

Operator:

Good afternoon, ladies and gentlemen. At this time we would like to welcome everyone to CPFL Energia's 4Q06 earnings conference call. Today we have with us Wilson Ferreira Junior, CEO; and José Antonio A. Filippo, VP of Finance and Investor Relations. They will lead the presentation in Portuguese with simultaneous translation into English.

We would like to inform you that youu will be in listen-only mode during the Company's presentation. After CPFL's remarks are completed, there will be a Q&A section. At that time, further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

We have simultaneous webcast that may be accessed through CPFL's website: <http://ri.cpfl.com.br>. The slide presentation may be downloaded from this website; please feel free to flip through the slides during the conference call. There will be a replay facility for this call on the website.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities litigation reform act of 1996. Forward-looking statements are based on the beliefs and assumptions of CPFL's management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events, and, therefore, depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of CPFL, and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I would like to turn the call over to Mr. Wilson Ferreira Junior, CPFL's CEO. Mr. Ferreira, you may begin your presentation. Thank you very much.

Wilson Ferreira Junior:

Thank you very much. Once again, I would like to thank you very much for the opportunity of talking to investors and analysts about CPFL Energia and about the 4Q06 results. We have a presentation that will be divided into two parts: the results and highlights of the year, and also the tracking of the value creation agenda of the CPFL Energia platform.

So, I am here on page three already, and I am opening the highlights of the results of 2006, and they are particularly very positive when compared to 2005. We are talking about an increase of over 15% in our net revenues, reaching almost R\$9 billion, and an increase of 32% in the EBITDA, reaching about R\$2.8 billion. And, finally, in the last row, R\$1.404 billion, corresponding to A 37.5% growth.

The highlights are the total sales of energy through distribution companies and our commercialization Company. CPFL is a leader in these two segments: distribution in the regulated market, and also commercialization in the free market, and it is also fruit of a process that was started last year, and also growth via acquisitions.

The Company invested over R\$800 million to acquire interests in Foz do Chapecó, RGE and Companhia Luz e Força Santa Cruz. It is important to stress that in the organic growth area, according to our statement, we have invested about R\$800 million, mainly for the connection of consumers, and adding over 200,000 new consumers in 2006.

Also another highlight is the growth in the average volume traded in CPFL stock, over 40% in 2006, placing the Company, during the last measurement of IBX, the participation of the Company in the IBX-50, and because of the divestiture of Bradespar we have a free float that is higher than 27%.

It is important to stress that, in this result, as we are mentioning now, two positive effects are non-recurrent: one, that we see here during the 3Q, sale in the stock of Comgás, bringing us gain to R\$41 million, and, finally, the legal decision about PIS/COFINS taxes, favorable to us, which brought us an addition of R\$80 million. We are going to detail this later, but it is important to stress that here we are talking about R\$120 million that are non-recurring.

Because of that, on page four, we have the current structure of the Company, stockholdings and free floats, 27.1%; the three distribution companies, Paulista, Piratininga and Santa Cruz, with no crossing whatsoever with CPFL Energia, and RGE, with the unbundling movement now in stockholdings. As of today, we will be concluding this operation in mid-March. And the other business units are completely unbundled already, as they have always been.

On page number five, we start to give you the details about energy sales. First, we talk about the sales in the concession area. And here, we report a growth of 7.4% during the year, excluding the effect of RGE acquisition, 3.9%; and with important information here, mainly as regards the growth in the captive market of low voltage, and I refer here to an increase of 8% in the residential area, over 13% on the rural area, 8% in the commercial area, and the movement of free consumers, mainly industrial consumers, determined a reduction in this market, which is surfaced by these companies. In volume of energy, we see an increase of 31.9% overall sales, using the usage tariff of the distribution system. In this transparency we see the effects and net of the RGE acquisition, but the results are very strong, and, as you can see, in all the comparisons that are shown on slide number five.

On slide number six, we added the behavior of sales in the free market. In the free market, we had, during the 4Q, a growth of 4.8%, and a growth in the annual comparison of 31.1%. It is even superior than the figures that we were talking about when we talked about our expectations, 25%. So, the comparison or the adding of the sales on the captive market, 31,778, and added to the sales of 9.334 in the free market. Added up, we have 41.112 GW hour, corresponding to a growth of 7.2% vis-à-vis last year. Also for comparison effect, we exclude the acquisition of 1/3 of RGE, and then we would have total growth of 4.4%, very close to the values that we were talking about during the year regarding our expectation, which was between 4%-4.5%, so, the free market growing 31% in 2006.

And here we go to page seven, already with the effects of this increase in our net revenues. So, we see an increase of 15.2% in our sales, totaling R\$8.914 billion,

and this happens mainly because of the sale of energy, adding R\$1.327 billion, and this stemmed from two major effects: the first one is the growth in sales, which we have just talked about, and then the composition, or the breakdown of the sales, with the tariff adjustments of Companhia Paulista, in April 2006; RGE, during the same month; and Piratininga, whose main effects were the adjustments occurred in October 2005, the tenth months of the year, supplemented by the 10.8% increase occurred in October 2006. So, these two events are responsible for the growth in our sales and revenues of the group.

Besides that, we have over 31% in growth of TUSD, which means, because of the realignment of the tariffs, higher growth in terms of our TUSD revenue, of over 40%, and with the deduction of 12.6% in the ICMS tax. All this together adds up to R\$8.914 billion as our overall revenues.

On page eight, some details about the performance of the revenues, comparing the 4Q, where we can see a growth in distribution of about 16% in the commercialization Company, and also the major effect on generation, 37%. In the comparison of the annual net revenues, here we see growth of the distribution Company, 14%; and commercialization Company and generation, 30%, about 30%; which shows the result stemming from investments that we made in generation, and also the maintenance of our competitiveness in terms of commercialization, because we still grow, and this added about 29% to our net revenues, although, because of the competitive stage of the market, the margins are rather smaller.

Going to page nine, we see the result of our operating income, 36% discounted the non-recurring effects of 28.6%, and both are practically twice the increase in the net revenues, and this is due to the growth in our net revenues, about R\$1.175 billion. This growth, as you can see here, stems from the market volume plus tariffs, but also in order to deliver to this market, it implies in an increase in costs, mainly with energy and the charges related to that. R\$520 million of these costs... With the growth of CCC and CDE you have the values that have passed through tariff instruments.

Operating expenses of the Company, 7.7% increase, and we should stress here the incorporation of costs of the RGE acquisition, around R\$41 million, and the operation of Barra Grande and CPFL South Centrais Elétricas, R\$11 million.

And, of course, the increase in the EBITDA occurs because of the increase of revenues, of 15%, and the cost increase, which is lower than 8%. So, the increase in the group margin, which is the value of R\$2.789 billion, which is a growth, as we said, of 31%, and if we discount the non-recurring effects, mainly the Comgás sale, that would be R\$2.726 billion, representing 28% growth.

On page ten, we show you the details of the performance of this result in the last row here, the last line. We have a growth of 37.5% in our net income, R\$1.404 billion, and most of the net income, or the growth in our net income is due to the increase in our EBITDA, 31%, adding about R\$669 million.

The financial results have a lower contribution, around R\$40 million, and we see an increase in our financial revenues, 10% and 2.3% in our financial expenses. The net of all that gives us an addition of R\$40 million, and the counterpart is the increase in the income tax and social contributions and others, amounted to R\$326 million. So, we have R\$1.404 billion; discounted the non-recurring effects. R\$1.282 billion, which is a growth of 25% vis-à-vis the previous year.

And now, on page 11, we show the behavior of all these results on an annualized basis for 12 months, at each quarter-end. And what we see, the last two years, at least, is an ongoing and consistent growth of the Company as a whole. In this comparison that we make of the four different quarters, 31.5% increase in the EBITDA, and 37% in net income. As you can see, the breakdown during the 1Q, 2Q, 3Q and 4Q, and you can see that this upward line is consistent.

And on the right, on the pie chart, you can have the breakdown of our three activities, and it shows that the Company is a Company whose base, the sound base of the Company is distribution, where we have our main assets and our main results, but we can see increase in the EBITDA line in the generation activity; and as this activity is leveraged in the last line here, you can see the effects of the financial commitments, which brings down the relative participation in terms of commercialization.

And now, on page 12, we can see that the breakdown of the results of the CPFL Energia, deriving from each one of the activities, has the same behavior, practically, when we look at the growth of the EBITDA, around 26%-27%. And in the last row, the last line here, you can see the net income, where differentiated contribution... So, 51% in distribution, 23% coming from commercialization, and we should stress that during the four last quarters, on an annualized base, we have R\$180 million to R\$190 million, which shows the level of maturity of the free market. In generation, in a different matter, we see the contribution of projects, here, mainly the Barra Grande project and the contribution also from Campos Novos, that we started earlier this month.

And finally, on page 13, we have the evolution of the EBITDA margin, mainly because of the generation contribution, and you can see it starts from 27.4% in 2005, reaching 31.3% in 2006, over 30%.

On page 14, the net income and our proposal for the distribution of dividends. What we are proposing is a distribution of R\$722 million, relative to the results of the 2H of the year, and this corresponds to a distribution of dividends relative to the period of 2006 of R\$1.234 billion, or R\$2,78/share. So, during the next few months we will be carrying out the distribution of dividends of R\$1,50/stock, which leads us to a dividend yield between 9.6% and 9.8%, and this is the best result since the creation of CPFL Energia, and since its listing both in Brazil and in the United States.

On page 15, we have the behavior of our stock, Bovespa and NYSE. In the case of Bovespa, the result was lower than the average of the sector, but we should stress that last year there was a non-typical behavior of some stock, which was the object of some investigation regarding increase in tariffs and privatizations,

and bringing a slight degree of distortion in terms of the price of stock that we are under value.

In New York, we went beyond Dow Jones, and we should also stress the evolution of inventories in the comparison of ADRs, and common stock and ADRs in the local market and in the foreign markets. So, these variations are shown on this slide, and they show higher concentration of trades at the Bovespa, of the São Paulo Stock Exchange. Finer details are here on page 16, where we can see mainly the evolution over the last few quarters of the behavior of trades between São Paulo Stock Exchange and New York Stock Exchange. So, you can see over 130% increase in the volume traded, reaching R\$21 million daily during the 4Q06. Trades at Bovespa are higher in volume, R\$12 million at Bovespa, vis-à-vis R\$9 million in New York; and with a participation of the Company in the daily volume traded at Bovespa, which is consistently growing. We closed the 4Q05 with 0.27%, and we closed the 4Q06 with 0.54%, or twice we had in 2005. There was an increase in the daily number of trades, which characterizes the participation of the individuals - we have about 170 daily trades at the end of 2005, and at the end of 2006, 120 trades everyday with CPFL stock; and that shows the growth of liquidity in the Company as well.

On page 17, you can see that the Company is listed in the IBX-50 index, and due to the fact that it participates in this index, it will be accessed by investment funds that are indexed to this index, and with over R\$8 billion and the Company is included in the major Bovespa in the ISE, the Corporate Sustainability Index, besides all the other major indexes about differentiated corporate governance, ITAG and IGC.

And you can see many acknowledgements shown on this slide that continued in 2006 and in the major events, which are ABAMEC, API MEC and the Company receiving awards also in Minas Gerais and the South of Brazil, and also with awards given by research entities and other agencies related to the capital market.

Now, let us talk about our value creation agenda. As we have said during the last few months, this agenda is supported on five different pillars. The first one is the synergic growth, based on the constitution of a major asset in distribution, and allowing the Company to participate in generation projects, major ones, and also in commercialization, of course. And this growth is only possible because of the Company's shares operational efficiencies in all the segments where it has operations, and it can be compared to the best in the world in each one of the areas.

And as it is only natural, by using systems and methodologies, we have financial discipline, and this is very important, this is very capital intensive business, very leveraged usually, so we need the excellent systems. We would have a long-term view of sustainability and of social responsibility as well. And what has to do with its businesses is differentiated corporate governance, and it is still the only Company in the sector that is listed in ADRs in New York City and the Novo Mercado in Brazil. It is a differentiated auction, with all the elements of corporate governance related to these two markets and the regulation of the Novo Mercado

at Bovespa, and the rules regarding tag along, liquidity etc., and all the other contents having to do with Sarbanes-Oxley, and which have to do with New York.

And now, going to page 21, and only talking about the acquisitions made last year. It is important to talk about the acquisition of 1/3 of RGE, 11% of Foz do Chapecó, Santa Cruz later in the year and approved by ANEEL later in 2006, and totaling R\$831 million in total investments. You see here an increase regarding the construction of Foz do Chapecó plant, and the first result that we would like to share with you dates back to the 3Q of last year, and it has to do with the integration of RGE to the group. Some stages have already been concluded, the organization restructuring, centralization of the process of purchasing of materials and services centralization of human resources processes, payroll, namely; optimization of our infrastructure because we had two different headquarters in Porto Alegre, it does not belong to the concession area.

So, we have already eliminated one of them, and we transferred 2/3 of our locators from these headquarters to within the concession area, which is Caxias do Sul, already with a program for management of overtime, which will allow us, together with other stages on the way, already having to do with IT and recovery of delinquency rates. If we compare to the major indicators of the group, and besides tax optimization and all, this will allow us to achieve gains of R\$32 million on a yearly basis.

And together with analysts and investors, over the year, we will see these measures all happening. During the 1Q07 we started to operate the Santa Cruz Company earlier this year, and we also have a plan, and we are trying to make it very clear, which are the values that we could achieve deriving from this integration and synergies with the group. The set of opportunities that we see, both having to do with the operation itself, from the technical viewpoint, operation and maintenance of the system, but also a higher degree of integration of the CPFL system, and having to do with IT systems, financial leveraging and acquisition of materials and services, and that will be optimizing the Company, such as the case with RGE.

And now, on page 24, we see an important landmark for the Company, the startup of commercial operation of the Campos Novos hydropower plant on February 13th, this year; you can see here. This is a unique power plant, 202 meters high, it is the highest in the whole world, and the dam. So, it is an important landmark, and what is very important about it is that with the start-up of this plant, with 91% assured energy in the first turbine, and we have three turbines, the second turbine will be starting operations before the end of this month, so reaching 100% of assured energy. And this brings to our Company... And this is a relevant contribution, the growth of installed power, about 50%, exceeding 1500 MW installed, and it adds revenues of R\$200 million per year.

So, we operate this segment with a very high EBITDA margin, close to 90%, and this is a relevant contribution to the overall results of the CPFL Energia group and generating unit as well, CPFL Geração.

Other important landmarks having to do with the beginning of the construction work of the Foz do Chapecó power plant, with 855 MW installed, 51% is 436 MW in operation, which is the same size for CPFL Energia as the other one. In the light of contracts already signed, and regarding the average for the market, and among that we acquired CEE, this will bring us a contribution or an increase in revenues of R\$245 million. You can see here a future view of this venture, of this undertaking, and especially where the access of the dam will be located, between Rio Grande do Sul e Santa Catarina States.

And now about the future and the view that I shared with you as a view of growth, and now with some figures: we have 1,529 this year, reminding you that still within this year we will have, besides the start-up of Campos Novos, we will have the start-up of the Castro Alves power plant, the second plant of the Ceram complex of three power plants. So, this one will be in commercial operation before the end of this year; we will be concluding the civil construction work around September, and we will be starting the filling of the dam of the reservoir during the 1H08, the conclusion of the last of the three units of Ceram, the 14 de Julho power plant, with operations during the 1H08.

And during the construction of Foz do Chapecó, our expectation is to open this plant in mid-2010. With this, we conclude the major elements of our strategy for 2006, related to synergic growth. Now, let us move to some data related to operational efficiency. For distribution, the largest in the group, 4.9 million customers in contribution, searching for an optimum scale. The scale allowed us to have an increase of 131% in productivity. Notice almost 90% of increase over 2005 to 2006. This allowed the Company to reduce its costs 4%, basically, last year, reaching slightly above R\$20 per MW/hour on a distribution basis.

The growth in productivity, 3%; for sales, almost 8%. What about the major rates or indexes that have been followed up for our National Energy Agency? Commercial losses - notice the big contribution of our RGE operation: 8% reduction in losses; 12% in delinquency rates; and 25%, approximately, in frequency of interruption. So, these grades already show an image of our group, showing high rates of quality and operational efficiency. Bear in mind that the loss reduction program last year, 557,000 inspections, a collection above R\$40 million through this program only. So, today we have the lowest commercial losses in Brazil - 1.7% in Piratininga.

Finally, on page 30, we continue our commercialization activity. We are showing here the Company maintaining its 27% market share, improving in the number of consumers in the free market, 90 customers or clients, but with a potential that is reduced as you can see in the down chart. Of the volume of the energy potentially free, 3,249 GW/hour for 2006. Notice that 72% were retained in distribution. This behavior is very different from what we had, for instance, in 2003 or 2004, when more than 70% would go to the free market.

From our volume, 28% or 17% were retained by CPFL Brasil, so, out of the total volume, 90% was held in the group via distribution, which was our preferred way, or via commercialization. The commercialization was from utilities with a gain of

22%, or what we had to stick to the energy volume in line. In other words, it was effective, and it bought a share of the market, remaining at a market share of 27%.

Another important piece of information: to continue, we have a continuous improvement program. We have been included in the Six Sigma program, in order to have maximum reliability, especially in production activities – billing, call centers, sales, infrastructure – and we are already using this program, with good results, over the 2H of this year.

And the main project is a transformation in the Company, concluding migration from mainframe to a more modern platform for computers. CZS projects for the commercial model for billing and also for customer service; it will be active until the end of this year, and then we will be away from mainframe and be fully integrated in an SAP base for administration and financial purposes, as well as human resources and commercial areas. And this system will be related through databases for maintenance and other programs in the Company.

On page 33, we move into topics related to finance. Please note that the Company has an adjusted net debt of R\$4.4 billion, and incorporating all the financial funds volumes through the acquisition of RGE. Notice the growth of the net debt from R\$4 billion to R\$4.5 billion. This is a reduction in the indicator over EBITDA. This shows the advantage of this growth process, and also the main impacts of the debt.

This year, we had funding amounted to R\$1.7 million, and amortization of R\$1.6 million. The movements in regulatory assets, private pension funds and cash and cash equivalence, very strong dividend payments. These are the main reasons, especially considering variation of cash and cash equivalence, available cash and also variation in the net debt.

The highlight, especially if you compare to five years ago, the movement of the Company is to reduce the indebtedness profile, with a very comfortable position, when we use the net debt indicator over EBITDA. This debt also results from a strategy developed by our finance vice-presidency. It benefited three years ago, when it favored IGP index on a long-term, rather than short-term; and we exchanged these indicators for CDI, we are more focused on CDI now.

We are about to issue our report, and we are going to show it on the next slide. But the result of our strategy last year was a reduction in the nominal cost, of R\$13.9 to R\$13.4. And now, CDI. We have expected drops over the year; and the Company is concentrated on 40% of its commitments in CDI, and 31% in long-term interest rates, with the same behavior.

On page 35, we can show you the supply and the last debenture issue of the Company for CPFL Paulista. R\$640 million. The rating is BR+, from Standard & Poor's, and remuneration of 100.4% of CDI, or the bank deposit certificate. It shows very clearly this downward trend.

And, finally, the report on the operations for Comgás – this has already been showed to you before – and more recently, in January, we settled our position for

stock in Energias do Brasil, R\$1.2 million in gains, 0.05% stake, coming from stocks that were held by Paulista last year, and Enersul. They are converted, and now we come to this result in this operation performed in January.

On page 37, we have the expectation for sales in the next four years. In terms of total investment, R\$2.8 billion, R\$1.5 billion only in 2007; R\$647 million in expansion, distribution, and R\$336 million for generation.

It is important to highlight that they already include our best view of RGE assets, and we have important challenges, be it in the universal character in 2007, and also considering the systems reliability. We have already invested R\$40 million, more than in our business plan last year, but we believe it is important to stress it even further this year, in order to be sure of the quality of the services provided by our Company.

You have a breakdown of all these figures; notice that a large amount is related to expansion, and now we are talking about connections with new customers; more than 200,000 consumers on an annual basis, and especially to support the market growth.

Please bear in mind that last year we had an investment of R\$787 million, adding together generation and distribution. For distribution, R\$527 million, so we are coming from R\$527 million to R\$664 million, and especially challenges faced in RGE areas.

Now, very briefly, let us talk about sustainability. The Company has a very intense internal program, related to respect for diversity, and in the business chain the Company was selected by IDP for development and to work on sustainability and social responsibility programs, together with suppliers. A big challenge in the environmental area, and we were acknowledged with carbon credits, and we have a very important program, considering the major plants that have flooding or favorable potential.

And, finally, private social investment. The Company has been committed to share knowledge on packages that are more oriented to several stakeholders, focusing on growth and learn projects, where we share our knowledge with SMBs, and also philanthropic hospitals revitalization, sharing knowledge of management with the major managers from charitable hospitals.

On page 40, we have recognition among the 100 top companies to work at, according to Exame Magazine – for the fourth consecutive time, it is a model Company, and also awarded as the best Company by ABERJE. This is an important recognition for our view and our sustainability and social responsibility and corporate images.

And just to conclude, as to corporate governance, the Company has a review of the ethics code in compliance with Sarbanes-Oxley. On page 43 we have a breakdown of our free float, growth to 27.1%. With these movements, the Company is totally complying with the Novo Mercado regulations. Last year we had a reduction in the number of members of the Board, from 12 to seven, in order

to concentrate power; and now we already have an independent member; in addition to a more simple nature of the advisory committee, focusing on processes, people and related parties – somehow, it expedites the Company's processes.

So, these were our remarks on 2006, and also comparisons of the 4Q. We will be welcoming your questions now. Thank you.

Rafael Espírito Santo, UBS Pactual:

Good afternoon. Actually, I have two questions here. My first question has to do with acquisitions. Are you still looking for further opportunities to invest in distribution in the State of São Paulo? And what about generation? Are you interested in the Madeira project; because we already have other private players who are interested. My second question has to do with dividends. In case you do not have any further opportunities for investment, would you still be paying this 95% of payout in the future?

Wilson Ferreira Junior:

As for your first question, the Company is still focused on distribution, especially small concessionaries in areas in São Paulo and Rio Grande do Sul, which have borders with our operations. I think this is where we can add more value both for consumers and shareholders alike, because the Company can be more efficient. As to generation projects, considering the last moves of the government, the government intends to have a highly competitive process, encouraging consortiums or syndicates or polls; at least two additional ones. I believe the Company is going to be sought in order to be involved.

And if we have other projects with a financial logic that is hand in hand with the Company, we will always be interested, even though we know that this process still has a long way to go in terms of environmental aspects, and also in terms of a consortium structure that gives the Company the chance to add value. An important sign is price for future auctions, but my answer is "yes" for both questions, especially for the first one. This is the DNA of the Company.

And, for the second answer, we can consider the signs of encouragement from the government, and I hope we will be able to meet the needs of our society in the future years. I think you realized that the acquisitions last year were made by using the Company's cash, and that is why we had a reduction in cash and cash equivalence, but we still have a very high cash. Our cash generation is very strong, with small and mid-sized ventures and projects held last year. So, we have no need to have any further commitments in terms of dividends. We use dividends as a liquidity instrument for the Company, but we have a policy that sets forth at least 50%.

So, if we have any projects where we can add value, then we can follow the policy, but if there are no projects, then our recommendation is to distribute or to share these profits with the shareholders.

Rafael Espírito Santo:

Thank you.

Sérgio Tamashiro, Itaú:

Good afternoon. My first question has to do with the tariff review process with Piratininga at the end of the year; and then we have Santa Cruz in the future. Could you give me more details on this rationale? You expect to have a cost reduction with the integration of RGE, R\$32.5 million. I do not know what your strategy is in this case. I wonder if this cost that will be reduced, will it be reduced this year or next year? Do you have any on-landings during the tariff review process? I mean, you have gains and, right after that, you pass it on to consumers? Could you tell me what the rationale will be, please? Overall, what are the expectations, or how are you working on that in terms of the government?

Wilson Ferreira Junior:

Sérgio, first of all, cost reduction with RGE involves investment not only in the Company's operations, but also, as we showed before, in tax or fiscal operations, goodwill incorporation; these are the results of the last line. Most of them come from the Company's financial activities, we cannot share this with consumers. As to those that come from improved operations, these costs are not directly passed on to consumers, they have to be funded. I do not know if you remember that, but these costs come from an assessment by ANEEL for all companies, related to reference or benchmarking standards. We understand that there is room for us to preserve part of these gains, but most companies, if there is a reduction, for instance, in the cost of connections, or number of connections, or number of interventions and maintenance, each one of these parameters are related to the benchmark or reference Company, we have to be shared.

There is no reason to imagine that RGE would suffer differently from other companies, but if it does, then, it can be covered, having these gains before they are preserved. Naturally, we have to respect improvement related to all companies, and they should be the object of an improved efficiency for companies in general in Brazil. We understand that we cannot pad one thing to the other, or to think about doing it now or doing it later. Our option is to do it right now. We are very confident that, considering all ANEEL's manifestations, this rationale, that will be very transparent, will be very easily reproduced, will be to our benefits.

Sérgio Tamashiro:

Now, with regards to the first Company, Piratininga, in October 2007, what is your level of concern? Zero? Or ten, are you very concerned? What about this process of tariff review?

Wilson Ferreira Junior:

Obviously, we have to be very concerned. The process is not that clear. What could our expectations be? First of all, a decrease, from the regular tariff body, for

instance. We believe that the first figure showed is an exaggeration, and then, there is a set of elements, of factors, that were expressed by ABRATE, and they showed that this reduction, 11.26% to 9.98%, if I am not mistaken... In order to make it happen, well, we have benchmarks conducted in Brazil, Europe, Australia, and they are not proper, I mean, these samples involve a series of errors and mistakes. Thinking of the number of companies that are generation companies or integrated companies, this does not allow us to have the same level of reduction, so our first concern is that we expected to have reductions, we never imagined that the reduction would be so expressive, especially because it is driven by not such a fortunate selection of companies, that led to this ANEEL's rationale. This is a concern, even though all companies have also expressed their concern by ABRATE, but obviously we have to consider this reduction from the regulatory body.

Second, notice what happened in the Company's P&L or results. There has been gains and improvement in the Company's performance, so, if they are better, maybe this should be encouraging for all companies, in order to reduce or... Coming from a reduction of the reference Company. The counterpart is that we also believe there were some elements that have not been included, and maybe, somehow, they could mitigate this higher productivity effect, and also the effect of the incorporation, showing that part of the cost would not adequately consider, so we do not expect, or would not expect any difference in the second cycle, in terms of improved productivity or recognition of cost that had not been incorporated.

So, unlike the first case, where we expected a reduction, this did not happen in this case. Obviously, there is a third content related to the main indicators, the X factor indicators, and the agency made some considerations and remarks to remove XC, that was related to research, and we approve that.

So if the process is absolutely balanced, and we understand it will be so, maybe we can have some deviations, but it can be very positive in the end, towards sustainability. In this case, we would not be so concerned, but there were a couple of elements that made us feel concerned. Once again, it is an enhancement process, I think we have to contribute, we have to be sensitive; that is important, but it should not be conducted in order not to face the future.

Notice that we are focusing on business sustainability, you have some peculiar issues. You manage delinquency of a whole chain, and that is a big challenge. We have commercial losses, because Brazil still has some problems. So, we also have to admit some peculiar issues, so we can have a sustainable process that can come to more modest tariffs or rates, with good quality of service. But if we consider business people, the business community, sustainability also involves investment in the sector. We need good compensation, remuneration and salaries that are compatible with the level of risk of the sector.

Sérgio Tamashiro:

My second question has to do with CAPEX. In 2007, 2010, we have a R\$3.4 billion increase to R\$3.8 billion, basically in distribution. I am not that sure, well, we have

a constant movement here. And you said that for Foz do Chapecó there will be an increase of 94 MW in R\$230 million in new investments. Is that being considered, or has it already been considered previously? As for distribution, what about 2010? R\$200 million increase in distribution, so why do you have this R\$200 million, I mean, why do not you have a constant or ongoing curve? What is so specific about this year?

Wilson Ferreira Junior:

I can tell you two things. With regards to generation, Foz do Chapecó, the previous information already included those figures. We only had an adjustment in the schedule considering the IPC. We did not have this in the 3Q, when we had our last webcast, but now the picture is clearer. So, for, well, we already have something aligned for the end of this year.

As to distribution, there are two things. The first one is that, considering the market growth and PAC, we cannot ignore that we need some reinforcement in our system. We are considering here on the curve the perspective for growth of the Company and the Brazilian economy, especially where we operate, and this has grown slightly above Brazil, as you know.

The second point is that we still had some commitments, especially to the universal nature of the operation, which was stronger in RGE; we increased our position there, and we still have commitments over 2007 and 2008, not to mention some elements and three of four distribution operations, especially vis-à-vis some tariff review, or tariff adjustment indexes in our base, and that is why in 2007 we will be focusing on this investment, and that is something that has to be recognized on the base. As for the rest, 550 to 580 or 630, following up the market growth, basically. For 2007, the peculiar issue is our increase in RGE stake, and commitment with the universal nature, not to mention that we have several other investments that can be recognized on the base.

Sérgio Tamashiro:

About long-term maintenance, the average would be R\$650 million?

Wilson Ferreira Junior:

Yes, that is correct.

Sérgio Tamashiro:

OK, thank you.

Operator:

I would like to give the floor to the Company for final remarks.

Wilson Ferreira Junior:

I would like to thank you very much for participating in our conference call, all of you investors and analysts that track CPFL, and I would like to reinforce the fact that the Company has been very faithful to its strategy, and I believe that it differentiates us from other market players. We have been trying to show how effective our strategy is, and the results only serve to prove it.

As far as the future is concerned, as we have been saying, we will keep a strong focus on distribution, always evaluating possibilities that might add value to the Company and to its investor base.

The Company has management instruments, financial assets and liabilities, and also coming from value generation that encourages our officers to look for opportunities, always. Of course they have to be aligned to the DNA of the Company, an asset with a distribution base that allowed the Company to be very successful in the generation and commercialization areas.

So, the strategy is being kept firm, and we will be paying attention to all opportunities, we will assess each and every one of them, and we have it very clear in our minds that we have all the Novo Mercado requirements and a partner that becomes more and more important every day.

So, once again, I would like to thank you very much for participating in this conference call, and we hope to be able to talk to all of you again when we report the results of our 1Q07.

Operator:

The conference call of CPFL Energia is closed. We thank you very much for your participation, and wish you all a very good afternoon.