we have practically concluded our additional provisions) of R\$ 73 million; Write-off of EPASA assets, we had a repair in our plant, amounting to R\$ 13 million; We have here CPFL Renováveis e Serviços, with higher costs, obviously also in bigger actions; And the purchase of oil in the specific case of EPASA, we are dispatching this plant, as mentioned, since September last year.

It is important to highlight the variation in PLD from the first quarter of last year to this year... from R\$ 125 to around R\$ 340 and the foreign exchange rate, which indexes the contracts of Itaipu, increasing from R\$ 1.76 to R\$ 2.

On page 22, we recognize that there is a slightly more complex evaluation, because the company has an important vocation for managing costs. So, we have here reconciliation such that it is possible to verify the variation in costs comparable to our group, given that this is a growing group. We are expanding this renewal energy generation capacity and naturally, we have an increase in compatible costs in proportion with this increase in capacity.

We have here the dispatch from the thermal plant, we have to reconcile the cost of this oil such that we should observe the following: The perceived cost in the balance sheet is 32.9% in a simple comparison of the PMSO of the first quarter of last year with this year, that is, a growth of R\$ 133 million.

We make the considerations, the reconciliations of personnel and MSO of this quarter last year with the non-comparable events or not recurring with this year, and this statement is below, in particular of companies that determine these variations (and this almost exclusively Renováveis, Serviços, CPFL Serviços and EPASA) to beyond these provisions, we see a 5.2% increase in expenses, as against the 8.1% increase in IGPM, which is an important indexer of the company's contracts. This determines in a normalized comparison, a reduction in costs of R\$ 10 million in PMSO, of which R\$ 2 million in personnel and 12 million in MSO.

We now move to slide 23, which shows that net income, in reported amounts, declined 1.7% to 405 million and in recurring and managerial bases, increased 2.8% to 410 million. In any case, the difference is very low.

It is mainly driven by the growth in the EBITDA of the company (50 million higher, as we show a short while ago, or 4.7%), a decrease of 15% in the negative net

financial result, and here a set of effects: The financial restatement of the assets of distribution companies, which has been the accounting practice since last year; Reduction in debt charges, 46 million, because the CDI has been declining, as shown in 11.4, to 7.5. A reduction in the monetary and foreign exchange restatements, due to the same foreign exchange variation; A reduction in the return from investments, that is, even with a balance the companies applies to CDI, we have a reduction in this income because the indexer is CDI and the consolidation of debt of CPFL Renováveis, we consolidate 100% of the company.

Depreciation and amortization increased 33%, and certainly by the growth of CPFL Renováveis by 37 million and the depreciation of distribution assets according to the new methodology from Aneel, and there is pure and simple income tax variation of R\$ 18 million due to the better result.

On slide 24, we discuss our leverage. We closed this quarter with net debt of 12.5 billion. If we observe this amount, the net debt/EBITDA ratio reported pursuant to IFRS was 3.34, but we emphasize that since last year the company had agreed with its investors, the covenants negotiated at the ratio of 3.75 over the adjusted EBITDA according to the details presented here, in such a manner as to adequately report the performance of the company, especially its debts. Thus, for the effect of covenant, it is a covenant that is measured in the holding company, whose cap is 3.75 and our net debt/EBITDA is 3x.

The highlight here is the debt cost. You see in real terms 1.7 is the lower cost in the history of the company, and is adequately indexed. We don't have any foreign exchange exposure, as already known to you, as part of our corporate governance practice. 60% of the debt is indexed to CDI and other costs mainly to TJLP and fixed rates, are 35% of the loans contracted from BNDES.

Slide 25 has the debt amortization schedule. A well balanced debt, distributed over time, has an average term of 4.5% in short term, this measuring in the twelve months only 12% of the total debt of the company, that is, it has coverage of around 1.9x of the short-term debt, and 1.7x from the cash viewpoint.

Thus, we are talking of a company that has around R\$ 3.142 billion and the only difference in item 3 is exactly the CDE funds that entered in May and not in March, as mentioned here.

Well, I also wanted to inform you – more so because we reported the results of Renováveis yesterday - that Renováveis is growing significantly and so we wanted to bring a little bit of the detailed impact of Renováveis. It has been growing 77% since the merger when it had 652MW and now as 1153 MW, which resulted in a

70% growth in net revenue and its EBITDA in the first quarter is already 140 million, that is, growth of 76%.

Obviously, we are in the process of growing, using the financial capacity of the company, prudent space and optimized leverage. It has a loss of 26 million due to the disbursements with financing, etc.

But, it is important to highlight that during this period of acquisitions, whether the Bons Ventos complex, our biomass Ester (around 200 MW in these acquisitions), the operational startup of more than 300 MW, Bio Ipê, Bio Pedra, the Santa Clara wind power complex, the Tanquinho solar plant (Brazil's largest plant at present), the Salto Góes SHPP, for which we had water in December. The impacts of net income to which I had referred to higher debt to sustain this expansion plan, higher depreciation and amortization of the operational startup of these projects (and this is clear in the consolidation of CPFL) and the typical seasonality of this beginning of the year for biomass and wind power.

You can see on slide 27 that CPFL Renováveis has a history of high efficiency rate. Actual production in the past twelve months is higher than the certified capacity factor, because questions are always raised and we are quite disciplined in relation to the development of wind farms in terms of measurements or using higher production benchmarks.

Thus, note that in each of them: Paracuru with 120% of the certified capacity factor, so we are practically producing 20% more; in Foz do Rio Choró with 26% more; in Icaraizinho with 19% more; Praia Formosa 112% more... 12% more; Enacel with 17% more; Bons Ventos with 12% more, Albatroz with 25% more and Canoa Quebrada with 16% more.

Thus, on the left side you see the certified capacity factor, that which should be the subject in the auction, and the actual capacity factor in the past twelve months. Then the efficiency rate is actually higher as a consolidated factor in recent years.

In the Siif wind farms, we are talking of 44.5% and in the Bons Ventos wind farms, it was 46.5%. Thus, it is an important consolidated performance, as per all the practices of the company.

On slide 28, we are concluding here only to report the current stage of the main works, notably Coopcana and Alvorada which should start operating in the second half ... second quarter, I beg your pardon, and in the specific case of Complexo de Macacos, Atlântica and Campo dos Ventos II in the third quarter, meaning, we are adding more than 300 MW in the third quarter and in the operations of CPFL Renováveis.

I now move to slide 29 to show this Aneel ranking of quality of services, notably Santa Cruz, Piratininga, Paulista and RGE among the twelve best, with Santa Cruz being the best and the winner of IASC.

Moving now to slide 30 only to show the performance of the shares. We performed below, we were negative, but better than IEE and better than Ibovespa in this period. The highlight here is clearly the growth in the daily volume. The shares of diverse indexes in terms of performance reported above, highlighting the performance of CPFL, as the chart shows.

Those were basically our comments. Together with my team, Gustavo and other executive officers, I am now at your disposal for questions.

Question and Answer Session

Operator: Ladies and gentlemen, we will now begin the question and answer session. To ask a question, please press asterisk and one, and to remove your question from the list, press asterisk and two.

The first question comes from Mr. Vinícius Canheu of Credit Suisse.

Mr. Vinícius Canheu:

Good afternoon Wilson and Gustavo, and thanks for the call. I have two questions. The first is can you provide any update on the acquisition of the Grupo Rede.

And the second is regarding a doubt in Resolution 3 of CNPE that you mentioned. I feel that once it begins, especially when the new rules for calculation come into effect, with a higher PLD, ESS should be lower; but the dispatch in the order of merit will be higher, that is, with this, the cost of buying energy from distributors will increase significantly and, if I am right, this is not considered in the support from CDE for the distribution companies.

I want to know if this could create problems in the second half of the year, since PLD should increase or remain at the current level and ESS would decrease, but the cost of purchasing energy from the distribution companies may increase substantially going forward, and some distributors may once again face cash flow problems as a result. Thank you.

Mr. Wilson:

Vinícius, thank you for the question. I will start with the second question. You are absolutely right. The cost of purchasing energy will increase, but what is the advantage that removes your doubt a bit? See the specific case of Paulista just this

year: the PLD reference price for purchasing energy was R\$110, which, after the tariff review, has increased to R\$295, increasing the purchasing capacity by around R\$500 million during the period. The company will not be financially exposed because it already has the tariff coverage.

In my opinion, this gives greater transparency at the time of tariff adjustments or reviews because the methodology is well established and so there is no room for misinterpretation. No. There exists a single data provider and the sole data provider will give its forecast, which, agreeing with what you said about the hydrological scenario, should be higher. But the concessionaire already includes its tariff cycle coverage to meet this dispatch, which it did not do earlier.

With regard to the first question on Grupo Rede, we are still in the period of discussions between creditors and proponents of judicial reorganization. This process has 150 days to happen and another 30 days for a possible second meeting. These first 150 days now we have are being held during the course of June.

Thus, we believe this process is progressing and there is a process of recognition, of interaction between the creditors and advocates of judicial reorganization. We should have this first meeting during June, which could extend for another thirty days in July.

This is the outlook. We believe that the operation is on the right track for conclusion in early July.

Mr. Vinícius:

Excellent, thanks.

Operator: Ladies and gentlemen, if you have any questions, press asterisk and one.

The next question comes from Mr. Marcelo Sa of Brasil Plural.

Mr. Marcelo Sa:

Good morning everyone. I wish to have your comments on the “put” that the private equities who are shareholders of CPFL Renováveis hold against CPFL if there is no liquidity event or IPO this year.

My question is whether this put will be renegotiated, postponed by another year or will be defined this year. Thank you.

Mr. Wilson:

In fact it is public knowledge that when we carried out the merger, given that we conducted a share swap with the ERSA group, we have a put that matures in August. Our partners at ERSA and we are evaluating the alternatives the company has, and since this is a friendly and constructive relationship working towards the bright future of the company that we are creating and have shown, as I showed, that negotiation is always possible.

As I had announced several times to the market, when we created this company, we capitalized it in such a way that it had the conditions to deliver not just these 300MW being delivered now but another 300 MW, in which it is involved for deliveries after 2013.

Thus, the board of directors of the company is discussing about the best alternative for the company. Evidently, the put was fixed so that our partner could have liquidity in any manner at some time.

The liquidity was never planned through put; the liquidity planned was always through an IPO because it is the most important solution for the company to inject more funds and use the pipeline it built of more than 3,000 MW, around 1,000 MW already certified, that is, SHPPs with licenses, with land acquired, or wind farms with wind measurements already checked and recognized by the agency.

Hence, the deadline would be August, the objective would be to achieve liquidity especially through the IPO and we will discuss with our partners about the best possible manner to keep the company growing. So, we are in constant discussions with them.

Mr. Sa:

Thank you.

Operator: To remind you, if you have any question, please press asterisk and one. Ladies and gentlemen, if you have any questions, press asterisk and one.

The next question comes from Mr. Vinícius Canheu of Credit Suisse.

Mr. Vinícius:

Hi Wilson, the government has been signaling – with much exposure in the media – about the upward revision of the rate of return on other infrastructure assets; this week, I think, the focus was on highways.

Do you think there is room for something similar with power generation or transmission projects? I ask this because, for instance, the first auction of

transmission projects was held this morning and practically 40% of the lots did not receive any bid. I don't know if it was the environmental issue or, most probably, it was the implicit rate of return from the auction that did not please investors.

Looking at a result like this, I get the impression that this type of adjustment that is being made in the highways segment needs to be done also in the power generation and transmission projects. I wish to know your opinion about this and whether in your conversations you found any possibility of this happening, or if you feel the government might revise upwards. Thank you.

Mr. Wilson:

Good question. Vinícius, one thing very clear – and I made it a point to mention it right at the start – is if we compare the Brazil country risk rate ten years ago and the rate today, we can notice a sharp decline. I have no doubt that this, which we have been accompanying, would reflect in the real return on projects, more so because it would be unreasonable to increase the rates when there was a scenario of much higher volatility and risk than we have today.

The fact, unfortunately, is that we imagine that these rates of return could decline to a level where there is no risk. And you know very well that in the case of infrastructure projects, which are projects that involve long-term investment and financing, the risk doesn't end when you have the project but ends when you conclude the project.

Thus, when we are talking about building a transmission project or any project, from a SHPP to a large plant, there are several risks involved: environmental risk, hydrological risk, geological risk – and these must be remunerated adequately.

I think there was a perception that these rates could fall sharply, in fact, to very low levels compared to the rates abroad, which is not true. I acknowledge and must be one of the few who always reaffirms that the evolution of our regulatory framework is an important instrument for the stability of the rules, while I must admit that there were a few points for improvement that were not given much importance by the government.

We have evolved here but perhaps not enough when it comes to rate of return. I think the government, correctly, had the intention to have lower rates; but now, and the case of highways is a good example, the government perceives that an infrastructure project, despite the guarantees offered during the concession period and the indexation, involves risk and this risk needs to be remunerated.

And this, I think, clearly attracts investors. Capital has to be attracted for investment in an infrastructure project through the prospects of a sound project with rates of return that are compatible with an infrastructure project and hence there is the addition.

You who always evaluate the cost of equity of those who enter and leave our project, need to add to this rate of return a spread of risk because the investor will be bound to this project during the term of the concession and will, especially during the construction of a few projects, will face a few inefficiencies of our system, which is improving but which has not completely eliminated risk.

Thus, whether it is the environmental risk, or the timeframe for you to deliver the project, or whether it's the intrinsic risks of this project, all these must be recognized. I believe the initiative taken in the case of highways is an important one to be shared across all infrastructure segments because, as you know, the best thing we know to do is implementing projects and the country is the loser when a project such as these 40% of the transmission lots were not bid for.

We are lagging behind, we have increased the system risk generally and we cannot have this. Therefore, ideally we must fix the prices that attract capital and, thanks to a well-structured bidding process, we could have lower rates, that is, have that player that can commit to the project offering a lower rate. But, certainly this rate is higher than the cost of capital and is added to a spread that is compatible with the risk the player will assume while bidding for the project.

I believe that the improved regulation is a positive initiative by the government so that it can attract capital and put it to competition, from which you often manage lower rates or even the lowest possible rate, which should be the objective of every government. But, first you attract capital and you do so with good projects and good regulations.

Mr. Vinícius:

Excellent, thanks.

Operator: The next question is from Mr. Felipe Leal of Merrill Lynch.

Mr. Felipe Leal:

Good afternoon everybody. I have a question about the renewal of distribution concessions. I know that for CPFL this is not an important issue since the majority of its distribution concessions have many more years left.

But for small distributors, whose concessions are expiring in 2015, I think you already mentioned earlier that there is the clarity of tariff in the current tariff model. I wish to know if there is any indication or any expectation about what type of covenant the government is talking about for service quality targets or, probably, financial health targets, for these concessions.

Mr. Wilson:

Felipe, thank you for the question, but I have little to add. We don't know anything yet; we aren't talking about it. We feel that the main objective in this process is to see that you attract good players, to have consolidated concession areas. There were even a few initiatives recently in this direction and perhaps the biggest challenge lies in improving the quality of service and in especial reducing the duration and frequency of outages. I feel that this is the principal target, apart from the ongoing universalization efforts.

Obviously we had already signaled our perception that in a system where you already have periodic tariff reviews, there shouldn't be a burden to be added to a concession renewal, especially because clearly in the case of distribution, there are continuous investments.

Contrary to investments in generation and transmission, where you invest only once and then only have very small maintenance investments, in the case of distribution, you must have the financial health to face heavy investments and daily expenses.

I feel that the recognition of 7945 that we showed here reflects the concern of regulatory authorities and the government in maintaining the financial health of the distribution concessionaires. That is why I think that all the aspects that were mentioned in this question, whether regarding the remuneration rate of WACC or of the action, as I mentioned, of recouping these funds from CDE at the speed at which it happened, all of them compete so that we have an implicit recognition from the government of the importance of financial health, apart from the economic health of the distribution concessionaires.

Why? Because the distribution concessionaire, being the initial buyer from PPAs, whether generation or transmission companies, and hence with no possibility of default – would be inappropriate they did – it has to be seen by the system as an AAA security so that the financiers of these investments - BNDES or, in the future, infrastructure debenture holders, may have absolute guarantee of receipt.

You cannot use a PPA of a distributor that is not executable with the certainty of execution. Hence, in my opinion, this renewal will surely have a set of challenges to be placed notably, as I mentioned, in the area of quality.

But it must also have – and I am being optimistic in relation to these recent developments – the recognition of the necessary financial quality of these assets so that they may be used, as have already been well used, to finance the expansion of the internal system chain to beyond distribution, transmission and generation.

Mr. Felipe:

Thank you.

Operator: Ladies and gentlemen, if you have any questions please press asterisk and one.

The next question comes from Mr. Sergio Tamashiro from Safra.

Mr. Sergio Tamashiro:

Good afternoon everybody. Wilson, I wish to know of your expectations regarding the re-bidding of the assets to be recovered by the government, especially with regard to Três Irmãos, and your expectations with regard to possible additional costs that these hydro electrical plants may have (environmental costs, for example), and then if there is any type of unforeseen operation, replacement of equipment, whether this revenue that they are offering will already cover all these possible costs.

Mr. Wilson:

I have little to add here. I think when the government offered this month, a small plant in the case of Furnas and a fixed resource in the case of Cesp for them to continue operating. I believe that the government is leaning towards structuring of this process.

I don't think it will happen this year; we expect it to happen starting next year. I think you referred to the issues that were put forth by the main bidders that could renew or not, that is, there is clearly a set of items, especially in relation to the environment that the generation companies must be concerned about; it is fundamental that they are concerned about the preservation of their reservoirs - and their plants that will be the subject of renewal are plants based on reservoirs - so the concern about them, their maintenance, etc. is very important.

I feel that this topic is being discussed now so that one can offer an operation, an opportunity for the operation and maintenance of these projects, which do add value to a plant that was already very well built. However, we cannot forget that it is a plant that is between 30 and 50 years old, which depends on particularly large reservoirs, which are reservoirs that must be very well operated so that we could see substantial improvement in quality and reliability of the system and not the other way round.

I think we already achieved reasonableness with 579 and perhaps this is the time to acknowledge that there exist a few costs that are not covered and are not significant, will not change the perspective of reasonableness but will rather strengthen the operation and maintenance of these assets. So, we expect these to happen, we expect the government to lean further towards these topics and resubmit them next year.

Mr. Sergio:

OK, thank you.

Operator: We now conclude the question and answer session. I now turn the floor to Mr. Wilson Ferreira Jr. for his closing remarks. Please proceed.

Mr. Wilson:

Well, I once again thank you for participating in this conference call. I wish to share our positive view of the current moment that Brazil and the sector are going through. I feel that Brazil, especially when we notice over a long period of time – we are talking from 2004 to now – when the company launched its IPO, we see an important evolution that has impacted the company's operations and especially its strategy, and which has proven highly feasible.

Here I refer especially to the company's strategy for the generation market and for the renewal energy market, in which CPFL Renováveis operates; and on the other hand, the subject of our discussion during this conference call, namely, the opportunities. It is a country that is growing rapidly – faster in segments than in others – which, nevertheless, are important for the distribution activity.

I wish to reaffirm, whether by the treatment that was given to our reviews, wherein we didn't have any surprises, we can share and debate with the market, society and analysts, our views in public hearings and we had the confirmation of this outlook in the closing discussions with the agency.

On the other hand, by the evolution and recognition of the action in the necessary speed at which the government acted with regard to the system charges, I once again state that this is a Brazilian privilege to have a system in the format in which it is constituted, where we evidently have years of lower affluence – and this in fact, happened – the option to carry out generation without any type of repercussion in the system.

I think that the treatment given to CDE ended up allowing this in some way or the other: largely preserve the tariff reductions in January, increasing the competitiveness of industry, which is already reacting somehow, and mainly preserving the financial capacity of the distribution companies, which, as I had mentioned earlier, are Brazilian A-level securities.

Beyond this, I think we are witnessing a moment when the whole world is looking for capital investment for infrastructure. I think Brazil offers opportunities in all areas of infrastructure, especially in the electricity sector. We are an important example of this and we felt well received, whether through regulation or through recognition.

We could talk in the end on the issue of rate of return. We believe that in the case of the question posed by Vinicius, this will, in some manner, guide the coming developments. As I mentioned, the best option for Brazil is the scenario in which we are able, whether due to good regulation or a good regulatory framework, to attract permanent capital to the country; capital that stays here such as CPFL which, in its own way, sustain Brazil's growth.

I am therefore pleased to be able to share these results and, especially, these prospects. Thank you very much.

Operator: The conference call of CPFL Energia has concluded. We thank you all for your participation and have a nice day.
