

A N U A L   R E P O R T   |   2 0 0 3





CPFL Energia Headquarters | Campinas | São Paulo

## Message from the Board of Directors

The achievements and new advances of CPFL Energia’s companies during 2003 testify to the Company’s confidence in the future and the growth of Brazil.

The CPFL Energia holding company concluded its first full year of activity, reversing the trend in earnings of the previous year. The company successfully met the challenges set out in its strategic agenda in spite of 2003 being a year that began with the natural uncertainties surrounding the political transition at the Federal Administration level and the prospects for structural changes in the model for the electricity sector.

Among several challenges that were overcome, the shareholders’ R\$ 1,550 million capitalization of CPFL Energia was particularly significant. This capital injection was made in two phases beginning in April 2003 when the shareholders of VBC Energia and 521 Participações paid in R\$ 800 million as an Advance for Future Capital Increases (AFAC). Subsequently, in October of the same year, this AFAC was capitalized and a further R\$ 750 million capital injection made, R\$ 450 million by VBC Energia and 521 Participações, and R\$ 300 million by the Brazilian National Development Bank - BNDES (Banco Nacional de Desenvolvimento Econômico e Social) through the intermediary of BNDESPAR, which became part of CPFL Energia’s shareholding group with a 3.42% stake.

The principal impact was an improvement in the Company’s capital structure and a notable change for the better in CPFL Energia’s debt maturity profile.

Another welcome feature in the concession areas of the distributors controlled by CPFL Energia was a renewed sign of market potential with significant growth being recorded during the year. In response to consumer demand, CPFL Energia invested R\$ 233 million in expansion and improvements in the quality of services provided by its distributors to consumers.

In 2003, through the intermediary of CPFL Geração, CPFL Energia also invested R\$ 330.5 million in further construction work on the Barra Grande, Campos Novos and Monte Claro hydroelectric power plants (UHE). The arranging of the necessary finance for these projects will also allow work to start in 2004 on the Castro Alves and 14 de Julho hydroelectric plants, both components of the Ceran Complex. The emphasis placed on increasing CPFL Group’s own generation capacity will begin to bear fruit at the end of 2004 following the commissioning of the Monte Claro plant with a major impact on CPFL Geração’s earnings.

In the energy trading area, the Group has adopted a diversified strategy with the recently created CPFL Brasil. In only a short space of time, this company has consolidated its position in the market through energy sales to national distributors and free customers as well as providing value-added services to the Group’s leading customers.

The Group’s successful strategy and CPFL Energia’s investments are both reflected in the improved operating results of its subsidiaries. This, together with the reduction in net financial expenses, has enabled





consolidated losses for the year to be cut by 57.3%, falling to R\$ 297 million in 2003 against R\$ 696 million in 2002. With the final quarter 2003 results already showing the positive effects of the capitalization and management effort in the developing of the business during the year, the outlook for 2004 and after is very favorable. This outlook reflects the coming on stream of the plants currently under construction, the Company's success in building up its share in the energy trading area and the organic growth of the Group's distributors combined with their management excellence.

All this represents challenges successfully overcome and will provide the necessary conditions for CPFL Energia's stock exchange listing when the time is right - one of the objectives in the Company's business plan, and an essential part of its growth strategy.

As part of this process, in 2003 the Group concluded all the procedures related to the incorporation of best practices of corporate governance, notably the alignment of CPFL's bylaws with the São Paulo Stock Exchange's (Bovespa) provisions for a listing on the Bovespa Novo Mercado. The subsidiaries' bylaws were similarly aligned to those of CPFL Energia. Work also began on the verification, and where necessary, changes in internal management processes in order to adhere to the Sarbanes-Oxley Act. In addition, the Board of Directors' Internal Regulations have been approved as well as those of the Advisory Committees - already installed.

Part of CPFL Energia's corporate governance policy is the use for the second consecutive year of the Global Reporting Initiative model in the preparation of the Annual Report. This model adopts the principles of disclosure, fairness in relation to all the Company's stakeholders, and accountability. These same principles also include the dissemination of information on environmental, social and economic responsibility.

Such responsibilities, based on the best paradigms of efficiency and excellence, are clearly enshrined in the CPFL Energia's business commitments and guidelines, which act as a framework for the Company's actions and relations with the shareholders, employees, customers, suppliers, communities, governments and with Brazilian society as a whole.

**Carlos Ermírio de Moraes**  
*Chairman of the Board*





## Message from the Board of Executive Officers

The hallmark of the 2003 financial year was the consolidation of the strategies of the CPFL Energia holding company, created in 2002. It was a year in which CPFL Energia and its business units successfully achieved the twin objectives of operating competitively and enhancing their leadership in the electric energy market.

Among other key areas, Company management dedicated its attention to the evaluation and planning of the capital injection – carried out in two stages, one in the first half and the other towards the end of the year. This successful capitalization has been instrumental in improving the Company's debt profile and is evidence of the permanent quest for excellence and business growth, becoming symbolic of shareholder commitment to the future vision of the Company and the sustainability of the businesses.

During the year, management had to meet the challenges on many other fronts - demanding complex actions, much effort and commitment. It is therefore with much satisfaction that we are able to affirm that all the other strategies implemented during 2003 also produced thoroughly favorable results in the fields of generation, distribution and energy trading.

The Company obtained a fair and balanced result from the Tariff Review of the distributors, CPFL Paulista, CPFL Piratininga and Rio Grande Energia. The tariff readjustment rates awarded allow us to continue our capital expenditures program as originally envisaged as well as maintaining the quality of consumer services. We owe these results to the management model adopted by CPFL Energia for its distributors. This model involved the unification of construction standards and the dissemination of best management and operational practices throughout all the companies, the result being operating and maintenance costs that are today considered benchmarks in the sector, even when set against international parameters.

Additionally, in 2003 we began the implementation of the GIS-D technologies at CPFL Paulista and CPFL Piratininga for supporting planning, engineering, project, operation and maintenance processes of the energy distribution system. These technologies will provide gains in the management and in the safety of the operations, eventually feeding through to improved energy supply quality indicators.

The relevance of these measures can be seen in the light of the potential of our distributors' markets in 2003. While the Brazilian GDP declined by 0.2%, energy sales in the concession areas of CPFL Paulista, CPFL Piratininga and RGE reported growth of 5.1%, 5.0% and 3.4% respectively. The average weighted growth was 4.8%, higher than the Brazilian average of 3.7%.

The investments in expansion and in the quality of consumer services were therefore crucial, allowing CPFL Energia's companies to continue achieving the levels of efficiency expected by its consumers. In 2003, the indicators, which measure the continuity of energy supplies to the consumer, reported better results than the previous year both at CPFL Paulista and also CPFL Piratininga, thanks to efficient operating management.

In the energy generation area, the fruits of the management strategies can be evaluated based upon various aspects. Whether this is done on an individual or integral basis, these aspects are of paramount



System Operating Center (COS) | Campinas | São Paulo



Substation | Santos | São Paulo



importance for the Company. For example, Aneel (the National Electric Energy Agency) ratified the purchase and sale contracts of energy to be generated by the new projects in which CPFL Energia, through CPFL Geração, has a stake for a 35-year term. This, together with the reduction of CPFL Geração's stakes in Baesa and Enercan, provided the necessary conditions for the Company to raise additional finance for work to continue on the projects.

CPFL Energia's contribution to future Brazilian economic growth will be in the form of six major, new hydroelectric plants with a total capacity of 2,785 MW, ranking the Company among the country's leading electricity generators. At the end of 2003, the Campos Novos, Barra Grande and Monte Claro hydroelectric power plants were already under construction. In 2004, work is to begin on the Castro Alves and 14 de Julho projects and in 2005, on the Foz do Chapecó plant.

During the year, CPFL Geração also completed the modernization of 11 of its 19 Small Hydroelectric Power Plants (PCH) under the program for upgrading generation capacity and plant automation. The main benefit to be derived from this upgrading is the ability to increase generation capacity without increasing the physical size of the installations. With automation, these PCH's can now be operated and supervised remotely via satellite. A further five plants are to be upgraded and automated by 2008.

Set up in 2003, CPFL Brasil's trading activities have developed rapidly. The company has already made a positive contribution to CPFL Energia's strategic positioning both through the expansion of sales in the free market and also sales of value-added services besides widening the business horizon of the distributors. Using a specialized team of professionals, CPFL Brasil has developed preferred channels for serving customers and has invested in the implementation of the most advanced Commercial Operations Center in the country. At the end of its first year of activities, the company had a portfolio of more than a dozen free customers operating in key sectors of the economy in assorted regions of Brazil .

CPFL Energia's activities also involve the permanent management of the impacts and results of the companies' businesses on its stakeholders – shareholders, customers, employees, suppliers, government, environment and society in general. This includes ensuring ethical behavior, transparency and values which

guide the relations of the Group with its constituent public, such as commitments ranging from Strategic Planning to skills formation programs offered to all employees.

In 2003, the Company sought to satisfy the needs and expectations for a permanent improvement in efficiency and productivity by continuing to invest in the qualification and improvement in the competences of its employees. Several programs were developed to improve the technical, managerial and commercial qualities of its employees to achieve excellence in operations and in services, essential factors in the success of the businesses. The Company provided some 455,756 hours of training during the year, representing 109.38 hours per employee. The Integrated Management System - SGI was consolidated with the simultaneous renewal in January 2004 of certifications for the principal business processes in accordance with Quality, Environmental, Health, Occupational Safety and Social Responsibility standards.

Brazilian society is already recognizing the efforts that have been made in complying with these commitments. In 2003, CPFL Paulista was ranked as the Best Energy Distributor in Brazil by the Brazilian Association of Electric Energy Distributors (Abradee) and was also awarded the Association's Social Responsibility Prize for the second consecutive year. According to the same criteria, RGE was considered the best energy distributor in the South of Brazil.

For the second consecutive year, in 2003, CPFL Paulista was included among the 100 Best Companies in Brazil to work for and in 2004, among the 100 Best Companies to work for in Latin America in a survey by Exame magazine.

In 2003, CPFL Geração and CPFL Piratininga also won the ABS prize, awarded by the Brazilian Safety Association. CPFL Energia was recognized for the second time as a Model Company in the Exame Guide to Good Corporate Citizenship, which focuses on Corporate Governance practices and Social Responsibility.

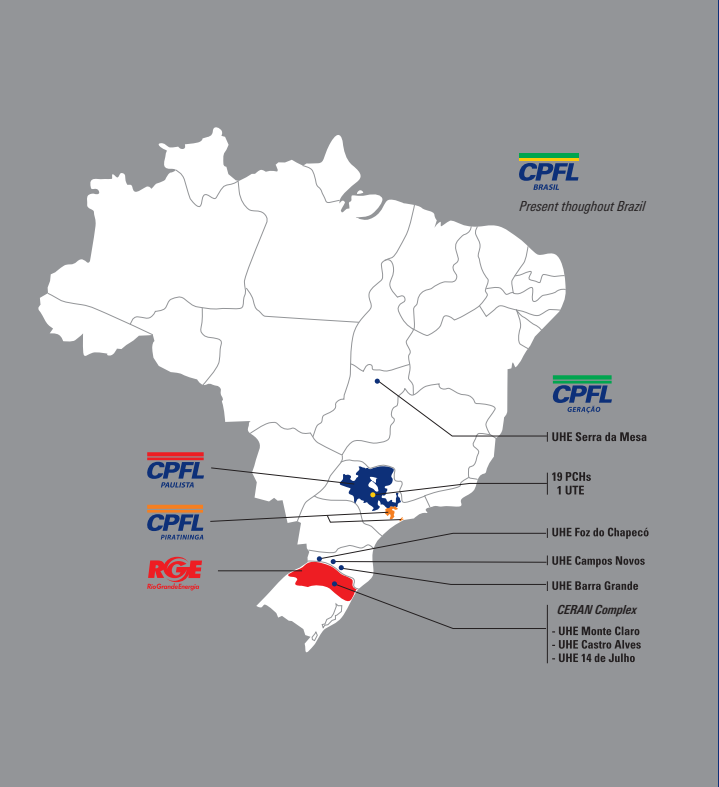
Consumer satisfaction was once again apparent. At the beginning of 2004, CPFL Paulista received the IASC - Aneel Customer Satisfaction Index Prize as the best distributor in the South-East region in the category of companies with more than 400,000 customers. The distributors CPFL Piratininga in the South-East region and RGE in the South were also ranked among the top three in the same classification.

These achievements and awards reflect the seriousness with which CPFL Energia's companies seek to execute shareholders', management's and employees' commitments through the integrated growth of the businesses. In these endeavors, the Company never loses sight of the objective of growing its business within an economic and social framework, always integrally respecting the environmental conditions in such a way as to contribute effectively to the sustainable development of Brazil.

**Wilson Ferreira Jr.**  
*Chief Executive Officer*



# Profile of the Companies



## CPFL Energia

In August 2002, CPFL Energia S.A. was consolidated as a holding company for controlling electricity-related assets and enterprises - operating in both the free and regulated markets – in the areas of generation, distribution and trading of electric energy.

The Company’s operations are governed by the regulatory legislation and norms for the Brazilian electricity sector and the concession contracts signed with the federal government, through Aneel – the National Electric Energy Agency, the industry regulator. CPFL Energia is also subject to inspection by provincial organs in the states in which it operates.

In its position as a holding company, CPFL Energia does not produce or directly trade goods and services, its economic and financial results being derived from the consolidation of stakes in other companies.

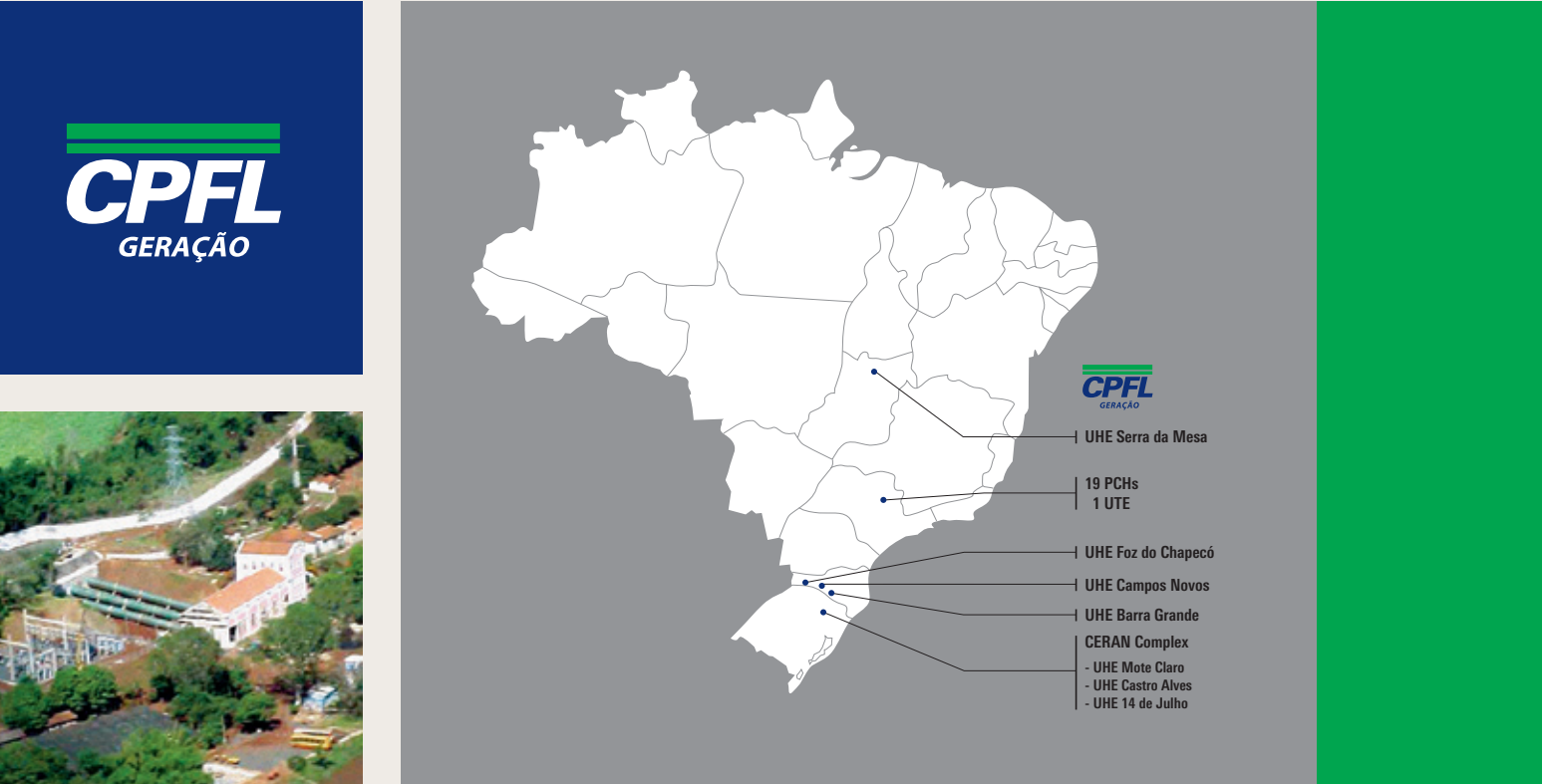
With gross consolidated revenues of R\$ 8.0 billion and shareholders’ equity of R\$ 3.4 billion, CPFL Energia and its subsidiaries make up the largest wholly Brazilian-owned private sector company operating in the domestic electricity industry.



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UHE Serra da Mesa | Goiás



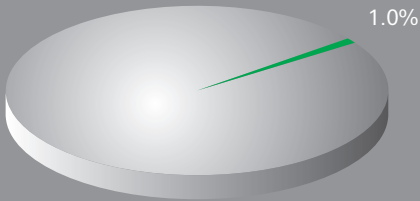
Generation

CPFL Geração de Energia S.A. was created in 2002 from the spinning off of the electricity generating assets of CPFL - Companhia Paulista de Força e Luz, a company which has been investing and participating in the generation of electric energy in Brazil since the end of the last century. CPFL Geração's generation assets comprise 19 PCHs (Small Hydroelectric Power Plants) and one UTE (Thermoelectric Power Plant), with a combined installed capacity of 155 MW. The company also has 51.54% stake in UHE (Hydroelectric Power Plant) Serra da Mesa (state of Goiás), with a total capacity of 1,275 MW, 657 MW of which corresponds to CPFL Geração's share. CPFL Geração's total available installed capacity amounts to 812 MW.

CPFL Geração is responsible for plant operation and maintenance and manages the construction of new projects for increasing its installed generation capacity.

It is currently investing in the building of six hydroelectric power plants in partnership with major Brazilian groups. These new plants will add 1,177 MW to the company's capacity, which will total 1,989 MW by 2009, the largest part of which will come on stream in 2006.

CPFL Geração's Share in the Brazilian Market in 2003 (GWh sold)





### UHE BARRA GRANDE

(Santa Catarina / Rio Grande do Sul)


**Current stage of construction:**

**Already concluded**  
River diversion  
Excavation of Power House site


**In Progress:**  
Concreting of the Power House/Spillway  
Equipment assembly

**Total Installed Capacity:** 690 MW  
**Guaranteed Energy:** 380.6 MW average  
**Startup of Operations:**  
1<sup>st</sup> turbine - October 31 / 2005  
2<sup>nd</sup> turbine - January 31 / 2006  
3<sup>rd</sup> turbine - April 30 / 2006

Current stage of construction



View upon completion




### UHE FOZ DO CHAPECÓ


(Santa Catarina)

**Total Installed Capacity:** 855 MW  
**Guaranteed Energy:** 432 MW average  
**Work beginning:** January 2005  
**Startup of operations:** June 2008

Location of future plant



View upon completion



### UHE CAMPOS NOVOS

(Santa Catarina)


**Current stage of construction:**

**Already concluded**  
River diversion  
Excavation of Power House


**In Progress:**  
Concreting of the Power House  
Equipment Assembly  
Dam  
Excavation of the Spillway

**Total Installed Capacity:** 880 MW  
**Guaranteed Energy:** 377.9 MW average  
**Startup of Operations:**  
1<sup>st</sup> turbine - January 31 / 2006  
2<sup>nd</sup> turbine - April 30 / 2006  
3<sup>rd</sup> turbine - July 31 / 2006

Current stage of construction



View upon completion







CERAN Complex

UHE MONTE CLARO  
(Rio Grande do Sul)

Current stage of construction:

Already concluded

River diversion  
Excavation of Power House

In progress:

Concreting of Power House and Spillway  
Assembly of the Equipment  
Excavation of Penstock

**Total Installed Capacity:** 130 MW

**Guaranteed Energy:** 59 MW average

Startup of Operations:

1<sup>st</sup> turbine - October 1 / 2004  
2<sup>nd</sup> turbine - December 1 / 2004

Current stage of construction



View upon completion



UHE CASTRO ALVES  
(Rio Grande do Sul)

Current stage of construction:

Already concluded

Access to Upstream Works Patio

In progress:

Access to Downstream Works Patio  
Excavation of River Diversion  
Underground Excavation of Auxiliary Tunnels

**Total Installed Capacity:** 130 MW

**Guaranteed Energy:** 64 MW average

**Start of work:** April 2004

**Startup of operations:** February 2007

Current stage of construction



View upon completion



UHE 14 DE JULHO  
(Rio Grande do Sul)

**Total Installed Capacity:** 100 MW

**Guaranteed Energy:** 50 MW average

**Start of work:** October 2004

**Startup of operations:** August 2007

View upon completion





**CPFL**  
PAULISTA

**CPFL**  
PIRATININGA

**RGE**  
Rio Grande Energia



- Present in the states of São Paulo and Rio Grande do Sul

- 5.2 million customers

- Affecting 15.3 million inhabitants

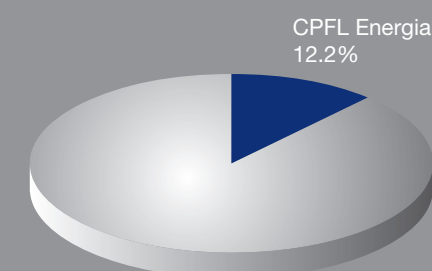
- 515 municipalities served

- Energy sales in 2003: 33,669 GWh\*

- Growth of 4.8% in energy sales in 2003

#### CPFL's share in the Brazilian Electric Energy Market in 2003

*(GWh sold)*



(\*) Consolidated total of energy supplied to final consumers by the group distributors. RGE's share in consolidated total energy sales was 4,083 GWh, taking into account sales to other concessionaries and cooperatives.

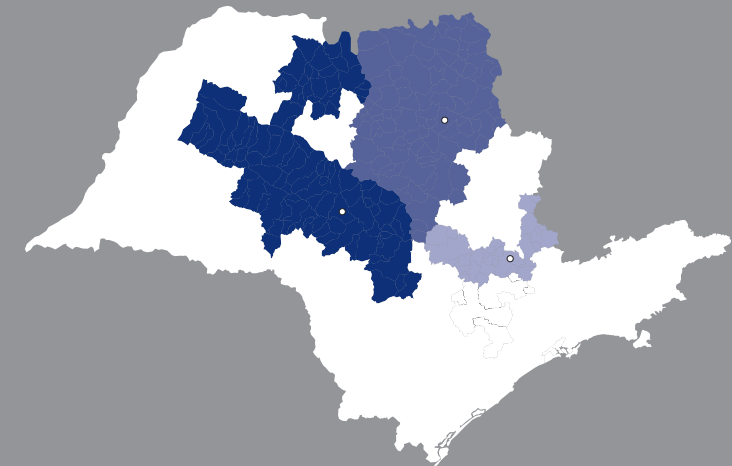
### Distribution

*(Cia. Paulista de Força e Luz, Cia. Piratininga de Força e Luz and Rio Grande Energia S.A.)*

Through its subsidiaries, CPFL Paulista, RGE and CPFL Piratininga, CPFL Energia serves two of the most highly developed electricity distribution markets in Brazil: the interior of the state of São Paulo and the north and northeastern regions of the state of Rio Grande do Sul. The CPFL companies seek to satisfy the needs of demanding markets in addition to complying with all regulatory requirements by offering services with a high degree of efficiency and quality. In achieving this, they have become benchmarks in their sector. The three companies as a whole have an installed capacity of 8,029 MVA and serve an area of 152,954 km<sup>2</sup> with 5.2 million consumers.







Northwest Region    Northeast Region    Southeast Region

Concession area: 90,440 km<sup>2</sup>  
Municipalities served: 234  
Population served: 8,676,000  
Customers: 3,028,000  
Employees: 2,948  
Energy sales in 2003: 19,108 GWh

(\*) value expressed in FTE

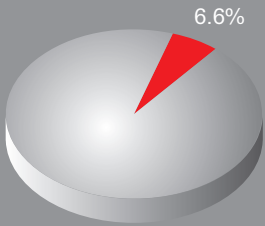


**CPFL Paulista**

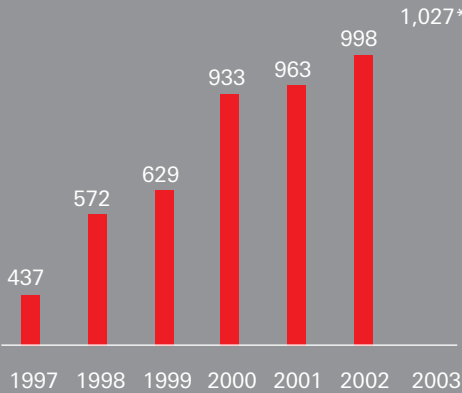
Companhia Paulista de Força e Luz S.A. serves a population of 8.7 million in 234 municipalities with 3,028,000 individual customers located in one of the country’s main regions: the interior of the state of São Paulo. Among the leading industries in this region are heavy-duty users of electricity such as advanced chemical and technology companies and major conglomerates. The region also has an important agribusiness industry. The company’s concession has an area of 90,440 km<sup>2</sup> consisting of three regions - Southeast, Northwest and Northeast - with regional head offices in the cities of Campinas, Ribeirão Preto and Bauru, respectively (all in the state of São Paulo), where the company maintains three Operations Centers, in addition to the Electric System Operations Center. The distributors posted sales of 19,108 GWh in 2003.

Network distribution services logistics are organized around 100 Advanced Stations strategically located in municipalities throughout the concession area. The purpose of the Advanced Stations is to facilitate access, reduce the response time in reaching an occurrence and executing programmed or emergency services.

**CPFL Paulista’s share in the Brazilian Market in 2003**  
(GWh sold)

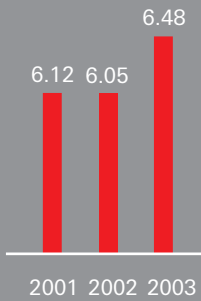


**Workforce productivity**  
(customers per employee)



(\*) Productivity rate based on personnel information expressed in FTE.

**Energy sales per employee - GWh**





Concession area: 6,785 km<sup>2</sup>






Municipalities served: 27

Population served: 3,247,000

Customers: 1,164,000

Employees: 1,012

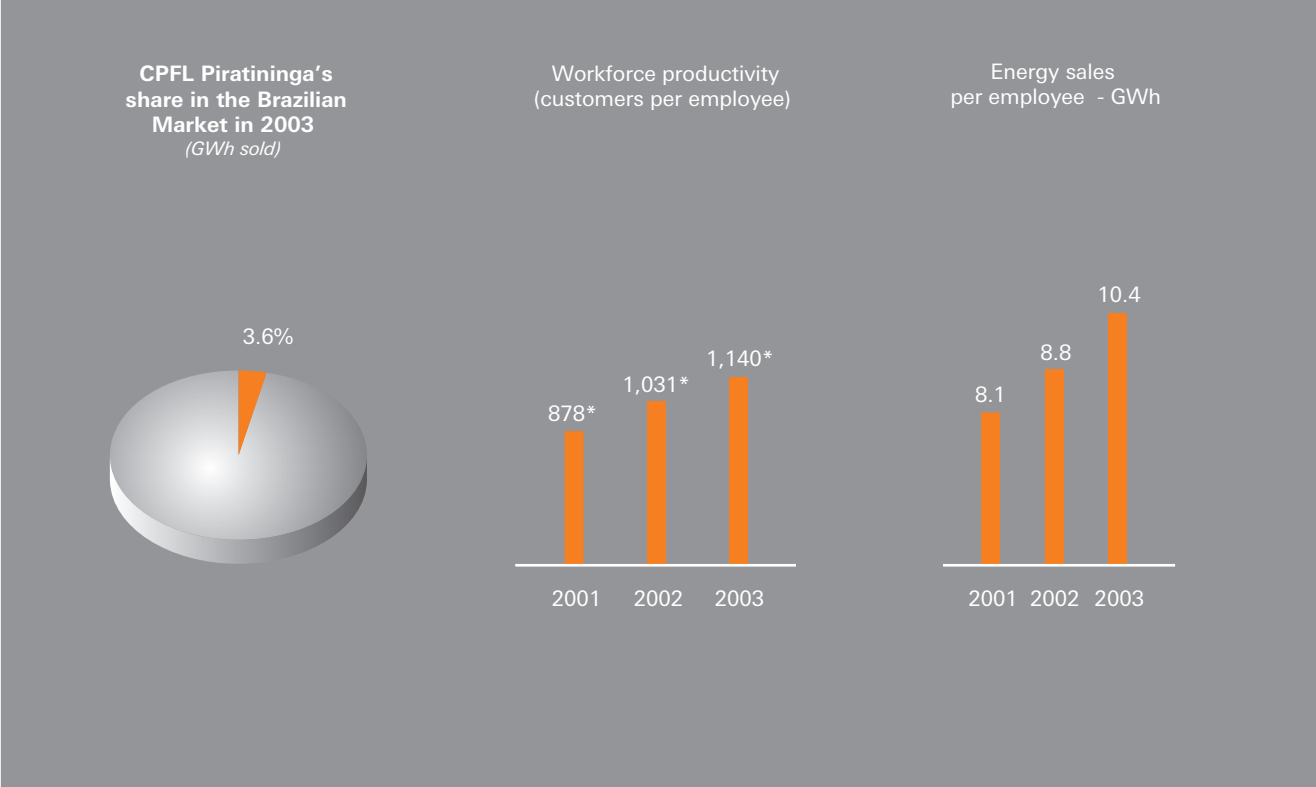
Energy sales in 2003: 10,478 GWh



### CPFL Piratininga

Companhia Piratininga de Força e Luz S.A. serves a population of 3.2 million people in 27 municipalities with 1,164,000 individual customers and sales of 10,478 GWh in 2003. The company's concession has an area of 6.785 km<sup>2</sup> and is located in a highly developed region in terms of infrastructure, production and business environment. The concession area is made up of two regions - West and Coastal - with regional head offices in the cities of Santos and Sorocaba, respectively (in the state of São Paulo), both with Electric System Operations Centers.

As in the case of CPFL Paulista, CPFL Piratininga's concession area contains an advanced industrial complex demanding significant volumes of electricity.







- Missions Region
- Northwest Region
- Plains Region
- Mountain Region
- Metropolitan Region

Concession area: 90.718 km<sup>2</sup>

Municipalities served: 254

Population served: 3,441,000

Customers: 1,052,000

Employees: 1,318

Energy sales in 2003: 6,377 GWh\*

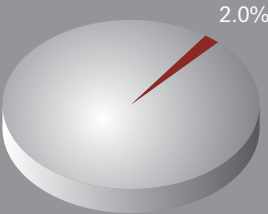
(\*) - Total sales in 2003 based on supply of electric energy.  
- CPFL Paulista holds a 67.07% share of RGE



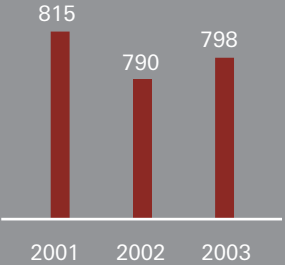
RGE

Rio Grande Energia S.A. serves a population of 3.4 million in 254 municipalities (54.4% of the total number of municipalities in the state of Rio Grande do Sul), distributed in an area of 90,718 Km<sup>2</sup> (34% of the State), with 1,052,000 individual customers. Together, these regions reveal some of the best economic/social indicators in the country, forming the most important agricultural, cattle ranching, industrial and tourist areas in the state of Rio Grande do Sul. The company's concession area reported a consumption of 6,377 GWh in 2003. RGE distributes electric energy to the North and North-East regions of the State and is organized into five Regional Departments – Northwest, Missions, Mountain, Plains and Metropolitan – with head offices in Santa Rosa, Santo Ângelo, Passo Fundo, Caxias do Sul and Gravataí. RGE has one Operations and Distribution Center in Caxias do Sul.

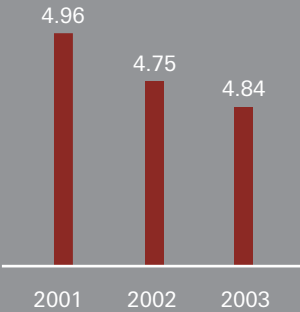
RGE's share in the Brazilian Market in 2003 (GWh sold)



Workforce productivity (customers per employee)



Energy sales per employee - GWh





**CPFL**  
BRASIL



## Trading

Since early 2003, CPFL Energia, has been operating in the electricity trading business through its subsidiary, CPFL Comercialização Brasil. The subsidiary was created to allow the Company to optimize its decisions over the short, medium and long terms in trading, managing the risks involved with market fluctuations and identifying short-term market opportunities.

CPFL Brasil operates in the supply of energy to group distributors, to other market agents and free consumers. Business with free consumers reported a particularly significant increase of 148% in 2003.

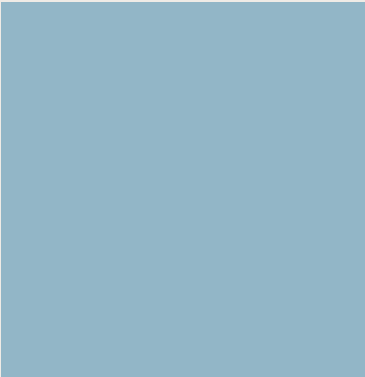




Corporate Organization

CPFL Energia has its origins in Companhia Paulista de Força e Luz - CPFL Paulista, created on November 16, 1912, out of the merger of four small energy companies which operated in the interior of the state of São Paulo. During this period of nearly 92 years, CPFL Paulista’s corporate history has been marked by several important turning points in its development. In 1927, after 15 years under Brazilian control, the US group, American Foreign Power Co. (AMFORP), incorporated CPFL Paulista, remaining part of this group until 1964, when it became a subsidiary of Eletrobrás, a federal government-owned holding company. In 1975, CPFL Paulista’s shareholding control was transferred to Companhia Energética de São Paulo – CESP, a company controlled by the São Paulo state government. On November 7, 1997, the company was privatized, the current shareholding group taking over control.

Following privatization, CPFL Paulista began a process of expansion according to a business plan established by its controllers, culminating in August 2002 in a restructuring - the conclusion of which was the creation of CPFL Energia as a controlling holding company



Summary of Corporate Events since Privatization

The principal events from which the current corporate structure of CPFL Energia S.A. emerged were as follows:

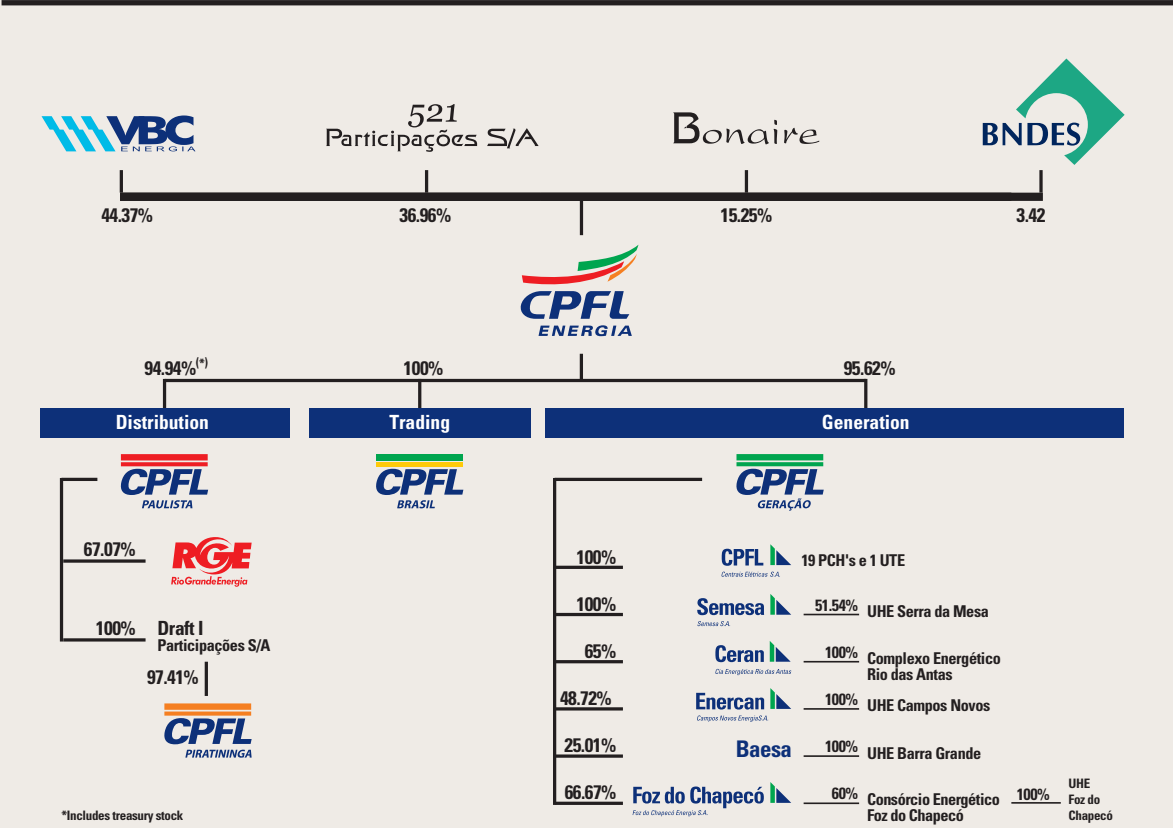
November 1997	Public offering of CPFL Paulista shares in a privatization auction, in which the winning consortium – made up of VBC Energia S.A. (“VBC”), 521 Participações S.A. and Bonaire Participações S.A., took a 66.98% stake in the voting stock and 47.84% in CPFL Paulista’s total capital stock.
March 1998	CPFL Energia incorporated under the initial denomination of Draft II Participações S.A., its corporate purpose being the participation in the capital of other companies.
September 1998	CPFL Paulista, through its controlled Draft I Participações S.A. (“Draft I”) and in consortium with Energia Paulista Ltda – Enerpaulo (controlled by Eletricidade de Portugal – EDP) acquired a controlling stake in Empresa Bandeirante de Energia – EBE (“EBE”). CPFL Paulista’s stake was 32.94% of the voting stock and 13.11 % of its total capital stock.
November 1999	Public Offering of Shares issued by CPFL Paulista held at the BOVESPA for the account and order of Companhia Energética de São Paulo – CESP and the controlling group of CPFL Paulista. With this acquisition, the controlling shareholder group took a 91.89% stake in the voting stock and 90.38% of the total capital stock of CPFL Paulista.
September 2000	In accordance with the concession contracts, CPFL Paulista’s shareholders approved the separation of the electric energy generation and distribution activities, which from then on were operated by separate companies. The portion of CPFL Paulista spun off, corresponding to the electric energy generation activities, was incorporated by CPFL Geração, the shares of which were distributed to the shareholders of CPFL Paulista, proportional to their stakes in that company. At the time of the split, CPFL Energia (denominated as Draft II Participações S.A.) held 21.20% of CPFL Paulista and 21.20% of CPFL Geração.
November 2000	Through a Public Offering of Common and Preferred Shares of EBE, CPFL Paulista, through its controlled company Draft I, increased its indirect stake in the capital stock of EBE to 43.01% of the common shares and 41.73% of the preferred shares, corresponding to 42.24% of the total capital stock



Summary of Corporate Events (continued)

July 2001	CPFL Paulista acquires a controlling stake in Rio Grande Energia (RGE), holding 66.97% of its total capital stock at the end of 2001.
October 2001	Partial spin-off of Empresa Bandeirante de Energia S.A. (“Bandeirante”), the new corporate denomination of EBE, controlled together with Enerpaulo. The stake spun off from Bandeirante was incorporated into Companhia Piratininga de Força e Luz (“CPFL Piratininga”). With this operation, CPFL Paulista, through its subsidiary Draft I, now held 96.48% of the total capital stock of CPFL Piratininga, through an exchange of shares with Enerpaulo.
August 2002	Conclusion of the restructuring of the CPFL Group. Nearly all the assets that the shareholders of CPFL Energia held in CPFL Paulista and in CPFL Geração – through a capital increase – were incorporated in Draft II, the latter’s denomination being changed to CPFL Energia S.A. (“CPFL Energia”).
January 2003	Start-up of the activities of the recently created “CPFL Comercialização Brasil Ltda”, a company 100% controlled by CPFL Energia, responsible for the trading of electricity. Transfer of 19 Small Hydroelectric Power Plants and one Thermoelectric Plant from CPFL Geração to its controlled company Nova I Participações S.A. (“Nova 1”).
October 2003	Approval of an increase in the capital stock of CPFL Energia in the amount of R\$ 1,550 million. BNDES Participações S.A. takes a 3.42% stake in the capital stock, injecting R\$ 300 million.
December 2003	Change in the corporate denomination “Nova 1 Participações S.A.” to “CPFL Centrais Elétricas S.A.” Corporate status of “CPFL Comercialização Brasil ” changed from a public limited partnership to a public corporation.

Corporate Structure



Controlling shareholders

CPFL Energia’s controlling shareholders are among the leading private sector corporate groups in the country in their areas of business. The controlling group also includes some of the largest Brazilian pension funds. BNDESPAR has held a stake in the Company since the last capitalization in 2003.

VBC Energia S.A. is controlled by VBC Participações S.A. (99.9%), capital stock of which is held by companies that are part of three major private sector conglomerates.



VBC Energia S.A.

• Votorantim Group

Founded 86 years ago, the Votorantim Group is among the largest Brazilian economic groups with assets totaling R\$ 30 billion and annual gross revenues of R\$ 13 billion. Its component companies are either leaders or have significant shares in all the markets in which they operate. The Group is particularly strong in cement, pulp and paper, alumina, zinc, nickel, long steel, biaxially oriented polypropylene film, specialty chemicals and frozen orange juice. The Votorantim Group also has an important participation in the financial sector, through Banco Votorantim. Votorantim Celulose e Papel S.A., the Group’s listed company, has shares traded on the domestic market and ADR’s in New York.

Through Votorantim Energia S.A., the Group has an outstanding position in the electric energy sector, directly via self-generation, supplying its own industries and, indirectly through its stake in VBC Energia.

• Bradesco

The Bradesco Group is the largest financial conglomerate in Brazil, led by Banco Bradesco S.A., the leading private sector bank in Brazil, with R\$ 176 billion in total assets, 14.5 million customers, 3,052 branches and 2.3 million shareholders. It is also the largest private sector employer in Brazil.

The group’s stake in CPFL Energia is through Bradesplan S.A., controlled (99.9%) by Bradespar S.A., a holding company for the group’s various investment interests and including in its portfolio companies such as Cia. Vale do Rio Doce and Net in addition to CPFL Energia. Bradespar’s priority is to invest in companies that are leaders in mature segments of the economy producing consistent long-term rates of return.

Both Banco Bradesco S.A. as well as Bradespar S.A. are listed companies with their shares traded on the domestic market and ADRs on overseas exchanges (New York and Madrid).

• Camargo Corrêa Group

The group was founded 65 years ago and has assets in excess of R\$ 4 billion and annual sales revenues of about R\$ 7 billion. The Camargo Corrêa Group consists of 16 companies employing about 35,000 and is among the largest private sector corporations in Brazil.

It operates in the areas of construction and engineering, cement production, textiles, footwear, the steel and metallurgical industries, environmental engineering, highway concessions and electricity generation and distribution. During its corporate history, the Group has made important contributions to the development of infrastructure in Brazil.

521 Participações S.A.

521 Participações S.A., is an investment fund representing Caixa de Previdência dos Funcionários do Banco do Brasil – Previ, the Banco do Brasil pension fund.

Previ ranks first among Brazilian and Latin American pension funds. It has been in existence for 100 years and was created before even the national social security system. It has a assets of R\$ 58 billion, accounting for 25% of the total domestic pension fund industry. Previ has 129,000 members and provides benefits to a total population of 419,000 among retirees/pensioners and dependents.

Previ seeks to monitor its investments in the most effective way, being recognized as the leader in the debate on corporate governance. It seeks to ensure that good corporate governance practices are present in all the companies in which it invests.

Bonaire Participações S.A.

Bonaire is a company owned by a consortium of pension funds with the participation of Fundação Petrobrás de Seguridade Social – Petros, Fundação Sistel de Seguridade Social, Fundação Cesp – Funcesp and Fundação Sabesp de Seguridade Social – Sabesprev:

• Funcesp

Fundação Cesp is among the largest private closed pension fund entities in Brazil. Its main sponsors are electricity companies, particularly CPFL Paulista, CPFL Piratininga, CPFL Geração, Cesp, Eletropaulo, AES Tietê, Duke Energy, EBE, Transmissão Paulista, Elektro, EMAE, as well as Eletropaulo Telecom and Edinfor.

Funcesp manages closed pension plans and has more than 145,000 members. It also manages health insurance plans for more than 150,000 between members, their dependents and beneficiaries. It ranks 5th in the general pension fund ranking.

• Petros

Founded 33 years ago, Fundação Petrobrás de Seguridade Social – Petros, the Petrobras pension fund was a pioneer in the private pension fund market. It is second in the overall ranking of Brazilian pension funds with assets in excess of R\$8 billion.

Petros is sponsored by 27 companies in the petroleum and petrochemical sectors, of which 7 are state-owned and 20 from the private sector. Among the state-owned companies are: Petrobras, BR Distribuidora, Gaspetro, Braspetro, Petroquisa, Transpetro and Refinaria Alberto Pasqualini. Among the most important private sector companies are: Braskem, Trikem, Ultrafértil, Petroflex, Petroquímica União, Nitriflex, Copesul, Repsol/YPF do Brasil, Petroquímica Triunfo, Rio Polímeros, and IBP – Instituto Brasileiro de Petróleo e Gás.

• **Sistel**

Fundação Sistel de Seguridade Social is a multi-sponsored private pension fund offering different benefits plans to companies of any size, for which it implements and administers customized plans according to the specific needs and profile of each sponsor. The fund’s sponsors are dominated by major telecommunications companies such as Telemar, Telefônica, Brasil Telecom, Telesp Celular, Telemig Celular, Tele Leste Celular, Tele Sudeste Celular, Tele Norte Celular, Tele Nordeste Celular, Tele Celular Sul, TCO Celular, as well as Telebrás and CPqD.

With funds under management of more than R\$10 billion, Sistel is the largest pension fund in assets, sponsored by private sector companies in Brazil and is fourth in the general ranking of funds with more than 89,000 members.

• **Sabesprev**

Fundação Sabesp de Seguridade Social – Sabesprev is a closed complementary pension fund entity created in 1991 to ensure a better quality of life through the supplementation of state pension benefits to the employees of Cia. de Saneamento Básico do Estado de São Paulo – Sabesp, the sponsor company owned by the government of the state of São Paulo.

Sabesprev has more than 20,000 members and its business extends to managing health insurance plans (70,000 customers) and life insurance (17,000).

**BNDES Participações S.A. - BNDESPAR**

BNDESPAR - BNDES Participações S.A. is a government-owned company and a subsidiary of the Brazilian Economic Development Bank – BNDES (Banco Nacional de Desenvolvimento Econômico e Social). Its main function is to invest on a temporary and minority shareholder basis in projects that are considered national priorities.

Since its foundation in 1952, the BNDES has been financing major industrial enterprises as well as infrastructural investments.

It is also active in supporting investments in agriculture, commerce and services. Currently, its focus is on the expansion and modernization of infrastructure with an emphasis on investments in energy and telecommunications among others.

**Corporate Governance**

Since 2002, CPFL Energia has advanced in implementing important new corporate governance practices and this work will continue throughout 2004.

**Initiatives taken in 2003**

- Alignment of CPFL Energia’s bylaws with the provisions for a Bovespa Novo Mercado listing.
- Alignment of the subsidiaries’ bylaws with those of CPFL Energia.
- A start made on the verification and, where necessary, changes in internal management processes to comply with the Sarbanes-Oxley Act.
- Board of Directors’ approval of the Company’s corporate governance guidelines and the publication of the Company’s corporate governance principals (see CD accompanying this report).
- Board of Directors’ approval of the Internal Rules for the Board and its Advisory Committees, the latter already installed and reporting directly to the Board. The Committees’ objective is to add value, diligence and efficacy to the Board’s work in meeting its objectives of establishing business guidelines and taking decisions on strategic aspects.



Transission Lines



Operation Center | Western Region | CPFL Piratininga | Sorocaba | São Paulo



Advisory Committees to the Board and their Functions

- Executive Committee: Analyzes and validates the strategic and operating plans as well as executing studies, analyses and proposals on strategic plans or any related aspects.
- Compensation Committee: Chooses the Company’s CEO, evaluates the Board of Executive Officers and proposes compensation levels for the Company’s principal executives.
- Audit Committee: Selects the External Auditors and submits an opinion on the approval of the management’s accounts.
- Financial Services Committee: Examines material questions requiring study and/or additional detail as to their impact, as well as evaluating the selection of financial services providers for important contracts.
- Works Committee: Evaluates the selection of suppliers of construction and assembly services at project sites, as well as all other analyses, studies and proposals required by the Board with respect to works or related aspects.
- Inputs Procurement and Sales Committee: Evaluates the selection process of suppliers for contracts involving related parties as well as being responsible for other analyses, studies and proposals required by the Board on the purchase and sale of raw materials or related matters.

Also important during the year was the integration of the Management and Social Reports through the adoption of the Sustainability Report model proposed under the Global Reporting Initiative - GRI. CPFL Energia is among the first companies in Brazil to adopt this report model.



Among the Corporate Governance Targets for 2004 are:

- The implementation of a self-evaluation system for the Board of Directors.
- The modification of the Company’s organizational structure, in which the Internal Audit Area will report directly and exclusively to the Audit Advisory Committee.
- The dissemination of Corporate Governance concepts to the CPFL companies’ management and employees CPFL Energia group through publications and dissemination via the Intranet.
- Development of a Communication Plan for disseminating Corporate Governance concepts among employees.

Through the implementation of these and other actions, CPFL Energia will be taking a major step forward in achieving its goal of placing its Corporate Governance practices on a par with those prevailing internationally.





Campinas | São Paulo

Members of the Board of Directors and  
the companies' Board of Executive Officers

Holding Company - CPFL Energia S.A.

Board of Directors

Chairman

Carlos Ermírio de Moraes

Vice Chairman

Luiz Carlos Siqueira Aguiar

Board Members

- Aloísio Macário Ferreira de Souza
- Cid Alvim Lopes de Resende
- Francisco Caprino Neto
- Joilson Rodrigues Ferreira
- Luiz Maurício Leuzinger
- Mário da Silveira Teixeira Junior
- Martin Roberto Glogowsky
- Otávio Carneiro de Rezende
- Rosa Maria Said
- Susana Hanna Stiphan Jabra

Board of Executive Officers

Chief Executive Officer

Wilson P. Ferreira Jr.

Chief Strategy and Regulation Officer

Reni Antonio da Silva

Chief Financial and Investor Relations Officer

Nilo Marcos Mingroni Cecco

Chief Energy Management Officer

Paulo Cezar Coelho Tavares

Chief Operations Officer

Hélio Viana Pereira

Chief Energy Generation Officer

Miguel Normando Abdalla Saad





Operations Center | Bauru | São Paulo

Subsidiaries

CPFL Paulista (Cia. Paulista de Força e Luz) • direct subsidiary

Board of Directors

Chairman

Carlos Ermírio de Moraes

Vice Chairman

Luiz Carlos Siqueira Aguiar

Board Members

- Aloísio Macário Ferreira de Souza
- Cid Alvim Lopes de Resende
- Francisco Caprino Neto
- Joilson Rodrigues Ferreira
- Luiz Carlos de Souza
- Luiz Maurício Leuzinger
- Mário da Silveira Teixeira Junior
- Martin Roberto Glogowsky
- Otávio Carneiro de Rezende
- Rosa Maria Said
- Susana Hanna Stiphan Jabra

Board of Executive Officers

Chief Executive Officer

Wilson P. Ferreira Jr.

Chief Operations Officer

Hélio Viana Pereira

Chief Strategy and Regulation Officer

Reni Antonio da Silva

Chief Financial and Investor Relations Officer

Nilo Marcos Mingroni Cecco

Chief Energy Management Officer

Paulo Cezar Coelho Tavares





Regional Headquarters | Santos | São Paulo

**CPFL Piratininga (Cia. Piratininga de Força e Luz) • indirect subsidiary**

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**Board of Directors**

***Chairman***

Carlos Ermírio de Moraes

***Vice Chairman***

Luiz Carlos Siqueira Aguiar

***Board Members***

- Aloísio Macário Ferreira de Souza
  - Cid Alvim Lopes de Resende
  - Francisco Caprino Neto
  - Joilson Rodrigues Ferreira
  - Luiz Maurício Leuzinger
  - Mário da Silveira Teixeira Junior
  - Martin Roberto Glogowsky
  - Otávio Carneiro de Rezende
  - Robson Durante
  - Rosa Maria Said
  - Susana Hanna Stiphan Jabra
- 

**Board of Executive Officers**

***Chief Executive Officer***

Wilson P. Ferreira Jr.

***Chief Operations Officer***

Hélio Viana Pereira

***Chief Strategy and Regulation Officer***

Reni Antonio da Silva

***Chief Financial and Investor Relations Officer***

Nilo Marcos Mingroni Cecco

***Chief Energy Management Officer***

Paulo Cezar Coelho Tavares





Operations Center | Headquarters | Campinas | São Paulo

CPFL Brasil (CPFL Comercialização Brasil S.A.) • direct subsidiary

Board of Executive Officers

Chief Executive Officer

Wilson P. Ferreira Jr.

Chief Strategy and Regulation Officer

Reni Antonio da Silva

Chief Energy Management Officer

Paulo Cezar Coelho Tavares

Chief Financial and Investor Relations Officer

Nilo Marcos Mingroni Cecco





Construction of UHE Campos Novos | Santa Catarina

**CPFL Geração de Energia S.A. • direct subsidiary**

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Board of Directors

*Chairman*

Carlos Ermírio de Moraes

*Vice Chairman*

Luiz Carlos Siqueira Aguiar

*Board Members*

- Aloísio Macário Ferreira de Souza
  - Cid Alvim Lopes de Resende
  - Francisco Caprino Neto
  - Joilson Rodrigues Ferreira
  - Luiz Carlos de Souza
  - Luiz Maurício Leuzinger
  - Mário da Silveira Teixeira Junior
  - Martin Roberto Glogowsky
  - Otávio Carneiro de Rezende
  - Rosa Maria Said
  - Valdemir Flávio Pereira Garreta
- 

Board of Executive Officers

*Chief Executive Officer*

Wilson P. Ferreira Jr.

*Chief Energy Generation Officer*

Miguel Normando Abdalla Saad

*Chief Strategy and Regulation Officer*

Reni Antonio da Silva

*Chief Financial and Investor Relations Officer*

Nilo Marcos Mingroni Cecco

*Chief Energy Management Officer*

Paulo Cezar Coelho Tavares





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**RGE (Rio Grande Energia S.A.) • affiliate**

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**Board of Directors*****Chairman***

Marcelo Emílio Figueira

***Vice Chairman***

Luiz Maurício Leuzinger

***Board Members***

Derci Alcântara

Francisco Caprino Neto

João Alberto Schmitt

Lacy Dias da Silva

Otávio Carneiro de Rezende

Paulo Edgar Trapp

Valdir Garcia

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**Board of Executive Officers*****Chief Executive Officer***

Sidney Simonaggio

***Financial Director and Investor Relations Officer***

Vlamir Almeida Ramos

***Operations Director***

João Alfredo Spada



Advanced Station Nova Veneza | Americana | São Paulo



Operations Center | Santos | São Paulo



Santos Substation | São Paulo

## Corporate Strategy

CPFL Energia established a corporate agenda to meet the major strategic challenges in 2003, based on the achievements of 2002 and forecasted scenarios and tendencies. The main items on this agenda were:

- Restructuring the short term debt of CPFL Energia’s companies and improving their capital structure
- Raising the necessary funding for the generation projects on hand
- Ensuring a fair and balanced result to the tariff review for the distributors CPFL Paulista, CPFL Piratininga and Rio Grande Energia
- Maintaining and improving the quality of the services provided to energy consumers, with associated optimization of costs and investments
- Consolidating the presence of CPFL Brasil, increasing its share in the competitive energy trading market and the sale of value-added services

In 2003, all CPFL Energia’s initiatives were based on these strategies. The Company’s controlling shareholders’ injection of R\$ 1,550 million considerably improved the capital structure and the debt profile of the component companies. This event was also instrumental in the successful raising of additional funding necessary for work to continue on the UHE Barra Grande and UHE Campos Novos projects and the contracting of energy resulting from the new undertakings.

The distributors have been able to substantially improve standards of operating efficiency and service quality thanks to their market growth together with advances in standardization of work processes and construction parameters. The outcome to the Tariff Readjustment also contributed to ensuring the continuity of investment in expanding the electricity system and in the increased capability of meeting consumer demand based on modest tariff increases. Finally, CPFL Brasil achieved a significant market share in its business segment during its first year of activities.

These results, analyzed and shown in later sections of this Report, reflect the positive outlook for potential growth of business.



Investment Strategy

CPFL Energia’s controlled companies invested R\$ 565 million in 2003 allocated as follows:

- R\$ 331 million in generation, invested principally in the construction of new hydroelectric power plants
- R\$ 233 million in distribution, for customer service, supporting market growth and operating infrastructure. In 2003, the customer base increased by 130,000 compared with the preceding year
- R\$ 1 million in the energy trading business to establish the basic infrastructure to enable CPFL Brasil to begin operations

CPFL Energia’s 2003 capital expenditures exceeded by 75% those of 2002. Investments were used to expand generating capacity, to meet growing demand in the distribution markets and to improve consumer services.



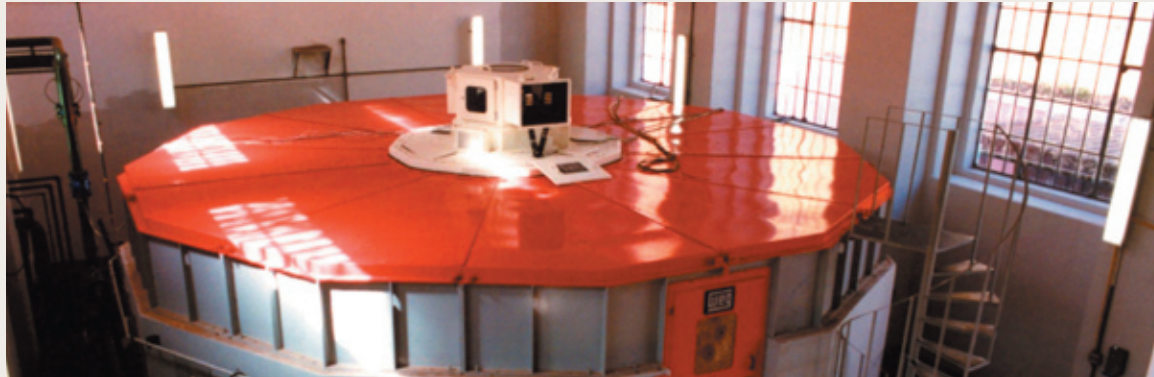
UHE Serra da Mesa | Goiás

Investments in generation are to continue over the next few years in line with the established capital expenditures program. The energy to be generated by the new power plants has already been contracted, thus ensuring their economic/financial feasibility.

These projects will add a total 2,785 MW of installed capacity to Brazilian generating capacity, thus reducing the risk of future shortages and contributing to the sustainable social and economic growth of the country.

The following table lists the plants under construction and CPFL’s proportional share of the output from each. Total growth in installed capacity for the period will be 1,177 MW, an increase of 145% over the existing installed capacity of 812 MW.

Plants	Total	CPFL's	CPFL's	Direct Employees
	Installed Capacity (MW)	Stakes	Installed Capacity (MW)	Involved in the Construction
UHE Foz do Chapecó	855	40.00%	342	2,500
UHE Campos Novos	880	48.72%	429	2,480
UHE Barra Grande	690	25.01%	173	2,400
Complexo Energético				
Rio das Antas	360	65.00%	234	1,400
Total	2,785		1,177	8,780



PCH Dourados | São Paulo

Business Action Guidelines

Vision

“CPFL Energia wishes to be recognized as a corporate benchmark in the energy sector reflecting the quality of its products and services, the competence of its professionals and the values that it brings to its business”.

Mission

“CPFL Energia’s mission is to operate competitively in the Brazilian energy market, promoting the permanent satisfaction of its customers, shareholders, employees and partners, making a decisive contribution to the development and well-being of society”.

Values

- Prompt and courteous customer service
- Dignified and respectful treatment of all
- Occupational safety and quality of life in the workplace
- Permanent quest for excellence and growth in the business
- Ethical and transparent behavior
- Professional pride
- Social responsibility and respect for the environment



Regional Headquarters | Bauru | São Paulo

Policy of Quality

“To promote the permanent satisfaction of our customers, shareholders, employees and partners through the continuous improvement in the quality of our products and services”.

Environmental Policy

“Provide energy-related services with absolute respect for the environment, complying with applicable legislation, preventing pollution and fostering continuous improvements in the environmental performance of our activities”.

Human Resources Policy

“Attract, hire, nurture and develop employees, providing them with the conditions for both personal and professional achievement in a healthy environment characterized by well-being, respect for corporate values, ethical and transparent relations and opportunities for taking important socially responsible initiatives, all of which underline the perception of CPFL Energia as an excellent employer to work for”.

Policy for Occupational Health, Safety and Quality of Life

“To continually seek the wel-being of the employees through the provision of healthy and safe working conditions pursuant to prevailing legislation on safety and medicine in the workplace; to identify, prevent, control and mitigate risks which could potentially result in incidents and accidents of a material and personal nature, seeking to continually improve work processes and promote the quality of life”.

Policy of Sustainability and Corporate Responsibility

“Constantly bear in mind the social responsibility and sustainability in the management of CPFL’s businesses through managing the impacts of the Company’s actions in the economic, social and environmental fields aligned to the legitimate interests of society and applicable legislation”.



The CPFL Dance Company | Campinas | São Paulo



**CPFL Energia's commitments**

- 1. As an integral part of the planning and decision-making process, consider the variables of quality, environment, occupational safety and health, and social responsibility in all the Company's activities, providing the necessary resources for implementing business plans which prevent, mitigate, minimize or restore the impacts caused by its activities, disseminating this culture throughout the organization.
- 2. Support research and development projects that lead to technological progress and contribute to the minimization of impacts caused by the implementation and installation of the Company's projects.
- 3. Promote and foster initiatives for energy conservation using more efficient production and distribution systems through the rational use of natural resources as part of a business strategy for achieving sustainable development.
- 4. Promote actions in its area of influence, which contribute to strategies for environmental conservation and human and cultural development, respecting the principle of the environment as a unit, expressed in the diversity and integrity of society and the natural ecosystems.

- 5. Guarantee that technical and administrative procedures as well as the organizational structure comply with ISO 9001 and 14001, OHSAS 18001 and SA 8000 standards and are duly applied, incorporating these in the projects in which the Company has majority control and influencing their application where it has a minority stake, - the purpose being to achieve continual improvements and standards of excellence in its activities and results.
- 6. Ensure compliance with prevailing legislation, such as laws, decree laws, regulations (ILO Conventions, Universal Declaration of Human Rights and United Nations Conventions), with respect to the environment, occupational safety and health and social responsibility, disseminating throughout the organization principles of business ethics in the development of its activities.
- 7. Maintain ongoing communication with our customers, employers, government and non-governmental organizations, the surrounding communities and the media, providing relevant information on questions of the environment, occupational safety and health in the light of the Company's activities.
- 8. Ensure that appropriate procedures are undertaken, beginning with project development through the procurement, packaging, handling and disposal of dangerous, unhealthy or contaminating products, in addition to preventing pollution and stimulating the practice of recycling and reuse of materials.



Aerobics at work | Campinas | São Paulo



Call Center | Campinas | São Paulo



Recycling Program



PCH Americana | São Paulo



PCH Dourados | São Paulo

# Operating Performance in 2003

## Electricity Generation

In 2003, through its subsidiary CPFL Geração, CPFL Energia focused on the management of the new projects under construction and the improvement in operating efficiency of the existing hydroelectric power plants.

In this context, the major strategic challenges in 2003 were:

- The raising of finance to allow work to continue on projects for the expansion of generation capacity.
- The permanent management of costs related to the implementation of the hydroelectric plants in construction to ensure an adequate return on investment.
- To achieve excellence in the management of the operation of the Small Hydroelectric Power Plants (PCHs) which are a component of the Company's overall generating capacity.
- Upgrading skills in the management of operating and maintenance of large hydroelectric power plants.



Hydroelectric Power Plants under Construction

CPFL Geração participates in companies that hold the concessions for building hydroelectric power plants that will add 2,785 MW to Brazilian generating capacity, at the same time enhancing the Company’s own generating capacity to 1,989MW, ranking it among the largest generators in Brazil. The Group has six major plants - UHE Campos Novos (880 MW), UHE Barra Grande (690 MW), the Ceran Complex, consisting of the Monte Claro (130 MW), Castro Alves (130 MW) and 14 de Julho (100 MW) plants and the Foz do Chapecó (855 MW) hydroelectric plant, all of which will contribute to supplying the growing demand from the domestic market over the next two years.

Based on its long experience over several decades in the operating and maintenance management of hydroelectric power plants, in 2003, CPFL Geração signed a maintenance, operating, social/environmental and facility management agreement with UHE Barra Grande, to come into effect once the new plant goes into commercial operation.

CPFL Geração – Installed Capacity  
2003-2009

Year	Total	Anual	Accumulated	
	Installed	Growth	Growth	
	Capacity MW	MW	MW	%
2003	812	–	–	–
2004	897	85	85	7.22
2005	954	57	142	12.06
2006	1,497	543	685	58.20
2007	1,647	150	835	70.94
2008	1,904	257	1,092	92.78
2009	1,989	85	1,177	100



UHE Campos Novos | Santa Catarina



UHE Campos Novos | Santa Catarina



Construction of UHE Barra Grande |  
Santa Catarina and Rio Grande do Sul



Construction of UHE Barra Grande | Santa Catarina and Rio Grande do Sul

Completion of Financing Arrangements

The completion of the necessary finance for continuing the construction of the new plants was made possible following the divestment of 25% and 26% of CPFL Geração’s stakes in the capital stock of Energética Barra Grande S.A. – Baesa and Campos Novos Energia S.A. – Enercan as well as the capitalization by the shareholders and the provision of guarantees for obtaining finance for the Ceran Project. The divestment has enabled the Company to downsize its share of the investments in these projects by R\$ 688 million, R\$ 252 million of which being its own capital.

The Brazilian Economic Development Bank - BNDES extended financing of more than R\$1.52 billion for the construction of the Barra Grande, Campos Novos and Rio das Antas Complex hydroelectric power plants following the conclusion of the purchase and sale contracts of energy proportional to CPFL Geração’s holdings in the new generators and the 2003 capital injection.

Changes in CPFL Geração’s stakes during 2003  
and the impact on its investments in new generation projects

CPFL's stake							
Projects	Total	Before divestment	After divestment		Difference		
MM = million	(R\$ MM)	Stake	R\$ MM	Stake	R\$ MM	Stake	R\$ MM
Barra Grande	1,368	50.00%	684	25.00%	342	25.00%	(342)
Campos Novos	1,330	74.72%	994	48.72%	648	26.00%	(346)
Ceran	674	65.00%	438	65.00%	438	0	0
Total	3,372		2,116		1,428		(688)



Current stage of construction

• UHE Campos Novos

Work on UHE Campos Novos (880 MW) was begun in August 2001. By December 31, 2003, 53.08% of the physical construction schedule had been completed together with 53.4% of the physical environmental project program, progress being compatible with plan. The plant's commercial operations are to begin on January 31, 2006.



• UHE Barra Grande

Work on UHE Barra Grande (690 MW) was started in July 2001. By December 31, 2003, 61.1% of the physical work had been completed and 58.6% of the work on the environmental project, progress on the ground once more being compatible with forecast. The plant is to begin operating commercially on October 31, 2005.





• Ceran Complex

- UHE Monte Claro

Work on UHE Monte Claro (130 MW) began in April 2002. By December 31, 2003, 56.3% of the scheduled physical work and 51.00% of the environmental project had been concluded. The first turbine at the plant is forecast to start commercial operations on October 1, 2004.



- UHE Castro Alves

Work on the UHE Castro Alves (130 MW) is getting underway in April 2004. The construction schedule provides for commercial operations to begin on February 1, 2007.





- UHE 14 de Julho

Work on UHE 14 de Julho (100 MW) is to begin in October 2004, with the plant to go into commercial operations in July 2007.



• UHE Foz do Chapecó

Work on UHE Foz do Chapecó (855 MW) is scheduled to begin in January 2005 with commercial operations beginning in July 2008.





PCH Salto Grande | São Paulo



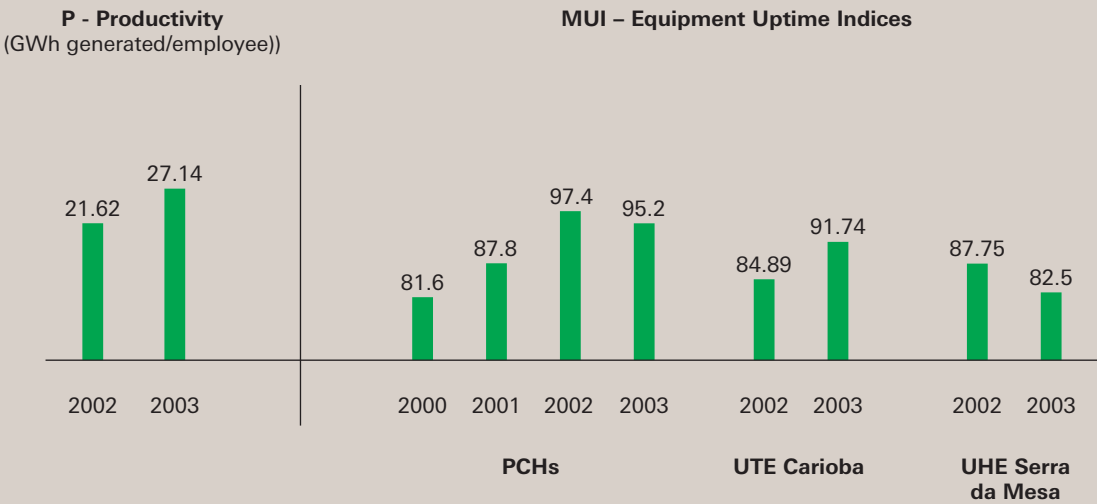
Power Plants in Operation

CPFL Energia, through its subsidiary CPFL Geração de Energia S.A., currently operates a total installed capacity of 812 MW. Its subsidiary CPFL Centrais Elétricas S.A. operates 19 PCHs and 1 UTE, which together have an installed capacity of 155 MW. Additionally, through its Semesa S.A. subsidiary, it has guaranteed rights to 51.54% (or 657 MW through Semesa) of the energy generated by UHE Serra da Mesa (state of Goiás) with a total capacity of 1,275 MW. Furnas Centrais Elétricas is the concessionaire for the UHE Serra da Mesa and is responsible for plant maintenance.

Of the 19 PCHs operated by CPFL Centrais Elétricas, 11 are totally automated (through remote control systems), with operations controlled by satellite from the Generation Operations Center using advanced technology.

Another five plants will be automated by 2008 under the program for PCH upgrading and modernization.

Productivity Indicators and Equipment Uptime Indices



Energy Sales

In 2003, CPFL Geração energy sales were 3,709 GWh. The process of winding up the Initial Contracts signed in 2000 between CPFL Paulista and CPFL Geração for energy generated by the PCHs and by UTE Carioba began in 2003 on the basis of annual reductions of 25%. These energy sales contracts were replaced by new ones signed between CPFL Geração (through the intermediary of CPFL Centrais Elétricas) and CPFL Paulista.

The energy generated by UHE Serra da Mesa corresponding to CPFL Geração's stake in this plant is sold to Furnas Centrais Elétricas, through a contract that expires March 31, 2014.



PCH Americana | São Paulo



PCH Esmeril | São Paulo



Environmental Management

Since CPFL Centrais Elétricas’ generation capacity is made up of small hydroelectric power plants, the environmental impacts are limited (see section Environmental Evaluation and Performance).

Furnas Centrais Elétricas S.A. is responsible for the environmental management of UHE Serra da Mesa, which has a reservoir with an area of 1,784 km².

The projects under construction in which CPFL Geração holds a stake are of reduced environmental impact given their excellent ratio of installed capacity to flooded area (More details are to be found in the section “Responsibility in Practice” and “Environmental Management”).

Night view of Campinas | São Paulo



Electricity Distribution

In 2003, the main features of the strategic agenda of the distributors controlled by CPFL Energia were:

- The capture of synergies through the unification of construction standards with consequent gains in productivity and cost savings
- The sharing of best management and operating practices
- Ensuring a fair and balanced result for the tariff adjustment of CPFL Paulista, CPFL Piratininga and Rio Grande Energia
- Reduction in commercial loss and default rates as well as the recovery in revenues
- The improvement in consumer satisfaction levels.



Regional Headquarters | Santos | São Paulo



GIS-D Project (Integrated Distribution Management System)



One by one, these objectives were achieved. The consolidation of CPFL Piratininga’s operating structure has resulted in increased productivity and cost savings due to the unification of construction standards and the sharing of best management and operating practices. Today, operating and maintenance costs are considered to be sector benchmarks.

Thanks to the tariff increases awarded to the distributors (CPFL Paulista, CPFL Piratininga and RGE), all three were able to maintain their investment programs as well as the quality of consumer services, at the same time passing on modest tariff adjustments to the customer and assuring the sustainability of their businesses.

The distributors used specially trained teams to accelerate the process of combating losses and recovering revenues with some important results as shown in the relevant indicators.

In 2003, the Company implemented the GIS-D solution at CPFL, a series of technologies which operate on an integrated basis with the Company’s other systems to support the Planning, Engineering, Project, Operating and Maintenance processes. These technologies are aligned to the Company’s business processes and will provide increased competitiveness in operating management as a result of the standardization of work processes and improved operating safety. The benefits are already clear in the Company’s indicators for quality of energy supply and consumer services.



ABRADEE Prize 2003

- CPFL Paulista**
- Best Distributor in Brazil
  - Social Responsibility
  - Operating Management

**RGE**

- Best Distributor • Southern Region
- Best Customer Evaluation in Brazil



Modern Electricity Award 2003

- CPFL Paulista**
- Best Distributor in Brazil
  - Best Distributor • Southeast Region
  - Operating Management



IASC Prize 2003

- CPFL Paulista**
- Best Distributor • Southeast Region

Other important achievements during the year were the consolidation of CPFL Piratininga’s operating structure similar to CPFL Paulista, the unification of the distributors network construction standards and the reorganization of supply logistics. These actions have been instrumental in achieving gains in scale and efficiency as well as improving the quality of customer service.

The distributors’ services have been widely recognized by the community and have been awarded various prizes for quality and consumer satisfaction over the past few years. Once more in 2003, CPFL Paulista was considered the best electric energy distributor in Brazil, being awarded the Abradee Prize and, for the third consecutive year, the Prêmio Eletricidade (See Social Performance Indicators – SO4).

More recently, in early 2004, CPFL Paulista received the IASC - Aneel’s Customer Satisfaction Index Prize, being recognized by the regulator as the best energy distributor in the South-East of Brazil in 2003. In the ranking for the same period, CPFL Piratininga, was classified as a finalist, and Rio Grande Energia – RGE was placed second among the best companies in southern Brazil.



Expansion of Electricity Assets

During the year, CPFL Paulista increased its electricty distribution assets and the distribution network was extended a further 1,809 km, a reflection of the continual growth in the consumer market.

CPFL Piratininga increased the number of transformers by 5.4% to further improve the reliability and responsiveness to growing consumer demand.

RGE increased the installed capacity of its substations by 17.5% for meeting current and future energy demand and growth in the customer base.

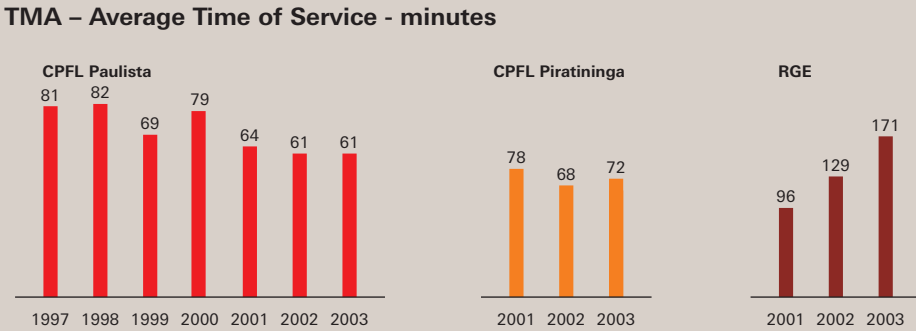
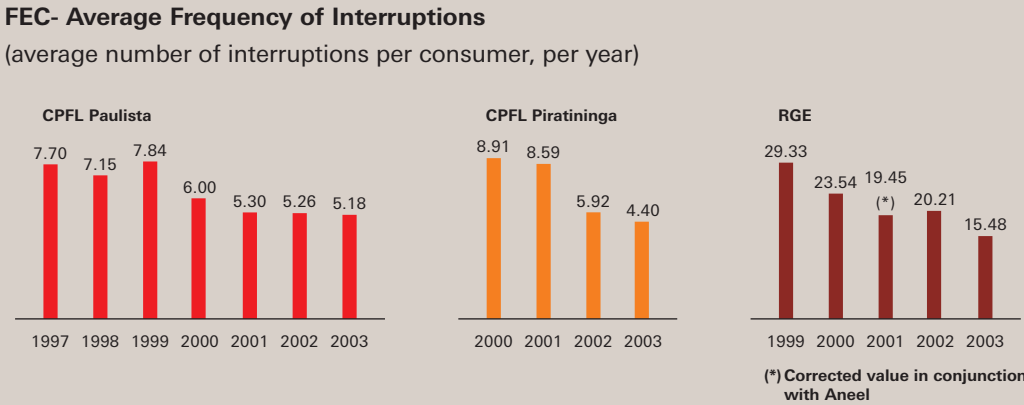
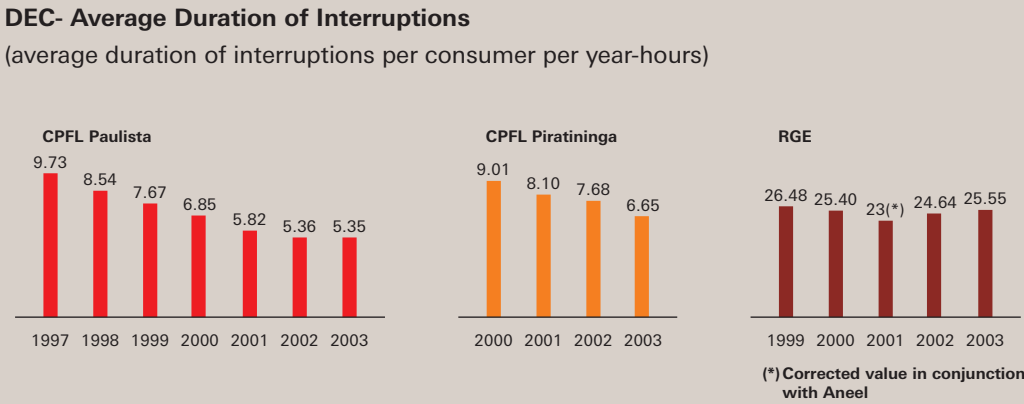
CPFL Paulista	Unit	2002	2003
Transmission Grid	Km	6,088	6,088
Distribution Networks	Km	69,704	71,513
Substations	nº	245	245
- Installed Capacity	MVA	5,407	5,407
Distribution Transformers	nº	89,504	93,259
- Installed Capacity	MVA	4,226	4,403
Posts	nº	1,230,846	1,242,644
Public Lighting Lamps	nº	839,861	850,896

CPFL Piratininga	Unit	2002	2003
Transmission Grid	Km	580	580
Distribution Networks	Km	17,360	17,396
Substations	nº	34	34
- Installed Capacity	MVA	2,455	2,455
Distribution Transformers	nº	28,129	29,661
- Installed Capacity	MVA	2,063	2,158
Posts	nº	394,582	401,814
Public Lighting Lamps	nº	160,683	225,519

RGE	Unit	2002	2003
Transmission Grid	Km	1,581	1,581
Distribution Networks	Km	63,570	64,043
Substations	nº	58	59
- Installed Capacity	MVA	1,185	1,393
Distribution Transformers	nº	45,522	46,993
- Installed Capacity	MVA	1,460	1,519
Posts	nº	1,036,000	1,044,127
Public Lighting Lamps	nº	317,817	334,501

Quality of Services Provided

The principal parameters used for evaluating the quality of electric energy supply, DEC (Average Duration of Interruptions) and FEC (Average Frequency of Interruptions) recorded significant results in the concession areas of both CPFL Paulista and CPFL Piratininga. RGE recorded particularly good results for the frequency of interruptions - FEC. The improvement in supply quality indicators is a reflection of sharing best operating and maintenance practices both with respect to the companies’ electricity system as well as in the operations and services logistics network.





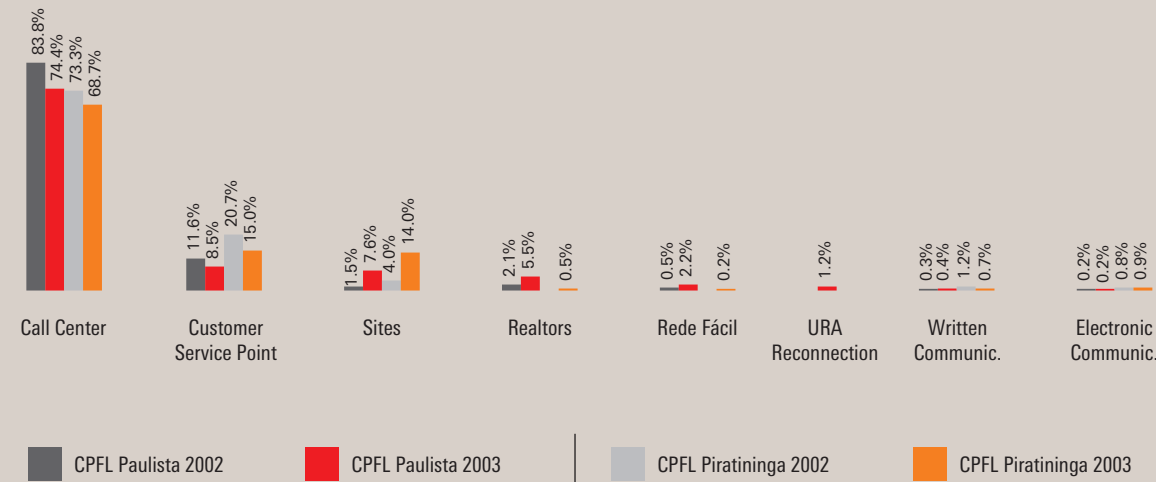
CPFL Paulista and CPFL Piratininga are also able to respond rapidly to consumer requirements, exceeding Aneel’s minimum parameters, thanks to the efficient management of all processes.

Services - 2003	Quantity Executed		Average Time Required		
	CPFL	CPFL	CPFL	CPFL	ANEEL
	Paulista	Piratininga	Paulista	Piratininga	Parameter
	(un)	(un)			
New connections for low voltage customers	132 th.	54 th.	0,8 day	0,8 day	2 days
Reconnecting low voltage customers	480 th.	210 th.	6 day	8 day	24 day
Preparation of studies and projects	8 th.	9.5 th.	8 days	6 days	15 days
Orders for new work	4.7 th.	1.8 th.	12 days	12 days	12 days

Customer Service

CPFL Energia’s distributors make a number of vehicles available through which it can communicate with its customers and vice versa. These include the call center, Internet and the Rede Fácil points of sale, as well as partnerships with realtors. In 2003, the principal means of customer communication - the Call Center – reported an improved level of efficiency both in time taken to deal with customer inquiries as well as waiting time. The customer communication channel posting the fastest growth in 2003 was the Internet, accounting for approximately 1.2 million accesses, a growth of 376% compared with 2002 (read more under the Customers section).

CPFL Paulista and CPFL Piratininga - Customer Service Channels



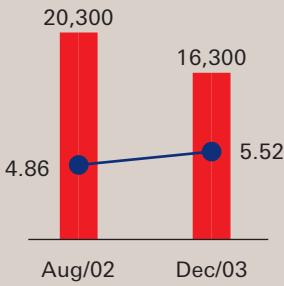
**Note:** Indicators registering very close to zero are ignored

Customer Service	CPFL Paulista		CPFL Piratininga	
	2002	2003	2002	2003
<b>Calls into the Call Center</b>				
Average Time Customer is Connected to Call Service - min.	3:35	3:15	4:04	4:19
Average Waiting Time – minutes	0:44	0:19	0:33	0:39
Average Customer Service Time - minutes	2:51	2:56	3:31	3:40
<b>Number of accesses via Internet</b>	<b>146,943</b>	<b>687,087</b>	<b>104,117</b>	<b>507,697</b>

Supply Chain Management

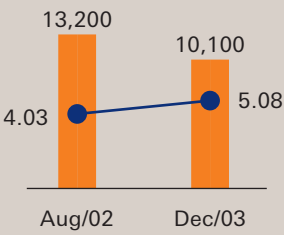
Following a review of work processes between 2002 and 2003, CPFL Paulista and CPFL Piratininga installed a new planning and supply chain model as well as establishing strategic alliances with suppliers. These actions were responsible for increased inventory turnover and the reduction and optimization of inventory levels in material and equipment, both of which translating into gains in scale along the entire supply chain.

CPFL Paulista  
Inventory (R\$ th) x Turnover (%)



Inventory (R\$ th)  
Turnover (%)

CPFL Piratininga  
Inventory (R\$ th) x Turnover (%)



Inventory (R\$ th)  
Turnover (%)

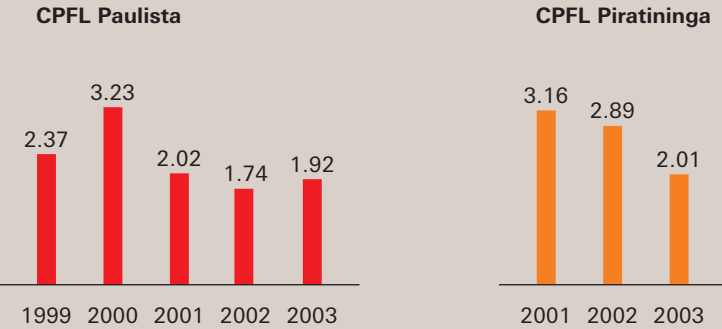


Billing Quality

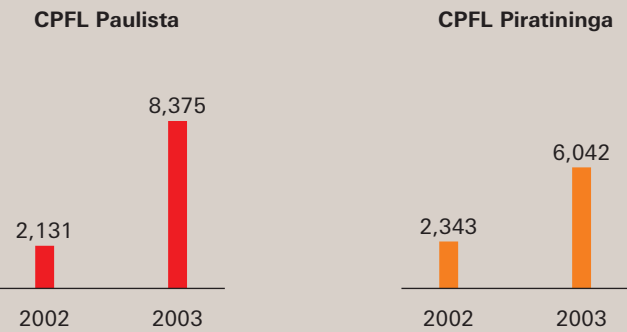
The billing quality index improved in every aspect with the number of reinvoiced items diminishing gradually. In spite of the weakness in the economy and the fall in disposable incomes, the São Paulo distributors successfully maintained default levels at close to 2%, one of the lowest in the industry.

The Fraud Combat Program was reinforced in July 2003, with an increase in the number of inspection and detection teams, enabling the distributors to significantly increase inspections in the second half. For CPFL Paulista and CPFL Piratininga alone, 194,500 consumer inspections were made during the year. The result was a substantial reduction in commercial loss levels and a corresponding recovery in revenues. CPFL Paulista and CPFL Piratininga managed to claw back revenues amounting to more than R\$ 14 million. RGE was able to recover 27,954 MWh by combating fraud, avoiding an annual revenue loss of about R\$ 12 million.

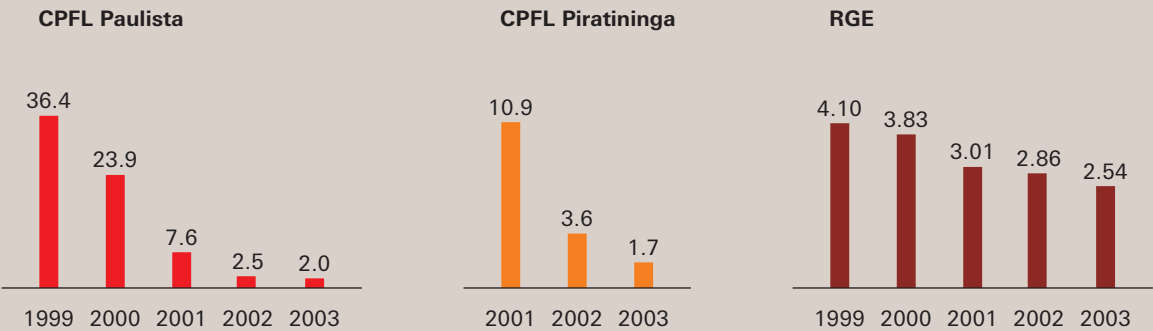
Default Rate  
(% of invoicing)



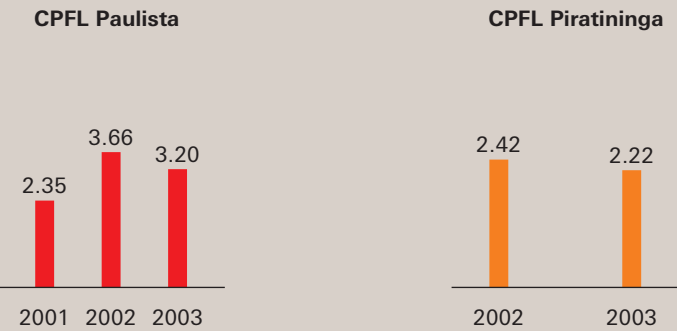
Recouping of Fraudulent Consumption – MWh



Billing Quality  
(number of accounts reinvoiced for every 10,000 issued)



Commercial Losses Rate - %





Performance of the Energy Consumer Market

CPFL Energia’s distributor market grew 4.8% in 2003, in spite of the 0.2% decline in the GDP with the industrial, residential and commercial categories together accounting for 77% of sales. Growth rates above the national average were helped by the concentration of corporate consumers and activities linked to agribusiness and exports. These sectors of the Brazilian economy reported good performances in 2003 and are indicative of the good growth potential that exists in the distributors’ concession areas.

GWh Invoiced to Consumer Categories	CPFL Paulista			CPFL Piratininga			RGE		
	2003	HA%	VA%	2003	HA%	VA%	HA%	VA%	
Residential	5,034	4.8	26.3	2,138	5.1	20.4	1,419	0.9	23.3
Industrial	8,197	4.7	42.9	6,238	4.8	59.5	2,564	6.3	42.1
Commercial	2,920	5.9	15.3	1,298	5.4	12.4	766	3.4	12.6
Rural	851	10.0	4.5	156	3.3	1.5	810	0.1	13.3
Government	468	6.6	2.4	143	10.0	1.4	107	1.9	1.8
Public Lighting	646	3.0	3.4	244	7.0	2.3	235	0.4	3.9
Public Utilities	973	4.7	5.1	256	3.2	2.4	184	2.8	3.0
Own Consumption	19	(36.7)	0.1	5	0	0	1	0	0
Total Supply	19,108	5.1	100.0	10,478	5.0	100.0	6,086*	3.4	100.0

(\*) Corresponds to 100% of the market.

HA | Horizontal Analysis – Growth over the preceding period  
VA | Vertical Analysis – Share of total volume

CPFL Energia’s global market - distributors’ sales and energy trading in the free market - closed 2003 with a total of 33,669 GWh (32,107 GWh in 2002), a growth of 4.8%.

Energy Distribution Tariffs

In accordance with the provisions in the Concession Contracts, Aneel concluded its first Periodic Tariff Revision for CPFL Energia’s distributors in 2003. Under the Tariff Revision, the rate reset is established for the distributors in addition to the new revenue values to cover non-manageable costs – Parcel A of the tariff – which correspond to costs of energy purchases and sector charges, representing 65% and 70% of the total costs of CPFL Paulista and da CPFL Piratininga, respectively. Manageable costs – Parcel B of the tariff – were also established, comprising operating costs, remuneration\* of assets in service, depreciation and taxes, and representing 35% and 30% respectively of total costs.

\* Regulatory WACC of 11.26%, equivalent to a return of 17.06%

Readjustment in CPFL Paulista’s Tariff

On April 8, 2003, tariff rates were increased by 20.18%, 19.55% the result of the Tariff Review, and 0.64% for reimbursement of financial costs incurred in previous periods. This result substituted the ordinary annual readjustment (IRT – Tariff Readjustment Rate). The average rate of 20.18% is the result of a tariff realignment according to a federal decree law which establishes the gradual phasing out of the cross subsidy among consumer categories.

Voltage Supply	
Group A - High Voltage*	Group B - Low Voltage**
A1 Voltage equal to or greater than 230 kV	B1 Residential
A2 88 kV to 138 kV	B1 Low income residential
A3 69 kV	B2 Rural
A3A 30 kV to 44 kV	B3 Other classes
A4 2.3 kV to 20 kV	B4 Public lighting

(\*) Group composed of consumers with voltage equal to or greater than 2.3 kV.

(\*\*) Group composed of consumers with voltage less than 2.3 kV.

Source: ANEEL Resolution No. 456, of Nov. 20, 2000.



Hence, the increases based on voltage classification were 19.2% for low voltage consumers, 25.2% for consumers in group A2, 21.5% for group A3 and 20.9% for group A4 consumers.

As part of these changes, the regulator determined a methodology for the implementation of a coefficient whereby the increased operating efficiencies of CPFL Paulista are shared with its consumers and denominated the X-factor, to be applied in the calculation of Parcel B (VPB), provisionally fixed at the time at 2.43%. In 2004, Parcel B was eventually established at 1.4642%.

Under the 2003 Tariff Review, the tariffs in CPFL Paulista's bilateral contracts with CPFL Brasil and other suppliers also recognized the new costs pertaining to the Benchmark Company. CPFL Paulista is challenging the basis for remuneration and for this reason the latter continues provisional pending further examination by Aneel.

#### Readjustment in CPFL Piratininga's Tariff

The Company's tariff should have been increased by 18.08%. However, Aneel authorized this increase in two stages: 14.68% from October 23, 2003 and the remainder to be incorporated in the annual tariff adjustments from 2004 to 2006, corresponding to annual installments of R\$ 71,087,000 (prices as at the Tariff Rate Review date). This review system substituted the ordinary annual readjustment (IRT – The Tariff Readjustment Rate). The average rate of 14.68% is also the result of a tariff realignment for eliminating existing cross subsidies. The increases based on voltage classification were 13.2% for low voltage consumers, 19.3% for consumers in group A1, 17.9% for group A2 and 14.2% for group A4 consumers.

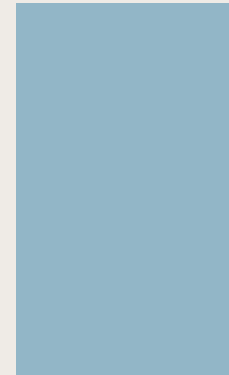
CPFL Piratininga's X-factor was provisionally set at 1.62%.

#### Pass-through to Tariffs of the Parcel A Tracking Account Balance

The pass-through of the Parcel A tracking account (CVA) balance was postponed for 12 months, pursuant to an Inter-Ministerial Ruling. In order to compensate for this deferral, the BNDES was authorized to provide financing equal to the CVA balance with grace and payment periods equivalent to the postponement period of CVA revenues.

It should be noted that the tariffs reset under the Tariff Revision process are of a provisional nature, given that the increases are based on initial values for the remuneration base, depreciation and the X-Factor, which are to be the subject of a public hearing by Aneel before determining the final values to be applied on the next tariff adjustment date.

In addition to the energy tariff realignment, the tariffs for supplying the captive consumers were segregated into: a tariff for the use of the distribution network - TUSD and an energy tariff - TE.



On top of these values, the regulator has added the Extraordinary Tariff Readjustment (RTE), charge, a 2.9% surcharge on residential, rural and public lighting tariffs, and 7.9% on the tariff for commercial, industrial and other consumer categories. The RTE compensates the distributors for loss of revenues and indemnifies them for free energy purchased during the electricity rationing period between June 2001 and February 2002. Low income consumers are exempt from this tariff.

#### Readjustment in RGE's Tariff

The Company's electric energy tariffs were increased by an average of 27.4% effective from April 19, 2003. This review system substituted the ordinary annual readjustment (IRT – The Tariff Readjustment Rate). The average rate of 27.4% is the result of a tariff realignment according to a federal decree law which establishes the gradual phasing out of the cross subsidy among consumer categories. Hence, the increases based on voltage classification were 25.5% for low voltage consumers, 31.8% for consumers in group A1, 29.1% for group A3 and 29.6% for group A4 consumers.

On top of these values should be added the Extraordinary Tariff Readjustment (RTE), which represents a 2.9% surcharge on residential, rural and public lighting tariffs, and 7.9% on the tariff for commercial, industrial and other consumer categories. The RTE compensates the distributors for loss of revenues and indemnifies them for free energy purchased during the electricity rationing period between January 1 and October 25, 2001. Low income consumers are exempt from this tariff.

In 2003, RGE's X-Factor was provisionally set at 1.7%. In 2004, this value was eventually established at 1.22%.

Also in 2004, RGE's basis for remuneration was finalized, in addition to the depreciation quota revision, the recognition of losses in relation to Itaipú Binacional as well as recognition of the bilateral contract with CPFL Brasil.

CPFL Energia’s Distributors Tariff Increase Rate (average rates)

Description	CPFL Paulista	CPFL Piratininga	RGE
Average increase in 2003	20.18%	14.68%*	27.40%
Date effective from	04/08/03	10/23/03	04/19/03

\* A further 3.4% will be included in the annual increases between 2004 and 2006

Distributors’ Energy Supplies

CPFL Energia’s distributors obtain their electric energy supplies through the intermediary of long-term contracts ratified by Aneel. The ability to satisfy the forecasted growth in the distributors’ consumer market is guaranteed through contracts signed with the leading Brazilian generators. The increase in the Company’s own installed capacity, through its participation in major generation projects also ensures the availability of energy for supplying market demand.

The following table shows the breakdown of energy suppliers to the CPFL Paulista, CPFL Piratininga and RGE distributors in 2003. The tariff charged by Itaipú Binacional is indexed to the US dollar, while the tariffs practiced by other suppliers are based on Initial Contracts and are set according to values regulated by Aneel and expressed in local currency.

Energy Suppliers • Percentage Share of Total Supply

CPFL Paulista		CPFL Piratininga		RGE	
Itaipu	26%	Itaipu	32%	Tractebel	38%
CESP	23%	Furnas	21%	Itaipu	20%
Furnas	22%	CESP	18%	UTE Uruguaiana	16%
Duke	10%	AES Tietê	7%	CEEE	9%
AES Tietê	8%	Duke	5%	CGTEE	9%
CPFL Centrais Elétricas	3%	EMAE	4%	CPFL	2%
Others	8%	Others	13%	Others	6%



Electricity Trading

CPFL Brasil began operations in 2003 dedicated to trading in the energy market. It operates nationwide and has a strategic position in the CPFL Energia Group. Among its key strategic objectives are guaranteeing energy supplies to the companies of CPFL Energia and managing the risks inherent to these trading activities. CPFL Brasil is also active in the open electric energy market involving the buying and selling of energy on behalf of traders, free consumers and other market agents.

In 2003, CPFL Brasil also built up a portfolio of value-added services to meet demand for:

- Management of energy assets
- Consultancy and training
- Energy efficiency
- Projects for, and construction of, transmission lines and substations
- On-line monitoring of energy consumption

CPFL Brasil has installed the most advance Trading Operations Center in the country to support this new diversification at an investment of approximately R\$ 1 million. The Center is manned by teams highly specialized and prepared to supply customer demand.

CPFL Brasil has also established preferred customer channels through the Internet as well as an exclusive Call Center for major energy consumers.

Beginning its operations in 2003 with sales of 39.2 GWh/month in its customer portfolio, CPFL Brasil ended the year with sales of 79.2% GWh/month, representing a total of 827 GWh sold to free consumers and other agents.

By the end of 2003, CPFL Brasil had successfully built up a portfolio of customers from several different regions in Brazil in the textile, automobile, mining and consumer goods industries, among others.





Santos | São Paulo

# Economic and Financial Management and Performance in 2003

## CPFL Energia S.A.

The results of CPFL Energia, as a non-operating controlling holding company, reflect the performance of its subsidiaries.

### Impacts of the Corporate Reorganization

During the fiscal year 2002, the stakes in the subsidiaries CPFL Paulista and CPFL Geração were increased from 22.15% to 94.94% and from 5.90% to 95,62%, respectively, due to the Company’s corporate restructuring. The results of CPFL Paulista and CPFL Geração were fully consolidated from the second half of 2002. Additionally, the CPFL Brasil subsidiary began activities in 2003, contributing to the results of CPFL Energia S.A.. For these reasons, the consolidated results for 2003 are not directly comparable with those for 2002.

### Summary of Economic and Financial Performance

CPFL Energia (consolidated)			<i>(continued)</i>				
Selected Items and Indicators		2003	2002*	Selected Items and Indicators		2003	2002*
<b>Results</b>				<b>Capital Structure</b>			
Gross Operating Revenues (R\$ million)**		8,082	4,304	Net Shareholders' Equity (R\$ million)		3,397	2,145
Net Operating Revenues (R\$ million)**		6,057	3,305	Financial Debt (R\$ million)		6,381	8,248
EBITDA (R\$ million)		1,453	766	Cash and Cash Equivalents (R\$ million)		375	177
Financial Income (R\$ million)		(1,007)	(1,165)	Shareholders' Equity + Min. Interests + Financial Debt (R\$ million)		9,971	10,587
Net income (R\$ million)		(297)	(696)				
<b>Free Cash Flow</b>				<b>Financial Indicators</b>			
Operating Cash Flow before Investments (R\$ million)		2,167	873	Financial Debt /			
(-) Investments in Fixed Capital (R\$ million):		564	322	(Shareholders Equity + Min. Interest + Financial Debt) (x)		0.64	0.77
Distribution (R\$ million)		232	177	(Financial Debt – Cash and Cash Equivalents) /			
Generation (R\$ million)		331	145	(Shareholders Equity + Min. Interests) (x)		1.67	3.45
Trading (R\$ million)		1	0				
Free Cash Flow – FCF (R\$ million)		1,603	551	<b>Indicators of Profitability and Return</b>			
				EBITDA / Net Operating Revenues (%)		24.0	23.2
				FCF / (Shareholders' Equity + Min. Interests + Financial Debt) (%)		16.1	5.2

(\*) 2002 – Partial result – See item “Impacts of Corporate Reorganization”.

(\*\*) Transactions between related parties are eliminated in the consolidated financial statements.

Net Revenues

The growth of 83.3% in CPFL Energia’s consolidated net revenues was largely due to:

- the holding company’s increased stakes in CPFL Paulista and CPFL Geração from August 2002, as mentioned above
- higher distributors’ revenues due to growth in their respective markets and the 2003 tariff increase - CPFL Paulista’s net consolidated operating revenues grew 14.8%
- CPFL Brasil’s 5% contribution to consolidated revenues following the startup in operations in January 2003
- higher revenues from the generators on the back of increased energy supplies - CPFL Gerações’ consolidated net operating revenues grew 2.6%.

In millions of Reais	2003	2002*	% Change
Consolidated Net Revenue**	6,057	3,305	83.3
Consolidated Gross Revenues	8,082	4,304	87.8
Income Taxes	(2,025)	(999)	102.8

(\*) 2002 – Partial result – See item “Impacts of the Corporate Reorganization”.  
(\*\*) Transactions between related parties are eliminated in the consolidated financial statements.

EBITDA and Margin

EBITDA reported an increase of 89.7% in the period due to the reasons cited above, namely: the higher net operating revenues due to growth in the distributors’ markets, higher revenues from the generating companies and the startup of CPFL Brasil, together with changes in stakes held in the subsidiaries following corporate restructuring.

Excellence in the administration of manageable expenses was reflected in the reduction in operating costs at the distribution and generation companies. This aspect was also a key factor in improved EBITDA.

In millions of Reais	2003	2002*	% Change
EBITDA	1,453	766	89.7
Income from Electric Utility Service (EBIT)	809	377	114.8
(+) Depreciation	279	166	68.1
(+) Amortization of Goodwill by Incorporation	365	223	63.7

(\*) 2002 - “Partial Result – See item “Impacts of Corporate Reorganization”.

Financial Result

The decline of 13.6% in the negative financial result, and the corresponding reduction in this item as a percentage of net revenues from 35.2% in 2002 to 16.6% in 2003, was due to the Company’s capitalization of R\$ 1,550 million in 2003. This allowed the Company to reduce debt by R\$ 1,867 million (-22.6%) with the paying down of all high-cost short-term hot money bank finance with a favorable impact on the financial result. Results were also boosted thanks to the decline in indices used for restating CPFL Energia’s and its subsidiaries’ financial liabilities, notably the IGP-M and IGP-DI which fell 65.6% and 71.0%, respectively, in 2003 registering 8.71% and 7.67%, compared with 25.31% and 26.41% in 2002.

In millions of Reais	2003	2002*	% Change
Financial Result	(1,007)	(1,165)	(13.6)
Income	521	580	(10.2)
Expenses	1,528	1,745	12.5

(\*) 2002 - Partial Result – See item “Impacts of Corporate Reorganization”.

Net Income

The net consolidated negative result fell R\$ 399 million, a decline of 57.3%, due principally to the reduction in financial costs combined with CPFL Brasil’s positive operating result as well as better earnings from the distribution and generation companies.

In millions of Reais	2003	2002*	% Change
Net Income	(297)	(696)	(57.3)

(\*) 2002 - Partial Result – See item “Impacts of Corporate Reorganization”.

tribution of each subsidiary, the annual net income figure was as follows:

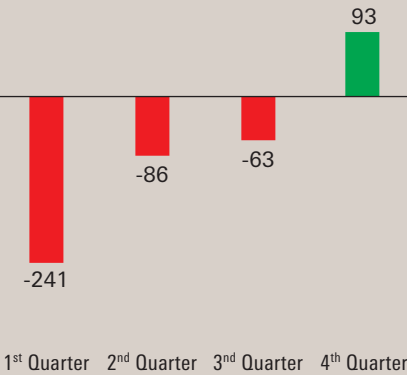
Breakdown of Net Income – R\$ million	2003	2002*
Controlling company (without equity pick-up)	(312)	(352)
CPFL Paulista	(39)	(289)
CPFL Geração	3	(55)
CPFL Brasil	51	–
Net Income	(297)	(696)

(\*) 2002 - Partial Result – See item “Impacts of Corporate Reorganization”.



Although the results for 2003 are not directly comparable with those of 2002, the quarterly results for 2003 show a tendency towards recovery with a reversal of the losses in the final quarter when CPFL Energia reported a net income of R\$ 93 million.

Net Consolidated Quarterly Result



The Company successfully reduced the level of financial costs thanks to the capital injections in April and October 2003, which enabled the partial paying down of debt together with the normal amortizations for the year, thus constituting one of the principal factors for the improvement in net income. Also contributing to this improvement were: (a) the conclusion of investments in increased efficiency and operating quality in the distribution area; (b) the gradual increase in operations in the trading area; and (c) the recovery in the Brazilian economy in the final quarter of the year.

Consolidated Cash Flow Analysis

Cash flow before capital expenditures of R\$ 2,167 million, less R\$ 564 million of investments in fixed capital, produced a free cash flow of R\$ 1,603 million in 2003.

These resources were totally used to pay down interest and partial debt amortizations and for the distribution of R\$ 28 million in dividends. In addition, resources from the capitalization of R\$ 1,550 million were used in the amortization of loan and financing principal and in the redemption of debentures. The Company also contracted new financing and debenture issues amounting to R\$ 1,522 million for financing investments in new power plants and the rolling over of debt at lower costs.

Net cash generated in the period was R\$ 199 million and the Company closed the year with a cash position of R\$ 375 million.

In millions of Reais	2003	2002* % Change	
Operating Cash Flow			
Operating Cash Flow before Capex	2,167	873	148
Capex Cash Flow	565	(359)	—
	2,732	514	432
Cash Flow of Finance Lines	(2,533)	(410)	518
Growth in Cash during the Fiscal Year	199	104	91

(\*) 2002 - Partial Result – See item “Impacts of Corporate Reorganization”.

Capitalization of CPFL Energia

A capital increase of R\$ 1,550 million in CPFL Energia was approved on October 20, 2003 with the issue of 727,699,530 common shares at a price of R\$ 2.13 per share, being effected by private subscription as follows:

- a) capitalization of the balance of the Advance for Future Capital Increases for R\$ 800 million on April 22, 2003 by the shareholders, VBC Energia S.A., 521 Participações S.A. and Bonaire Participações S.A.
- b) paying in of R\$ 100 million by the shareholders VBC Participações S.A. and 521 Participações S.A.
- c) capitalization of credits held by VBC Energia S.A. against CPFL Energia amounting to R\$ 350 million
- d) paying in of R\$ 300 million in cash by BNDES Participações S.A., the latter taking a 3.42% stake in the voting capital.

Consolidated Debt Analysis

Breakdown of Consolidated Debt

The consolidated debt reported a reduction of R\$ 1,867 million (22.6%) in 2003, thus improving the debt profile with a greater concentration in long-term maturities (80% at the end of 2003 against 59% at the end of 2002). Particularly important was the liquidation of hot money short-term borrowings carrying a higher cost in relation to other finance with a consequent improvement in overall group debt profile.

Consolidated		2003		2002*	
		R\$ million	%	R\$ million	%
Short Term	Financing	795	12%	2,342	28%
	Associates	16	0%	0	0%
	Charges	314	5%	153	2%
	Debentures	94	2%	856	10%
	Private Pension Plan Entity	51	1%	49	1%
		1,270	20%	3,400	41%
Long Term	Financing	2,152	34%	2,276	28%
	Associates	0	0%	316	4%
	Debentures	2,215	34%	1,503	18%
	Private Pension Plan Entity	744	12%	753	9%
		5,111	81%	4,848	59%
Total	Financing	2,947	46%	4,618	56%
	Associates	16	0%	316	4%
	Charges	314	5%	153	2%
	Debentures	2,309	36%	2,359	28%
	Private Pension Plan Entity	795	13%	802	10%
		6,381	100%	8,248	100%

(\*) 2002 – Partial Result – See item “Impacts of Corporate Reorganization”.

Maturity Profile of Consolidated Debt \*

Year	2004	2005	2006	2007	After 2007
Value (R\$ million)	1,219	1,002	970	679	1,717

(\*) Not including debt with private pension plan entity

Outlook

Based on fourth quarter 2003 earnings, which already reflect the impact of October’s capitalization and the subsequent amortization of debt, the outlook for 2004 and beyond looks favorable. In addition, the new generating plants currently under construction, will come on stream over the next few years. The first of these, the UHE Monte Claro, part of the Ceran Complex, is scheduled to start operations in October 2004.

Various factors point to a growth scenario in the distribution area: in addition to operating in a segment which is growing above national GDP rates, the Company continues to control its operating costs efficiently, employing effective management systems. The Company has already made all the investments necessary to absorb market demand while the synergy achieved between CPFL Paulista and CPFL Piratininga will bring results in terms of gains in both scale and productivity.

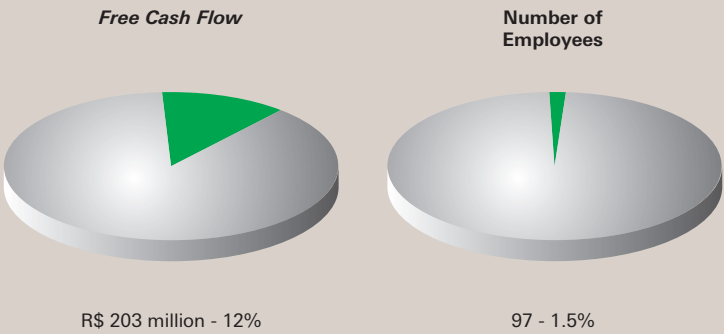
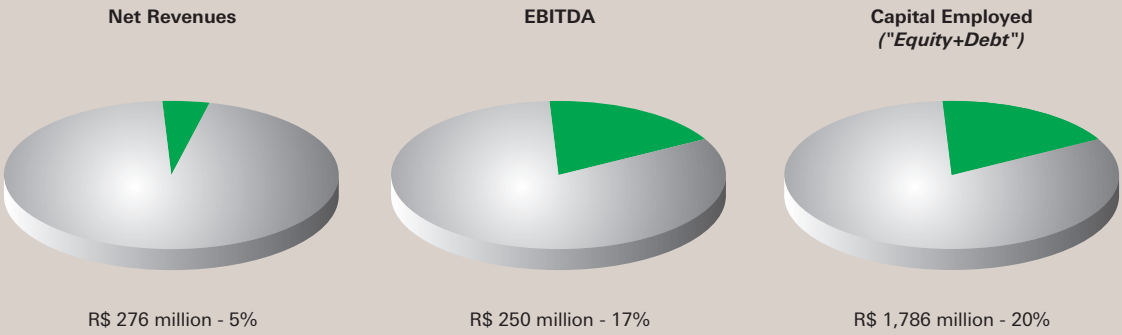
The growth in the trading area should track that of the distributors with which CPFL Brasil already has contracts.



Subsidiaries

Energy Generation - CPFL Geração  
(Consolidated)

Energy Generation - Values or % of total - 2003



Business

Generation of electric energy from hydro and thermal sources

Plants and Installed Capacity

19 PCHs and 1 UTE wholly owned + 51% UHE Serra da Mesa: 812 MW of installed capacity

Expansion

6 new UHEs (consortium) = 1.177 MW, for a total capacity bt 2009 of 1,989 MW

CPFL Geração contributed 5% of the Company’s net consolidated revenues, 17% of the EBITDA and 12% of the free cash flow. Results in 2003 reported a recovery, reverting a loss of R\$ 71 million in 2002 to a net income of R\$ 3 million in 2003. This recovery is due to the growth in net operating revenues driven by increased electricity sales, a reduction in the costs of bought energy, improved financial results and the gains accruing from the sale of part of the investments in the Campos Novos Energia S.A. and Barra Grande Energia S.A. subsidiaries.

Summary of Economic and Financial Performance

CPFL Geração (consolidated)

Selected Items and Indicators:	2003	2002
<b>Results</b>		
Gross Operating Revenues (R\$ million) (*)	291	290
Net Operating Revenues (R\$ million) (*)	276	269
EBITDA (R\$ million)	250	204
Financial Income (Expenses) (R\$ million)	(241)	(265)
Non Financial Income (Expenses) (R\$ million)	40	(3)
Net income (R\$ million)	3	(71)

Free Cash Flow – FCF

Operating Cash Flow before Investments (R\$ million)	534	145
(-) Investments in Fixed Capital (R\$ million)	331	317
Free Cash Flow (R\$ million)	203	(172)

Capital Structure

Net Shareholders’ Equity (R\$ million)	691	691
Financial Debt (R\$ million)	1,095	1,367
Cash and Cash Equivalents (R\$ million)	111	48
Shareholders’ Equity + Min. Interests + Financial Debt (R\$ million)	1,786	2,058

Financial Indicators

Financial Debt /		
(Shareholders Equity + Min. Interest + Financial Debt) (x)	0.61	0.66
(Financial Debt – Cash and Cash Equivalents) /		
(Shareholders Equity + Min. Interests) (x)	1.42	1.91

Indicators of Profitability and Return

EBITDA / Net Operating Revenues (%)	90.5	75.8
FCF / (Shareholders’ Equity + Min. Interests + Financial Debt) (%)	11.4	(8.4)

Analysis of Results

**Operating Revenues** — The R\$ 7 million in increase in net operating revenues (2.6% more than in 2002) basically reflects the increase in tariffs with a consequent growth of R\$ 59 million in the value of electric energy supplied to distributors. This growth was offset by a reduction of R\$ 49 million in energy sales due to the transfer of free consumers to CPFL Brasil.

**EBITDA and Margin** — The growth of R\$ 46 million in EBITDA (22.5%) produced a 14.7%, gain in margin, reflecting increased net operating revenues and the reduction of operating costs thanks to the Company’s hands on approach to manageable expenses.

**Financial Result** — Reported a reduction of R\$ 24 million (9.06%), reflecting the decline in the main indices used for restating the Company’s liabilities, the programmed reduction in debt and the capitalization of the debt incurred in the purchase of a stake in UHE Serra da Mesa.

**Non-Operating Result** — The good performance of this item is related to the sale of corporate stakes in BAESA and ENERCAN, the companies controlling the UHE Barra Grande and UHE Campos Novos projects, respectively.

**Net Income** — The recovery in net results - a profit of R\$ 3 million in 2003 against a loss of R\$ 71 million for fiscal year 2002 - reflects the reduction in financial expenses and the sale of corporate stakes.

Cash Flow Analysis

**Cash Flow before Capex** — Posted growth of 268% and was positively impacted by a cash windfall from the sale of part of the stakes in BAESA and ENERCAN, by lower working capital requirements with the transfer of energy sales to free consumers to CPFL Brasil and by the increase in electricity generated for supply to the market.

**Free Cash Flow** — the improved free cash flow (R\$ 203 million in 2003, against a negative value of R\$ 172 million in 2002) reflected the increase in operating cash flow and reduced working capital needs. The investments in fixed capital were R\$ 331 million in 2003 (R\$ 317 million in 2002) and are related principally to new generation projects.

**Payments to Banks and Shareholders** — The free cash flow generated was used to distribute dividends to shareholders (R\$ 23 million) and for financing cash flow (R\$ 117 million), leaving a free balance of R\$ 63 million.

**Final Cash Balance** — The cash balance of R\$ 63 million for the period increased the final cash position to R\$ 111 million (R\$ 48 million in 2002).

Debt Analysis

Consolidated		2003		2002	
		R\$ million	%	R\$ million	%
Short Term	Financing	37	4%	18	1%
	Intercompany Loans	79	7%	253	19%
	Financial Charges	0	0%	0	0%
	Debentures	99	9%	86	6%
	Private Pension Plan Entity	1	0%	1	0%
		216	20%	358	26%
Long Term	Financing	314	29%	66	5%
	Intercompany Loans	0	0%	316	23%
	Debentures	552	50%	613	45%
	Private Pension Plan Entity	13	1%	14	1%
		879	80%	1,009	74%
Total	Financing	351	33%	84	6%
	Intercompany Loans	79	7%	569	42%
	Financial Charges	0	0%	0	0%
	Debentures	651	59%	699	51%
	Private Pension Plan Entity	14	1%	15	1%
		1,095	100%	1,367	100%

There was a reduction of R\$ 272 million in the amount of consolidated debt in 2003 together with a lengthening of the debt profile. Of total debt, 80% was long-term at the end of 2003 against 74% at the end of 2002.

Debt reduction was largely through the paying down of loans from other members of the group. On the other hand, some additional financing was raised from the Brazilian Economic Development Bank – BNDES for financing the construction of the new power plants.

Investments

The Company invested R\$ 331 million in 2003 for expanding generation capacity. The largest part of this capital expenditure was used to fund construction work on the new hydroelectric plants.

At the end of 2003, UHE Campos Novos, UHE Barra Grande and UHE Monte Claro (the latter part of the Ceran Complex) were under construction. Work is to begin in 2004 on two other plants in the Ceran Complex - Castro Alves and 14 de Julho.

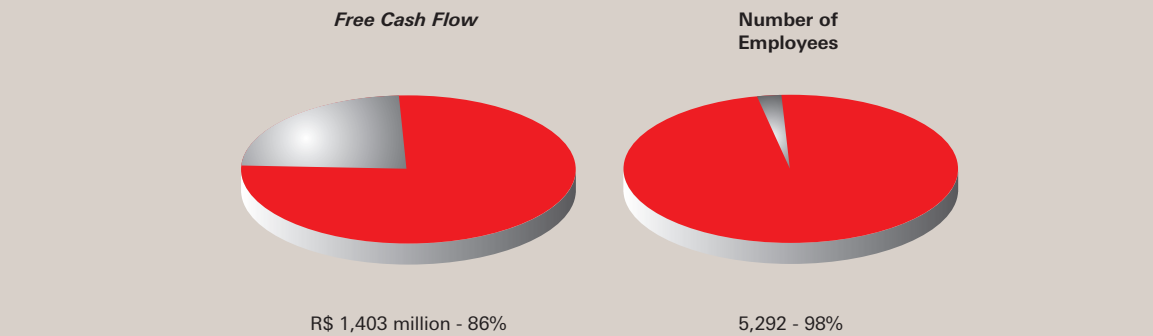
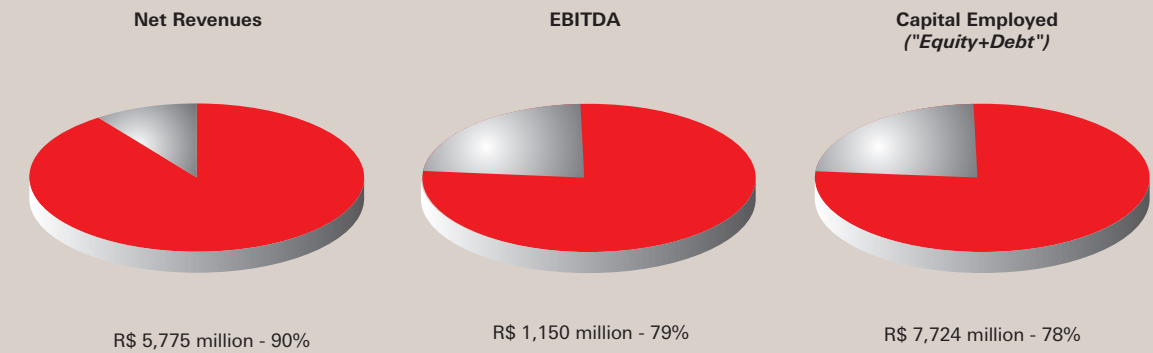
Outlook

The outlook for 2004 and the following years is positive, principally with the conclusion and startup of plants currently under construction, the first of these, UHE Monte Claro beginning operations in October 2004.



Energy Distribution - CPFL Paulista  
(Consolidated)

■ Energy Distribution - Values or % of the total for the company - 2003



Business

Distribution of own and third party electric energy, in accordance with Aneel regulations

Markets and Distribution

Interior of States of São Paulo and Rio Grande do Sul: 5,2 million consumers  
Sales of 33.669 GWh

IASC Prize - Aneel Customer Satisfaction Index 2003

Represented by CPFL Paulista and its subsidiaries, the electricity distribution area contributed 90% of the net revenues, 79% of the EBITDA and 86% of the free cash flow of the Group.

In 2003, there was an improvement in consolidated results with a reduction of 89% in losses and a 162% improvement in free cash flow. The reduction in financial expenses, due to debt amortization and a decline in the indices used to restate financial liabilities, together with lower operating overheads and market growth superior to GDP, all contributed to better results. While the 2003 national GDP fell 0.2%, the distributors' market grew more than 4%.

Summary of Economic and Financial Performance (\*)

CPFL Paulista (consolidated)

Selected Items and Indicators	2003	2002
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Results		
Gross Operating Revenues (R\$ million)	7,763	6,570
Net Operating Revenues (R\$ million)	5,775	5,031
EBITDA (R\$ million)	1,150	1,087
Financial Income (Expenses) (R\$ million)	(479)	(898)
Net Income (R\$ million)	(41)	(382)

Free Cash Flow – FCF		
Operating Cash Flow before Investments (R\$ million)	1,635	755
(-) Investments in Fixed Capital (R\$ million)	232	220
Free Cash Flow (R\$ million)	1,403	535

Capital Structure		
Net Shareholders' Equity (R\$ million)	3,084	3,125
Financial Debt (R\$ million)	4,640	5,427
Cash and Cash Equivalents (R\$ million)	171	128
Shareholders' Equity + Min. Interests + Financial Debt (R\$ million)	7,724	8,552

Financial Indicators		
Financial Debt /		
(Shareholders Equity + Min. Interest + Financial Debt) (x)	0.60	0.63
(Financial Debt – Cash and Cash Equivalents) /		
(Shareholders Equity + Min. Interests) (x)	1.45	1.70

Indicators of Profitability and Return		
EBITDA / Net Operating Revenues (%)	19.9	21.6
FCF / (Shareholders' Equity + Min. Interests + Financial Debt) (%)	18.2	6.3

(\*) Data for Rio Grande Energia – RGE proportional to shareholding stake.

Analysis of Results

**Operating Revenues** — The growth of 18% in gross operating revenues reflected the larger quantities of electric energy distributed and the tariff rate increase. Net operating revenues increased 15% with a higher figure for taxes and charges deductible against gross revenues in relation to the preceding year.

**EBITDA and Margin** — EBITDA increased by 5.8% largely due to a 15% increase in net operating revenues and the cost of supplying electric energy, up by 23%, but offset by the Company’s rigorous management of operating costs.

**Financial Result** — Fell 47% due to greater debt amortizations and the decline in indices used to restate the Company’s financial liabilities.

**Net Income** — The net loss fell from R\$ 382 million to R\$ 41 million, a reflection of the improvements described above.

Cash Flow Analysis

**Cash Flow before Capex** — Posted R\$ 1,635 million. The growth of 117% in 2003 was principally due to a reduction of operating investments in working capital, which changed from a positive R\$ 486 million in 2002 to a negative R\$ 340 million in 2003.

**Free Cash Flow** — Free cash flow was R\$ 1,403 million, 162% higher than 2002, and in line with operating cash generation. Investments in fixed capital were largely unchanged year on year (R\$ 233 million in 2003 against R\$ 220 million in 2002).

**Payments to Banks and Shareholders** — Free cash flow was used principally in the amortization of loan principal and interest (R\$ 1,100 million net of fresh loans and intercompany borrowing) and the distribution of dividends to the shareholders (R\$ 10 million), advances for future capital increases (R\$ 222 million) and in deferred items (R\$ 28 million), leaving an available free cash balance of R\$ 43 million.

**Final Cash Balance** — The cash balance of R\$ 43 million generated during the period, added to the opening cash balance of R\$ 128 million, resulted in a closing cash position of R\$ 171 million.

Debt Analysis

Consolidated		2003		2002	
		R\$ million	%	R\$ million	%
Short Term	Financing	758	16%	1.386	26%
	Associates	149	3%	0	0%
	Financial Charges	171	4%	153	2%
	Private Pension Plan Entity	51	1%	49	1%
		1,129	24%	1,588	29%
Long Term	Financing	1,838	40%	2,210	41%
	Debentures	942	20%	890	16%
	Private Pension Plan Entity	731	16%	739	14%
		3,511	76%	3,839	71%
Total	Financing	2,596	56%	3.597	67%
	Associates	149	3%	0	0%
	Financial Charges	171	4%	154	2%
	Debentures	942	20%	890	16%
	Private Pension Plan Entity	782	17%	786	15%
		4,640	100%	5,427	100%

There was a R\$ 787 million reduction in consolidated debt in 2003 with an accompanying lengthening of the debt profile. Of the total debt at the year-end, 76% was long-term against 71% at the end of 2002.

Debt declined due to the amortization of principal and financial overheads as well as lower indices used to restate the Company’s financial liabilities.

Investments

In 2003, the Company invested R\$ 232 million, of which R\$ 124 million in CPFL Paulista and the remainder in subsidiaries and affiliated companies. Investments went principally for further upgrading customer service, providing support for growing market demand, to maintenance of the electricity system and the modernization of the distribution system and operational support for infrastructure, IT and telecommunications.

Outlook

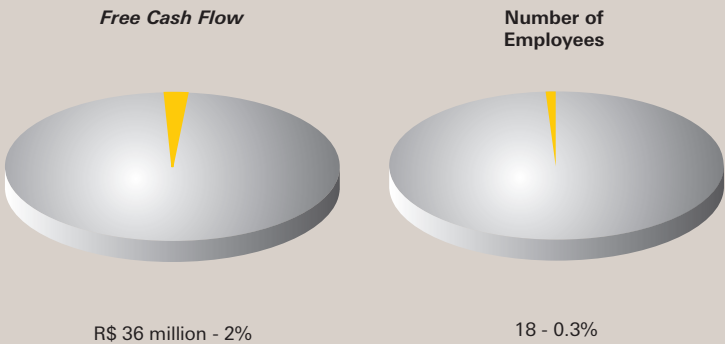
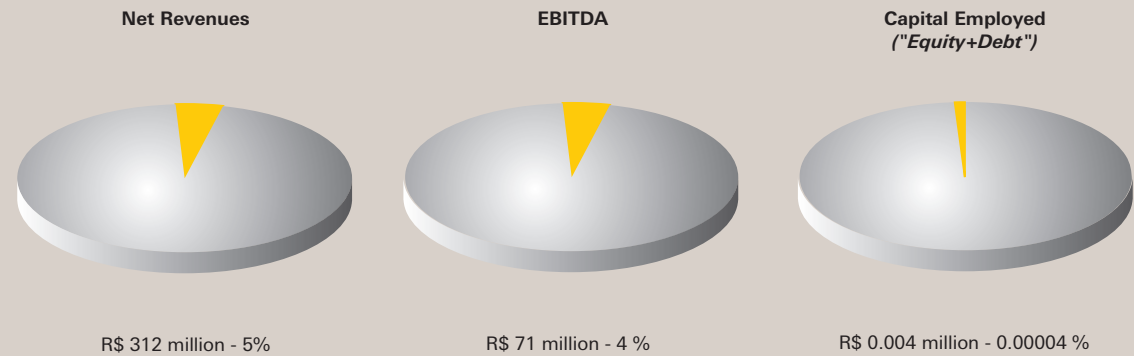
All forecasted capex in the structure needed for accompanying market growth has already been made and the process of capturing synergies between the structures of CPFL Paulista and CPFL Piratininga has been concluded, with consequent gains in scale, operating efficiency and productivity.

The outlook for 2004 and beyond is contingent on the growth in the Brazilian economy, and in this context we note that under normal conditions growth in electricity consumption outpaces the evolution of national GDP.



Energy Trading - CPFL Brasil

Electric Energy Trading - values or % of the consolidated total - 2003



Business

- Trading of the system’s energy surpluses in the secondary market (4,535 GWh sold in 2003)
- Planning and consultancy for customers.

Markets

- Area of activity: Brazil
- Customers: distributors (80%) and industries, shopping centers and large companies (20%)

There is no comparative basis to evaluate 2003 results since the Company began operations in January 2003 only. Results are shown below.

Summary of Economic and Financial Performance

CPFL Brasil (consolidated)	
Selected Items and Indicators	2003
Results	
Gross Operating Revenues (R\$ million)	336
Net Operating Revenues (R\$ million)	312
EBITDA (R\$ million)	71
Net Income (R\$ million)	51
Free Cash Flow	
Operating Cash Flow before Investments (R\$ million)	37
(-) Investments in Fixed Capital (R\$ million)	1
Free Cash Flow (R\$ million)	36
Capital Structure	
Net Shareholders’ Equity (R\$ million)	0.004
Financial Debt (R\$ million)	0
Shareholders’ Equity + Financial Debt (R\$ million)	0.004
Financial Indicators	
Financial Debt / Shareholders Equity + Financial Debt (x)	0,00
Financial Debt / Shareholders Equity (x)	0,00
Indicators of Profitability and Return	
EBITDA / Net Operating Revenues (%)	22,8
Free Cash Flow / Shareholders’ Equity + Financial Debt (%)	900,000

Analysis of Performance

Representing 5% of consolidated group revenues, the Company contributed net operating revenues of R\$ 312 million from energy trading and provision of services. During the year, CPFL Brasil developed a trading relationship with more than ten free consumers. Gross operating margin was 25% with energy purchases forming the larger part of the cost structure.

Operating expenses at 2.2% of net revenues largely reflect (58.1%) payments for third party services. The Company’s EBITDA of R\$ 71 million contributed with 4% of consolidated group EBITDA. Monetary restatement of intercompany loans received from the Controlling Company was responsible for most of the financial result of R\$ 6 million or 1.8% of net revenues. Operating profits were R\$ 77 million and net income was R\$ 51 million.

The Board of Directors proposed the distribution of 99.998% of the profit in the form of dividend payments to the shareholders.

The free cash flow for the period was R\$ 36 million. Cash generated from the Company’s energy trading activities was used in disbursements for payment of purchased energy, materials, third party services and fiscal liabilities. CPFL Brasil closed its first year of operations with a cash position of R\$ 11 million.

Outlook

The outlook for 2004 is largely a function of contracts with the distributors and consequently the growth of these customers. The distributors market is currently growing at an annual average rate of 4.5%.

In addition, the Company is forecasting an increase of about 150% in free market customers, the purchasing and selling volumes of which could increase from 80 MW to 200 MW over the next year.

A new and advanced Customer Relationship Management (CRM) system will be implemented from September 2004, substituting the existing one and providing greater flexibility in support for expected market growth.

Capital Markets

CPFL Energia

CPFL Energia is an open capital corporation, although its shares are not listed on the São Paulo Stock Exchange – BOVESPA.

Shares of Subsidiaries and Affiliated Companies

The subsidiaries CPFL Paulista and CPFL Geração and the affiliated companies CPFL Piratininga and Rio Grande Energia - RGE are open capital corporations with their shares listed on the São Paulo Stock Exchange - BOVESPA.

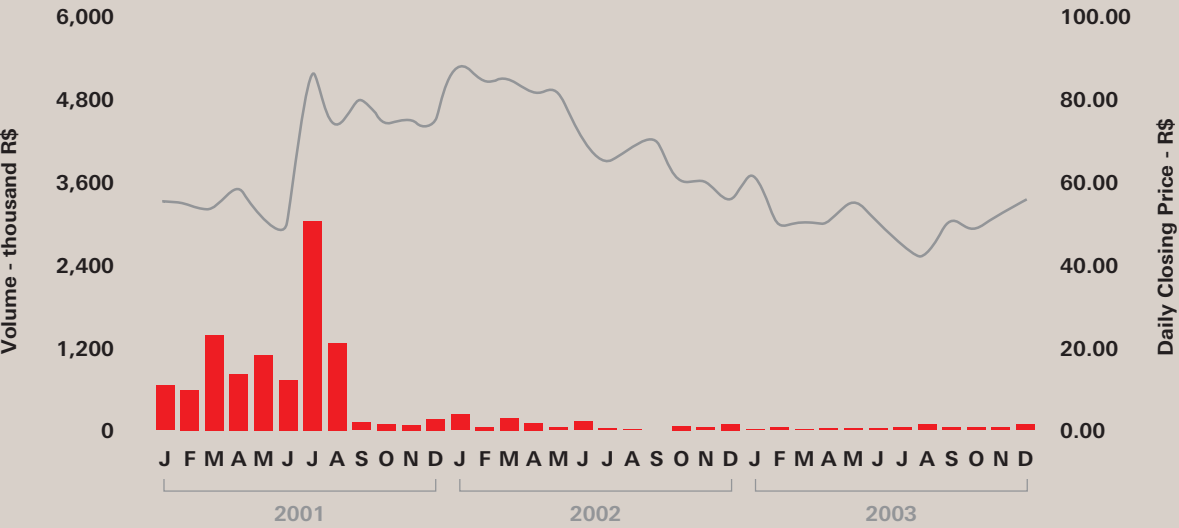
The following charts show share performance for 2003 and previous years:

Share / Ticker Code	Variation for the Year*		Annual Trading Volume (R\$ th.)	
	2003	2002	2003	2002
CPFL Paulista ON - PALF3	(0.0)	(25.4)	450,276	950,762
CPFL Paulista PNA - PALF5	(12.4)	(26.4)	82,310	386,843
CPFL Paulista PNC - PALF11	(10.6)	(1.5)	329,100	676,947
CPFL Geração ON - CPFG3	65.2	(44.6)	539,275	1,822,712
CPFL Geração PN - CPFG4	81.1	(49.4)	761,106	1,012,365
CPFL Piratininga ON – CPFP3	--	--	0	0
CPFL Piratininga PN - CPFP4	81.8	--	45,535	82,608
RGE ON – RGEG3	(10.5)	(36.4)	8	34
BOVESPA index	97.3	(17.0)	147,936,154	104,731,822

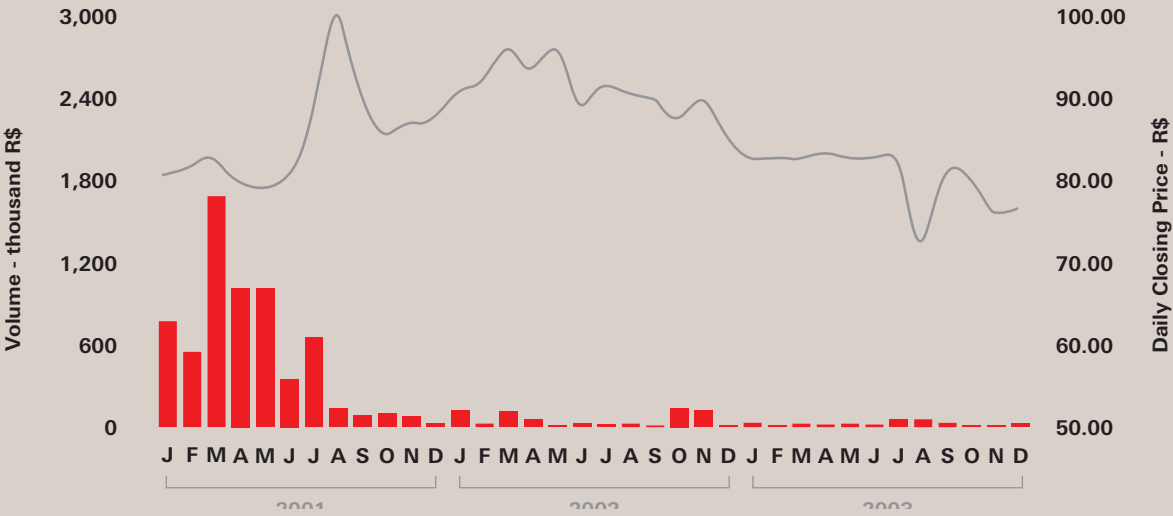
(\*) price appreciation + return provided by income, including dividends (BOVESPA criterion)



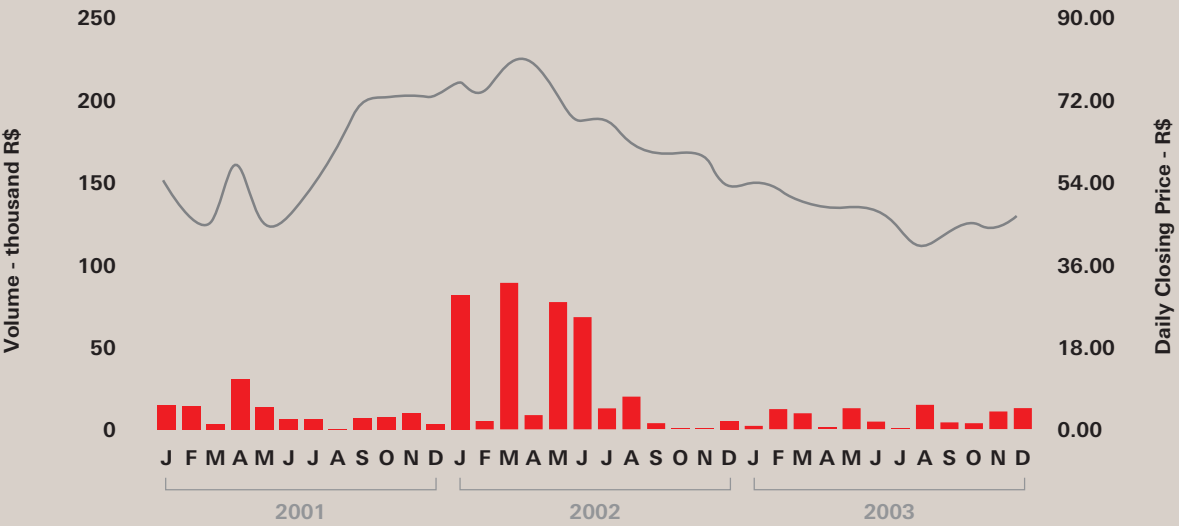
PALF3 (CPFL Paulista ON)



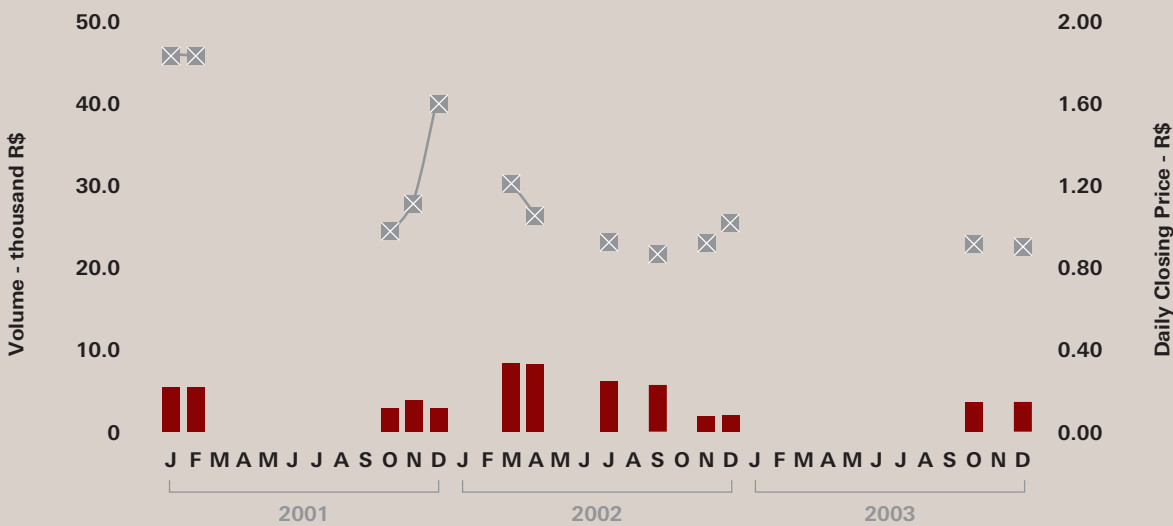
PALF11 (CPFL Paulista PNC)



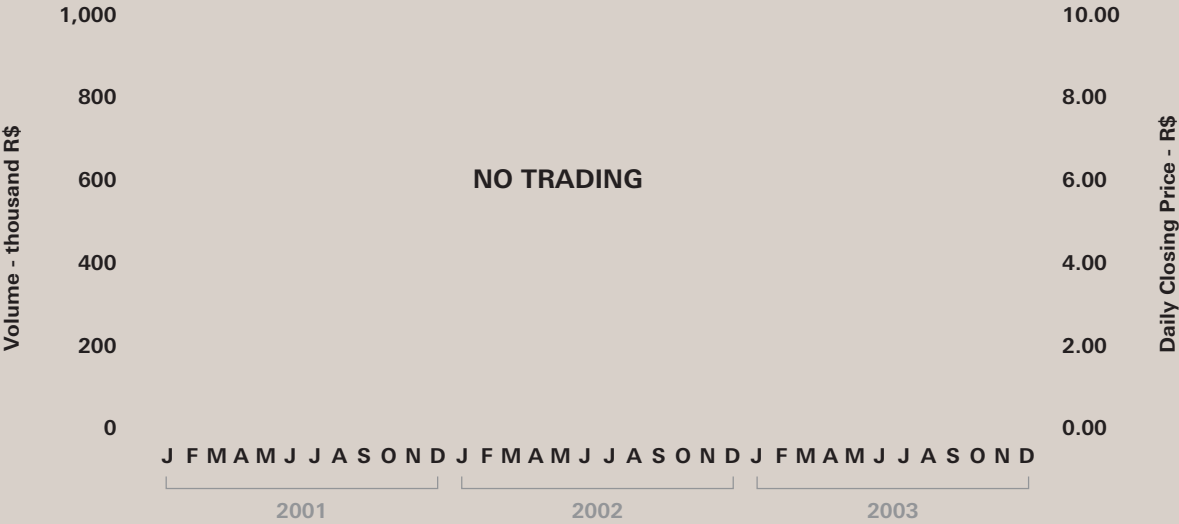
PALF5 (CPFL Paulista PNA)



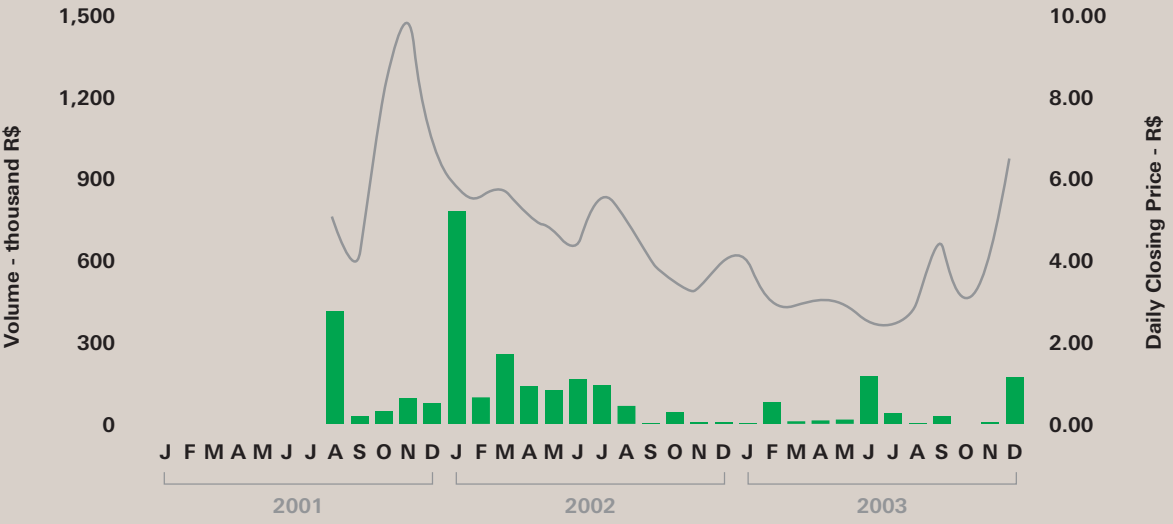
RGEG3 (RGE ON)



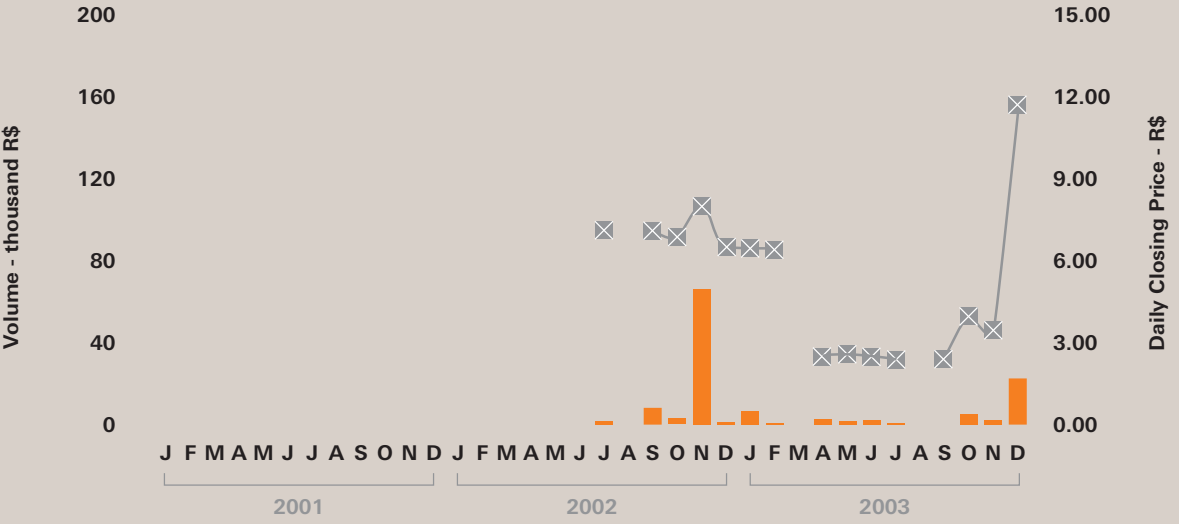
CPFP3 (CPFL Piratininga ON)



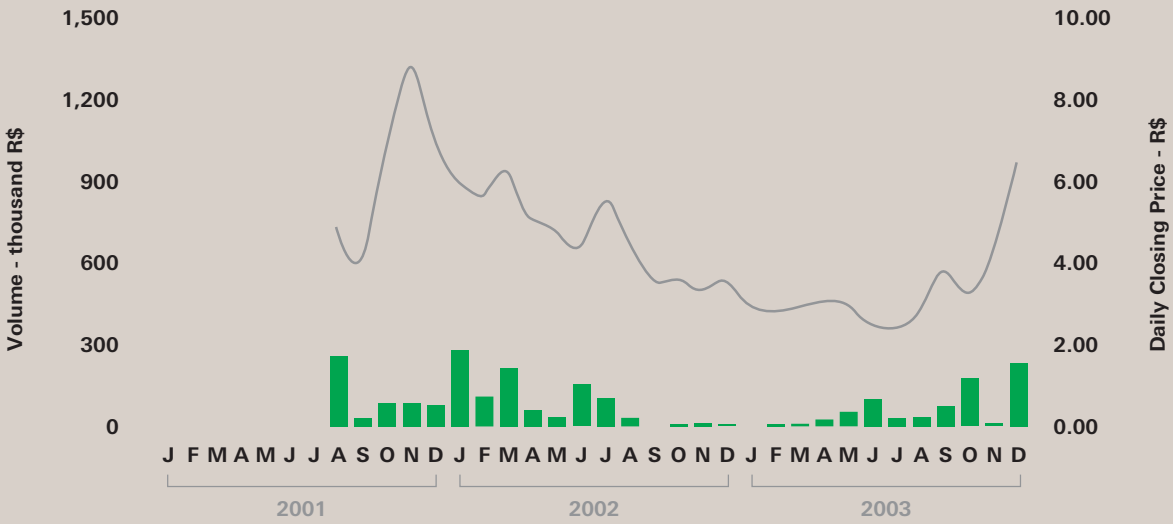
CPFG3 (CPFL Geração ON)



CPFP4 (CPFL Piratininga PN)



CPFG4 (CPFL Geração PN)







## New Electricity Sector Model

The Federal Government announced a new model for the Brazilian electricity sector through Provisional Measures 144 and 145/2003. Three new structures are being created under the new model:

- Energy Studies Company (Empresa de Pesquisas Energéticas – EPE), responsible for energy expansion and transmission studies;
- Electric Energy Trading Market (Câmara de Comercialização de Energia Elétrica – CCEE), responsible for regulating energy trading;
- Electric Sector Monitoring Committee (Comitê de Monitoramento do Setor Elétrico – CMSE), responsible for permanently monitoring the supply safety.

With the creation of the new structure, the CCEE succeeds the existing Electric Energy Wholesale Market (Mercado Atacadista de Energia Elétrica – MAE).

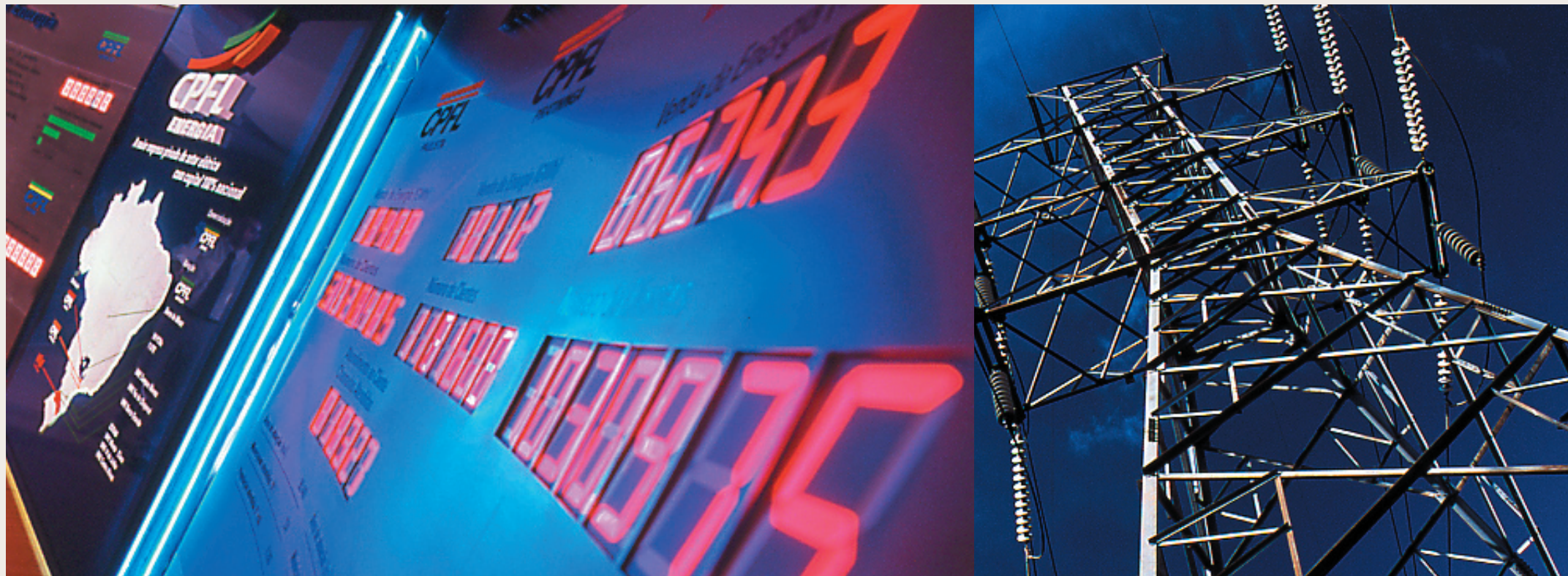
In addition to creating new bodies, the new model also redefines the duties of various existing institutions, restoring the Ministry of Mines and Energy's role as the Authorizing Power for concessions, leaving Aneel with the exclusive functions of regulation, supervision and arbitration. The National Transmission Grid Operator (ONS) is to operate with three government-appointed directors out of a total of five.

**The principal alterations envisaged are:**

- The definition of two energy contracting environments:
  - A regulated environment where all energy purchases will be made via a bidding process through a pool on the basis of the lowest tariff;
  - A free environment, to which all free consumers and traders with capacity to negotiate their supply contracts are eligible
- The distributors must contract 100% of their energy requirements;
- Emphasis on centralized government planning and mandatory for new projects in the sector;
- Firm governmental control over the market and its regulation;
- Limitations on self-dealing with a prohibition on a generator selling energy directly to a distributor in the same economic group;

- New bids for generation projects based on the lowest tariff criterion;
- Long term supply contracts defined in bidding processes;
- Prior concession of environmental license as a prerequisite for bidding for new hydroelectric plants and transmission lines;
- Mandatory incorporation of existing private networks in the concession area;
- Establishment of more efficient instruments in the legislation for combating consumer default.

Business strategies implemented by CPFL Energia in 2003 have mitigated eventual regulatory risks, thus contributing to the consolidation of the Company's business plan.



Show Room | Head Quarters | Campinas | São Paulo





# Risk Management

## Organization

CPFL Energia and its subsidiary and affiliate companies adopt policies and operating and financial strategies for the purpose of safeguarding their assets as well as the liquidity and profitability of these same assets. The Company has established procedures for the control and supervising of the operations, thereby monitoring and mitigating the various risks to which it is exposed.

These procedures have been audited with the appropriate frequency at all phases of their implementation and operation, as well as being certified by different bodies according to the type of risk involved. The implementation of these controls has resulted in the CPFL companies becoming benchmarks for the industry. The principal risks to which the companies are exposed and the ways these are mitigated are described below.

## Regulatory risk

CPFL Energia’s subsidiary and affiliated companies involved in generation and distribution operate in concession areas granted by the Authorizing Power. The concessions are formalized in concession contracts signed federal government for terms of between 20 and 35 years. The concession contracts provide the necessary economic and financial equilibrium through periodic tariff adjustments.

Electric generation and distribution activities are supervised by Aneel according to Law 10,438 of March 15, 2004, which created the new Brazilian Electricity Sector Model. Until the approval of the new Sector Model in 2004, the industry was regulated by Law 9,648, which had stipulated the winding down of the energy sold under the Initial Contracts at the rate of 25% per year. This legislation was consolidated in December 2002 through decree laws 4562, 4559, 4550, 4541, 4538 and 4505.

The companies involved in CPFL’s generation activities operate internally within the regulatory framework existing up to 2002 and are not therefore subject to the new regulatory guidelines. Energy trading activities are largely geared to free markets and covering the sale of electricity and value-added services.



Operating risk

**Hydrological Risk** – Hydroelectric power plants generate most of the energy sold by CPFL Energia’s subsidiaries. A prolonged period of low rainfall can reduce water volumes in plant reservoirs, causing losses due to the increased costs of acquiring energy or due to the reduction of revenues arising out of a new rationing program similar to the one in 2001. The National Transmission Grid Operator - ONS does not foresee the need for a new rationing program in the next few years given current reservoir levels.

Financial Risk

**Foreign Exchange Rate Risk on Liabilities** - This reflects the risk which CPFL and its controlled companies run in losses due to interest rate fluctuations, thus potentially increasing the outstanding balance in foreign currency denominated liabilities. CPFL is protected against this risk through hedge/swap operations whereby the debt in question is indexed to the variation in local currency indices.



**Foreign Exchange Risk on Purchases** - CPFL’s distributors’ are exposed to foreign exchange rate fluctuations in their energy purchases from Itaipu. The Parcel A Tracking Account – CVA (Aneel Resolution 90/2002) protects the companies from eventual losses through tariff readjustments.

**Risk associated with Floating Rate Notes** - The relative exposure risk on floating rate notes was substantially reduced through swap operations, which allow original risks (foreign exchange rate variation + Libor + 2.95% p.a.) to be exchanged at a cost of 93.65% to 94.75% of the CDI – Interbank Deposit Certificate. In order for corporate credit limits with the intermediating bank not to be used unnecessarily, the swap contracts carry a reset clause. Under this, the swap operations are entirely settled when the net present value of these positions surpasses a given contractual percentage. The result of this procedure can potentially impact the Company’s cash position, generating or requiring resources in the settlement of the swap positions when reset situations are triggered.

**Interest Rate Risk** - This risk relates to the potential loss arising from interest rate fluctuations that increase the financial expenses on externally funded loans and financing. CPFL’s companies have entered into derivatives contracts to guard against this risk.

**Credit Risk** - This risk arises from CPFL’s controlled and affiliated companies incurring losses through difficulties in receiving values which have been invoiced to their customers. The Company considers this risk to be minimized by the dispersal of its business across a wide range of customers as well as its policies for collection and disconnecting supplies of defaulting consumers.

**Risk of Acceleration of Debt** - The CPFL companies have loan, financing and debentures contracts which carry restrictive covenants, a normal feature in such agreements, requiring that certain economic and financial, cash generation and other ratios be observed. These covenants have been complied with and in no way restrict the capacity of the companies to conduct their normal course of business.







## Information Technology

Information technology plays a key role in all the areas of the CPFL Group's business. Without such technology it would have been impossible for its companies to have reached such a high degree of efficiency.

The CPFL companies process and use information of various types in their daily activities through a network of 3,170 microcomputers as well as high technology equipment installed at their Operations Centers, and in advanced systems.

### Direct Interaction with the Customer

The communication channel with the Internet gives a precise vision of the importance of information technology in CPFL businesses.

Using the Internet, the customer is able to obtain every type of information on the relationship with the Company as well as being able make service requests which are processed in real time. In addition to cost savings, this mode of communication is entirely user friendly.

CPFL is the only company in the Brazilian electricity sector that processes requests involving electric installation projects entirely via the Internet. There have been instances where projects have been approved in 4 hours, when the average Aneel-approved time period is up to 15 days. All technical specifications are available through the Internet channel.

Internet also allows company-customer interactivity through chat rooms or via electronic correspondence.

Among all the customer communication channels, the Internet is the means of communication that has grown the fastest.

### Internal Communication and Professional Self-Development

A large part of Group in-house communication is through the Intranet. This means of communication provides speed, reliability and efficiency in the flow of information, fundamental if employees are to remain permanently up to date. All employees can use the Intranet to access training and professional self-development programs based on the e-learning concept.



### Rapid Information for Making Decisions

Integrated systems accelerate and increase the reliability of decision-making. In the financial area, data can be accessed for analysis in real time using specific reports.

In the operating areas, sophisticated systems allow the small electricity generating plants and the huge distribution network to be operated on a remote basis. Among these systems are those which are able to provide geographical location data and also permit the automation of substations. The systems, as well as translating into greater integration, responsiveness and productivity, also produce data forming the basis of action plans for improvements.

Particularly important are customer relationship management systems for increasing the efficiency and reliability of commercial operations.

### Information Technology Security

CPFL is permanently focused on ensuring the integrity of its systems and technological installations. The Company works with redundancy systems in critical areas to mitigate risks arising from equipment failure. CPFL's IT technology management practices also guarantee absolute privacy to its customer base, reproduction of the latter being strictly forbidden.

The importance of the Internet and all the connections with the world wide web increase the need for protection against viruses. As a component part of the effort to combat this problem, CPFL uses detection and blocking routines, which are continually being updated. The Company maintains critical systems outside the Internet framework.



Operations Center | Bauru | São Paulo







Construction of UHE Campos Novos | Santa Catarina

## A Vision of Sustainability and Management of Corporate Responsibility

CPFL Energia is a 100% Brazilian company, with the experience and knowledge that comes from 92 years of activity, and the recognition that comes from an unwavering commitment to the development of Brazil.

This vision remains uppermost in the mind of management, as it directs the group towards results that incorporate responsible action and sustainable results.

CPFL's confidence in the future of the country can be clearly seen from its massive investments in energy generation, distribution and sales capacity, its rigorous control of service quality, its insistence on ethics and the transparency and the respect with which it relates to its multiple constituencies: shareholders, consumers, employees, suppliers, the local communities, government and Brazilian society as a whole.

Responsible and sustainable business management is founded on a broad and integrated vision of the group's activities that is shared by those responsible for the day-to-day management of the CPFL Energia companies and is based on multiple commitments to

- Commitment to Stability
- Commitment to Managerial Excellence
- Commitment to Quality
- Commitment to Social relations and the impact of the Company's activities on the Community.



Commitment to Stability

Ever since the acquisition in 1997, the controlling shareholders have demonstrated a profound commitment to the Company, to consumers, to the laws governing electricity services and to the community.

The foundations of the CPFL Energia companies are:

- The strength and tradition of their controlling shareholders, among the largest and best in their respective fields of activity
- The most advanced Corporate Governance practices
- A diversified business strategy for electricity generation, distribution and sales
- The commitment to ensuring that the CPFL Energia companies have the necessary resources to meet their business challenges, an example of which is the capital increase in 2003, enabling the Company to maintain its capital expenditures program and its business plan as originally approved.



Campinas | São Paulo

Commitment to Excellence in the Management System

CPFL Energia’s commitment to excellence is clear from its strategic planning and management systems, its search for quality and continuous operating improvement, the incorporation and sharing of best practices between group companies and the permanent monitoring of the companies’ results and the impact of their initiatives and business activities.

The pillars of this commitment are to be found in the Organizational Model, with its constant search for synergies between the different business segments and the sharing of best corporate and operating management practices. The Model covers the Millennium Plan, the Integrated Management Plan and the CPFL Program for Sustainability and Corporate Responsibility. The Millennium Plan is the name given to the Strategic Planning process, the task of which is to act as the driving force behind cultural transformation and the mobilization of management and employees in the quest for a rational and efficient approach to their activities.

The Integrated Management System (SGI) ensures operating excellence through its Quality Management, Social Responsibility Management, Environmental and Health Management, Occupational Safety and Quality of Life programs. The aim of the CPFL Sustainability and Corporate Responsibility program is to manage the impact of its business activities and coordinate the activities of the CPFL Energia companies and their commitment to contributing to the sustained economic, environmental and social development of this country.

This set of commitments, systems and programs has enabled CPFL Energia to progress towards its ideal of being a benchmark for the Brazilian energy sector and the business community as a whole in the fields of corporate excellence, social responsibility and sustainability.





Management System and Strategic Planning

CPFL Energia believes that management starts with business planning. The group’s strategic plan, named the Millennium Plan, was conceived as a driving force for corporate cultural transformation.

Alignment and integration between Business Planning and Performance Management Systems (Personal Value) was achieved during 2003, establishing a link between Strategic Targets and Milestones and variable compensation at all levels within the Company, effectively communicating the corporation’s strategic plans to all levels of the organization.

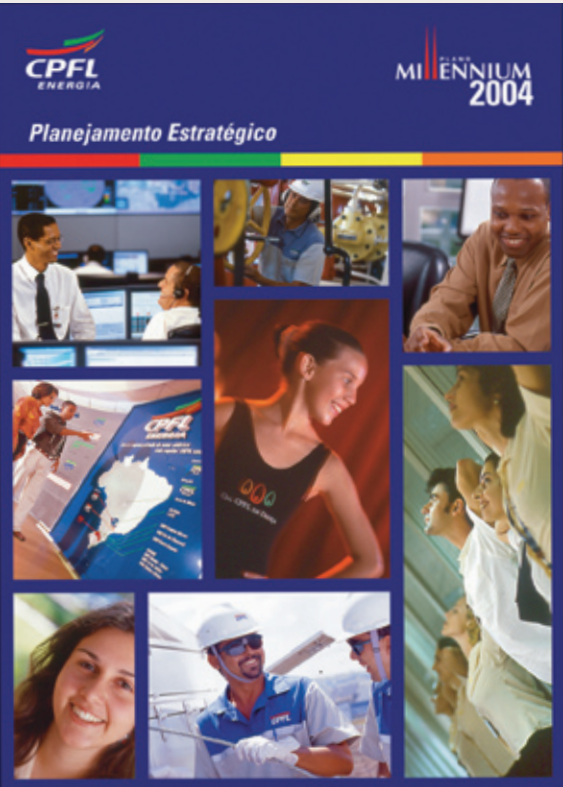
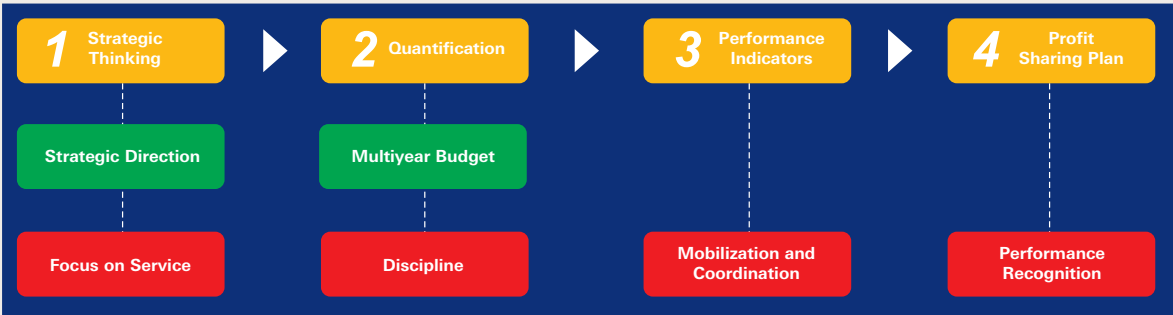
Discussion and internal communication of the Company’s strategic plans to all its employees is a priority for the CPFL Energia companies and helps spread the corporate culture, values, guidelines and strategic thinking.

In addition to constant monitoring of operating results at each CPFL business unit through the use of the Scorecard System, a new management tool is being introduced, known as “Generating Shareholder Value”. This model introduces a shareholder-driven element to the CPFL Energia companies’ strategic planning, such as TSR (Total Return to Shareholders), TBR (Total Business Return), CFROGI (Cash Flow

Return on Gross Investments) and CVA (Cash Value Added).

This new management system will be fully implemented during 2004 and 2005, putting CPFL Management on a par with the most advanced global management practices.

Strategic Planning Process



Commitment to Quality

For CPFL Energia, respect for the public begins by incorporating excellence into all dimensions of its operations: quality, social responsibility, the environment, healthcare, quality of life and occupational safety.

Its companies have gone to great lengths in recent years to implement, consolidate and maintain in operation the Integrated Management System (SGI) and the CPFL Quality Program, which cover the whole range of its activities, and systematically submit its management practices to internal and external review and critical analysis.

The result of these efforts is that the companies’ operations are currently being certified according to internationally accepted standards. In January 2004, Bureau Véritas Quality International – BVQI, an independent entity accredited in Brazil, the US and Europe, completed the simultaneous audit started in 2003 of CPFL Paulista, CPFL Piratininga and CPFL Geração, and reconfirmed the 14 certifications awarded these companies previously:

- ISO 9001:00 Quality Management certification– for the “Electricity Distribution and Sales” processes developed by CPFL Paulista and CPFL Piratininga; CPFL Geração’s “Electricity Generation Operating System”; and CPFL Paulista’s “Technical and Commercial Indicators”.
- ISO 14001:96 Environmental Management certification– for “Urban Electricity Distribution Lines and the Environment” at all CPFL Paulista’s and CPFL Piratininga’s sites and the “Hydraulic Electricity Generation” program at CPFL Geração’s Americana hydroelectrical generation plant.
- OHSAS 18001:99 Occupational Health and Safety Assessment Series certification – for “Distribution and Sale of Electricity” at CPFL Paulista and CPFL Piratininga and “Hydraulic Electricity Generation” at CPFL Geração.
- SA 8000:01 Social Responsibility Management certification - for “Distribution and Sale of Electricity” at all CPFL Paulista and CPFL Piratininga sites and “Hydraulic Electricity generation” at CPFL Geração.

At the same time, CPFL Energia’s companies were recommended for certification in four new processes:

- at CPFL Paulista’s Transmission System Operating Center
- at CPFL Paulista’s Call Center

Call Center | Campinas | São Paulo



System Operation Center | Campinas | São Paulo



- at CPFL Geração’s hydroelectric generation sites (all its small hydroelectric generating plants)
- and for the Technical and Commercial standards in CPFL Piratininga’s concession contract, which denote the thoroughness with which the Company handles the smallest details of quality management.

Note that CPFL Paulista and CPFL Piratininga are the only electricity distributors in the world to be awarded certification in all four categories: ISO 9000, ISO 14001, OHSAS 18001 and SA 8000.

In addition to the certification audits, CPFL Energia routinely submits the performance of its companies to external review, by participating in surveys and rankings, in order to measure the effectiveness of its programs and pick up information that helps improve performance.

The results of the policies, plans and actions of the Integrated Management System – SGI can be clearly seen in several performance indicators which measure the performance of companies in various areas. In the field of electricity distribution, the service quality and customer satisfaction indices of CPFL Paulista and CPFL Piratininga are considered outstanding. At CPFL Geração, the operating and environmental management indicators at its operating units and at those under construction have been singled out for attention. Occupational Health and Safety indicators are positive at all the companies.

CPFL Paulista has also been classified as one of the best companies to work for in Brazil and, more recently, Latin America.

CPFL Energia has been repeatedly recognized as a benchmark in the field of social responsibility, in view of the seriousness it dedicates to issues of quality and social responsibility.





### Commitment to social relations and the impact of the Company's activities on the community

The idea that each individual and team is responsible for the sustainability of its business has become reality in many of the CPFL Energia group's activities.

Four years ago the idea of sustainability and corporate responsibility was introduced for the first time into planning and management at the CPFL Energia Group companies. Increasingly, this vision is being incorporated by employees at all levels.

The concept is extremely far-reaching, since it involves the way each company thinks, plans, decides and executes, depending on the ability of each employee and each team to contribute to the sustainability of the business, based on the following basic elements: excellence, quality, ethics and transparency, all within the context of the economic, social and environmental dimensions of its activities.

The guidelines contained in the Vision, the Mission, the Policies and, in particular, the CPFL Policy for Sustainability and Corporate Responsibility require all companies and all employees, in all their activities and decisions, to take into account the impact their activities could have on the constituencies in any way related to the group: shareholders, employees, clients, suppliers, the community, society in general and the environment.

The guidelines also generate the cultural, social and health programs implemented by the companies in their communities, as their contribution to the economic, social and environmental development of Brazil.

### Ethics and Transparency

CPFL's Corporate Code of Ethics and Conduct was drawn up in 2001 and widely disseminated in 2002 and discussed among employees. Following up on the previous year's program, twelve "Reflecting on Ethics" seminars were held during 2003, attended by 1,224 direct employees or service provider employees.

Groups were formed at the seminars, given specific reading tasks and asked to come up with suggestions for the first revision of the Code of Ethics. The new version will be introduced during 2004.

The Code applies to all the Company's partners: government and society; clients; shareholders and investors; suppliers; competitors; employees; and the surrounding communities.





The Code teaches that the companies always need to analyze the impact on these constituencies before making and executing decisions.

The Code sets forth the Company's position on issues such as:

- Transparency and integrity of information supplied by the Company
- Discrimination and respect for diversity
- Child labor
- Harassment of any kind
- Bribery and corruption.

**Responsibility in Practice**

The following actions, taken during 2003, are representative of the principles of corporate responsibility and the intention of incorporating Social Sustainability and Social Responsibility into the daily routines at the companies:

- The activities of the Sustainability and Corporate Responsibility Program, which range from management and advanced Corporate Governance practices, to relations with employees, suppliers and the communities, as well as environmental precautions.
- Periodic meetings of the Ethics and Corporate Responsibility Management Committee.
- Further discussion of Business Ethics, based on the Code of Ethics and Conduct.
- CPFL's Respect for Diversity Program, launched in December 2003 and intended to gradually introduce this topic into people's culture and the internal decision-making process. The program's scope ranges from attracting, recruiting, selecting and hiring professionals to a human resources survey, held in the first quarter of 2004, with the participation of direct employees and service provider employees. The aim is to build a culture that respects and encourages diversity, in which affirmative action can lead to a new model that is more representative of Brazilian society and socially more innovative.

- Measures to protect neighboring communities, such as:
  - a) The indigenous question at the Serra da Mesa hydroelectric project, which has the largest reservoir by volume in Brazil, measuring approximately 1,784 km<sup>2</sup>. The objective was to reconcile the construction and operation of the project with the right of the Avá-Canoeiros indians to remain in their 38 thousand hectare reserve in the upper reaches of the Tocantins River, in the Midwest of the country. The list of actions taken jointly with the Avá-Canoeiros indians was drawn up in conjunction with Funai (Brazil's indian agency) and submitted to Congress, where it was approved by legislative decree in the House of Deputies and the Senate. The Serra da Mesa hydroelectric project became the first infrastructure project in the country to be authorized by Congress to interact with indigenous territories.
  - b) Pro-active relations with the communities surrounding the projects under construction in the South of the country, applying CPFL's principles of environmental and social responsibility. Highlights were:
    - Support for the municipal authorities of the regions affected by the Barra Grande, Campos Novos and Ceran complex hydroelectric projects, to enable them to reinforce their education, health and safety structures and be prepared to handle the influx of workers



River Re-stocking Program



- Involvement of the population affected by flooding, organized movements and rural associations in the choice and definition of the projects for re-settling the qualifying families
  - Support for farmers in the region of the Barra Grande hydroelectric project with the 2002/2003 harvest, and partnership with SEBRAE – SC – The Santa Catarina Association of Support for Small and Micro Enterprises in developing new technologies to increase the productivity of farmers in the Campos Novos hydroelectric project region
  - Partnership with MAB – The Victims of Dams Movement to construct extra facilities at the rural re-settlements at the Barra Grande hydroelectric project
  - Generation of jobs in the regions surrounding the projects under construction. Close to 9,000 jobs have been created by the increase in commerce and services.
- Agreement on long-term commitments with suppliers:
    - Clauses were included into all contracts concerning: prohibition of child labor; environmental preservation; occupational health and safety; quality and social responsibility audits, and
    - A survey was carried out, using a questionnaire from the Ethos Institute for Social and Corporate Responsibility, on progress on issues of Corporate Social Responsibility.
  - Closer community relations, through health, art, culture and educational programs, with employee participation. Some of the highlights were:
    - Inauguration of a CPFL Cultural Space at the Company’s head office in Campinas with the “Review of the 20<sup>th</sup> Century – Paradigms for the 21<sup>st</sup> Century” exhibition for employees and the public, financed by the fiscal incentives provided for under Brazil’s Cultural Promotion Law. The exhibition is intended to provide an integrated view of the situation in several fields of knowledge at the beginning of the new century, and perceptions concerning the paradigms that will shape development in the 21<sup>st</sup> Century. Over 18,000 people visited the modules during the three months of exhibition.
- During 2003, the program featured major names in Brazilian culture over 10 modules: Art in the 20<sup>th</sup> Century; the Best Films of All Time; Multiracial Music of the Americas; Roots, Things in Common and Fusion; A Review of Science in the 20<sup>th</sup> Century; Seminal Thinkers of the XX<sup>th</sup> Century; Visions of Brazil in the 20<sup>th</sup> Century; Great Figures in Brazilian Literature; Literary Myths of the West and Modernity; Encounters, Estrangements and Re-encounters – daily life and behavior in the 21<sup>st</sup> Century.

CPFL Cultural Center | Campinas | São Paulo



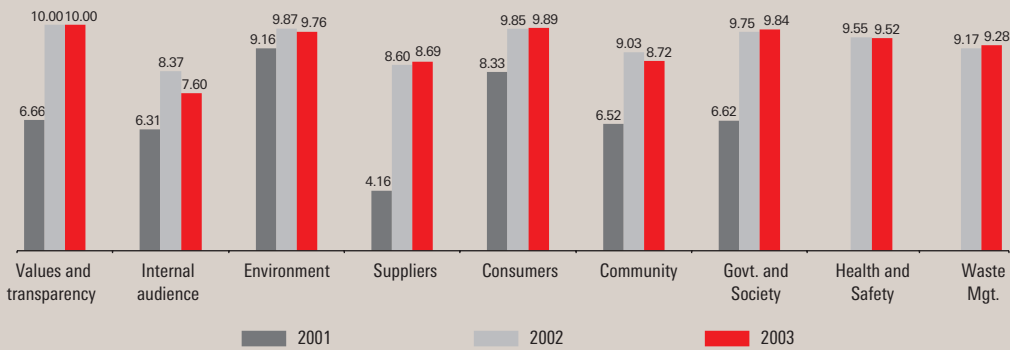
- The importance of this contribution to Brazilian culture can be measured by the media interest. TV Cultura, sponsored by the Padre Anchieta Foundation, filmed all the modules, which were repackaged into cultural programs and screened throughout the country. The local channels in Campinas and Ribeirão Preto also carried the same programs.
- The plan for 2004 is to conclude the “Review of the 20<sup>th</sup> Century – Paradigms for the 21<sup>st</sup> Century” project and start a new project called “Contemporary Society – Risks, Dangers and Opportunities”.
- CPFL Support for the Santas Casas de Misericórdia (Hospitals) Program, is currently under review, including a feasibility study of a possible partnership with Unicef. The project, conceived and outlined in 2003, is due to be implemented in 2004, and focuses on making new hospital management technology available, integrating these hospitals through a single network.
  - The “Art and Culture as Instruments of Social Inclusion” project resulted in the “The 20’s – The Beginning of Modernity” Exhibition, which was put on in partnership with EPTV in Campinas, Ribeirão Preto and São Paulo, and is composed of works by famous Brazilian artists, visited by 8,450 people, many of whom public schooling system students on guided visits.

- Environmental initiatives include Environmental Permits for all of its projects; the Waste Disposal and Treatment Program; the Environmental Education Program; Commitment to Future Generations; the Urban Tree-planting Program; the Re-stocking of Rivers and Reservoirs Program (see the “Environmental Management” chapter for further information).

Among its more important achievements, CPFL is especially proud of its place in the Ethos-Abradee Social Responsibility ranking, which awarded CPFL Paulista the Abradee (Brazilian Association of Electricity Distributors) Social Responsibility prize for the second year running (2002 and 2003), and of its nomination as a Model Corporation in the Exame magazine Guide to Good Corporate Citizenship.

**CPFL Paulista**

Ethos Corporate Social Responsibility Indicators



Source: ETHOS - ABRADEE Report

**IBASE Indicators**

Founded in 1981, the Brazilian Institute of Social and Economic Analysis – Ibase is dedicated to furthering the cause of democracy and to enlisting the participation of society in the fight against inequality

One of Ibase’s major objectives is to give visibility to certain specific issues, especially those relating to the needs and solutions for the poorer and more socially excluded sectors of the population.

Ibase’s championing of the publication of social reports is based on its conviction that corporations have a fundamental role to play in social progress.

This aspect of Ibase’s activities started in 1997, under the leadership of the sociologist Herbert de Souza, otherwise known as “Betinho”, who launched a campaign to get companies to publish reports of what they had done to benefit society and the environment.

Betinho’s initiative has gained force among corporations in recent years and has turned into a benchmark and an incentive for Brazilian corporations to adopt advanced social responsibility practices.

With CPFL Energia taking the lead, CPFL Paulista, CPFL Piratininga and CPFL Geração have all started publishing a social report together with their financial statements, along the lines of the Ibase 2003 model, as a way of making their activities completely transparent and disclosing to the community their achievements regarding social, labor and environmental indicators. The following table illustrates their progress from 2002 to 2003.



Annual Social Report – 2003

Company: CPFL Paulista

1 - Basis for Calculation	2003 Value (In thousands of Brazilian Reais)			2002 Value (In thousands of Brazilian Reais)		
Net Revenues (NR)	3,336,522			2,950,982		
Operating Result (OR)	-32,550			-435,347		
Gross Payroll (GP)	81,923			78,893		
2 - Internal Social Indicators	Value (thousand)	% of GP	% of NR	Value (thousand)	% of GP	% of NR
Food	8,266	10%	0%	7,291	9%	0%
Mandatory payroll taxes	56,754	69%	2%	45,677	58%	2%
Private pension plan	7,772	9%	0%	7,254	9%	0%
Health	6,936	8%	0%	6,138	8%	0%
Occupational safety and health	194	0%	0%	24	0%	0%
Education	780	1%	0%	0	0%	0%
Culture	0	0%	0%	0	0%	0%
Training and professional development	1,770	2%	0%	2,939	4%	0%
Day-care/allowance	83	0%	0%	79	0%	0%
Profit/income sharing	11,647	14%	0%	10,545	13%	0%
Others	552	1%	0%	5,475	7%	0%
Total – Internal social indicators	94,754	116%	3%	85,422	108%	3%
3 - External social indicators	Value (thousand)	% of OR	% of NR	Value (thousand)	% of OR	% of NR
Education	1,000	*	0%	260	*	0%
Culture	149	0%	0%	162	*	0%
Health and sanitation	341	*	0%	195	*	0%
Sport	0	0%	0%	0	0%	0%
War on hunger and malnutrition	0	0%	0%	0	0%	0%
Others	545	*	0%	654	*	0%
Total contributions to society	2,035	*	0%	1,271	*	0%
Taxes (excluding payroll taxes)	1,260,947	*	38%	1,060,231	*	36%
Total – external social indicators	1,262,982	*	38%	1,061,502	*	36%
4 - Environmental indicators	Value (thousand)	% of OR	% of NR	Value (thousand)	% of OR	% of NR
Investments related to Company operations	3,160	*	0%	2,468	*	0%
Investment in external projects/programs	36	0%	0%	307	0%	0%
Total environmental investment	3,196	*	0%	2,775	*	0%
Regarding annual targets for reducing residues, general consumption used in production and increased efficiency in the use of natural resources, the company:				meets 51-75% of targets		
meets 76-100% of targets						

(\*) Corrections have been made to these columns as published in the 2003 report on March 23, 2004.

5 - Staff indicators	2003	2002
Nº of employees at end of period	2.963	3.022
Nº of employees hired during period	32	143
Nº of outsourced employees	32	143
Nº of interns	35	35
Nº of employees above 45 years of age	493	382
Nº of women working at the company	410	412
% management positions occupied by women	5.68%	7.20%
Nº of Afro-Brazilian employees working at the company	n.a.	n.a.
% management positions occupied by Afro-Brazilian employees	n.a.	n.a.
Nº of employees with disabilities	110	127

6 - Information on business responsibility	2003	Targets 2004
Ratio of highest to lowest compensation at company	27.52	n.a.
Total number of work-related accidents	54	5% Reduction (accidents leading to absence)
Company-sponsored social and environmental projects were decided upon by:	top-level executives and mid-level management	top-level executives and mid-level management
Health and safety standards at the workplace were set by:	top-level executives and mid-level management, employees + Cipa	top-level executives and mid-level management, employees + Cipa
As regards trades union freedom, the right to collective negotiation and the internal representation of employees within the company:	follows and promotes ILO regulations	follows and promotes ILO regulations
Company pension plan covers:	all employees	all employees
Profit-sharing program covers:	all employees	all employees
In the selection of suppliers, ethical standards and social/environmental responsibility of the supplier:	are required	are required
In relation to volunteer work by employees, the company:	sponsors and promotes	sponsors and promotes
Total Nº of customer complaints/criticisms:	to company 574,068	to Procon 1,482
	to the courts 925	to the courts 5% Reduction
Total Nº of customer complaints/criticisms attended to/resolved	to company 100%	to Procon 100%
	to the courts 46,29%	to the courts 70%

Total Value-added for distribution (In thousands of Brazilian Reais)	In 2003: 2,243,486	In 2002: 1,964,808.59
Distribution of Value-added	59.50% Government	51.43% Government
	9.38% Employees	12.97% Employees
	0.00% Shareholders	0.00% Shareholders
	32.94% Third parties	55.04% Third parties
	(8.82)% Retained	(19.44)% Retained

7 - Other information

Not Applicable

**Note:** During 2004, a complete new human resources survey is being carried out, which may result in information not found in this report.

Annual Social Report – 2003

Company: CPFL Piratininga

1 - Basis for Calculation	2003 Value (In thousands of Brazilian Reais)			2002 Value (In thousands of Brazilian Reais)		
Net Revenues (NR)	1,654,554			1,470,763		
Operating Result (OR)	168,123			-42,972		
Gross Payroll (GP)	37,034			41,427		
2 - Internal Social Indicators	Value (thousand)	% of GP	% of NR	Value (thousand)	% of GP	% of NR
Food	4,779	13%	0%	4,804	12%	0%
Mandatory payroll taxes	27,909	75%	2%	26,436	64%	2%
Private pension plan	2,364	6%	0%	2,561	6%	0%
Health	2,963	8%	0%	4,183	10%	0%
Occupational safety and health	68	0%	0%	0	0%	0%
Education	18	0%	0%	0	0%	0%
Culture	0	0%	0%	0	0%	0%
Training and professional development	542	1%	0%	116	0%	0%
Day-care/allowance	82	0%	0%	106	0%	0%
Profit/income sharing	3,245	9%	0%	2,600	6%	0%
Others	177	0%	0%	219	1%	0%
Total – Internal social indicators	42,147	114%	3%	41,025	99%	3%
3 - External social indicators	Value (thousand)	% of OR	% of NR	Value (thousand)	% of OR	% of NR
Education	500	0%	0%	400	*	0%
Culture	1,220	1%	0%	0	0%	0%
Health and sanitation	75	0%	0%	0	0%	0%
Sport	0	0%	0%	0	0%	0%
War on hunger and malnutrition	0	0%	0%	0	0%	0%
Others	234	0%	0%	0	0%	0%
Total contributions to society	2,029	1%	0%	400	*	0%
Taxes (excluding payroll taxes)	734,955	437%	44%	530,855	*	36%
Total – external social indicators	736,984	438%	45%	531,255	*	36%
4 - Environmental indicators	Value (thousand)	% of OR	% of NR	Value (thousand)	% of OR	% of NR
Investments related to Company operations	1,132	1%	0%	15	0%	0%
Investment in external projects/programs	0	0%	0%	0	0%	0%
Total environmental investment	1,132	1%	0%	15	0%	0%
Regarding annual targets for reducing residues, general consumption used in production and increased efficiency in the use of natural resources, the company:			meets 76-100% of targets			
			meets 51-75% of targets			

(\*) Corrections have been made to these columns as published in the 2003 report on March 23, 2004.

5 - Staff indicators				2003		2002	
Nº of employees at end of period				1,012		1,139	
Nº of employees hired during period				40		23	
Nº of outsourced employees				867		1,031	
Nº of interns				3		0	
Nº of employees above 45 years of age				202		197	
Nº of women working at the company				115		126	
% management positions occupied by women				1.28%		16.00%	
Nº of Afro-Brazilian employees working at the company				nd		nd	
% management positions occupied by Afro-Brazilian employees				nd		nd	
Nº of employees with disabilities				78		58	
6 - Information on business responsibility				2003		Targets 2004	
Ratio of highest to lowest compensation at company				23.7		nd	
Total number of work-related accidents				21		5% Reduction (accidents leading to absence)	
Company-sponsored social and environmental projects were decided upon by:		top-level executives and mid-level management		top-level executives and mid-level management			
Health and safety standards at the workplace were set by:		top-level executives and mid-level management, employees + Cipa		top-level executives and mid-level management, employees + Cipa			
As regards trades union freedom, the right to collective negotiation and the internal representation of employees within the company:		follows and promotes ILO regulations		follows and promotes ILO regulations			
Company pension plan covers:				all employees		all employees	
Profit-sharing program covers:				all employees		all employees	
In the selection of suppliers, ethical standards and social/environmental responsibility of the supplier:				are required		are required	
In relation to volunteer work by employees, the company:				sponsors and promotes		sponsors and promotes	
Total Nº of customer complaints/criticisms:				to company	to Procon	to the courts	
				148,842	1,025	426	5% Reduction
Total Nº of customer complaints/criticisms attended to/resolved				to company	to Procon	to the courts	
				100%	100%	42.73%	100% 100% 65%
Total Value-added for distribution (In thousand of Brazilian Reais)				Em 2003: 1,078,738		Em 2002: 1,009,818	
Distribution of Value-added				67.97% Government		53.83% Government	
				11.66% Employees		11.55% Employees	
				9.58% Shareholders		0.00% Shareholders	
				10.28% Third parties		40.69% Third parties	
				0.51% Retained		(6.07)% Retained	
7 - Other information							

Notes: 1) During 2004, a complete new human resources survey is being carried out, which may result in information not found in this report.  
2) The percentage of management positions occupied by women decreased, because the basis for calculating the ratio increased. In 2003, the basis for calculation also included women employees on the payroll of more than one CPFL company, whereas, in 2002, the basis for calculation counted only women employees of CPFL Piratininga.



Annual Social Report – 2003

Company: CPFL Geração

1 - Basis for Calculation	2003 Value (In thousands of Brazilian Reais)			2002 Value (In thousands of Brazilian Reais)		
Net Revenues (NR)	1,015			85,597		
Operating Result (OR)	-16,627			-94,870		
Gross Payroll (GP)	2,120			4,088		
2 - Internal Social Indicators	Value (thousand)	% of GP	% of NR	Value (thousand)	% of GP	% of NR
Food	43	2%	4%	264	6%	0%
Mandatory payroll taxes	1,238	58%	122%	2,748	67%	3%
Private pension plan	343	16%	34%	354	9%	0%
Health	473	22%	47%	178	4%	0%
Occupational safety and health	10	0%	1%	3	0%	0%
Education	4	0%	0%	0	0%	0%
Culture	0	0%	0%	0	0%	0%
Training and professional development	52	2%	5%	45	1%	0%
Day-care/allowance	2	0%	0%	1	0%	0%
Profit/income sharing	220	10%	22%	466	11%	1%
Others	99	5%	10%	135	3%	0%
Total – Internal social indicators	2,484	117%	245%	4,176	102%	5%
3 - External social indicators	Value (thousand)	% of OR	% of NR	Value (thousand)	% of OR	% of NR
Education	0	0%	0%	37	0%	0%
Culture	0	0%	0%	0	0%	0%
Health and sanitation	75	0%	0%	0	0%	0%
Sport	0	0%	0%	0	0%	0%
War on hunger and malnutrition	0	0%	0%	0	0%	0%
Others	0	0%	0%	0	0%	0%
Total contributions to society	10	0%	1%	37	0%	0%
Taxes (excluding payroll taxes)	-11,430	69%	*	-15,665	17%	*
Total – external social indicators	-11,420	69%	*	-15,628	16%	*
4 - Environmental indicators	Value (thousand)	% of OR	% of NR	Value (thousand)	% of OR	% of NR
Investments related to Company operations	22,237	*	2.191%	80	0%	0%
Investment in external projects/programs	0	0%	0%	742	*	1%
Total environmental investment	22,237	*	2.191%	822	*	1%
Regarding annual targets for reducing residues, general consumption used in production and increased efficiency in the use of natural resources, the company:				meets 51-75% of targets		
meets 76-100% of targets						

(\*) Corrections have been made to the columns published in the 2003 report on March 29, 2004

(\*\*) The item Taxes (excluding payroll taxes) is negative because it represents a net tax credit.

5 - Staff indicators	2003	2002
Nº of employees at end of period	28	110
Nº of employees hired during period	0	11
Nº of outsourced employees	6	64
Nº of interns	0	1
Nº of employees above 45 years of age	9	36
Nº of women working at the company	9	8
% management positions occupied by women	0%	0%
Nº of Afro-Brazilian employees working at the company	n.a.	n.a.
% management positions occupied by Afro-Brazilian employees	0%	n.a.
Nº of employees with disabilities	n.a.	20

6 - Information on business responsibility	2003	Targets 2004
Ratio of highest to lowest compensation at company	13.86	n.a.
Total number of work-related accidents	0	5% Reduction (accidents leading to absence)
Company-sponsored social and environmental projects were decided upon by:	top-level executives and mid-level management	top-level executives and mid-level management
Health and safety standards at the workplace were set by:	top-level executives and mid-level management, employees + Cipa	top-level executives and mid-level management, employees + Cipa
As regards trades union freedom, the right to collective negotiation and the internal representation of employees within the company:	follows and promotes ILO regulations	follows and promotes ILO regulations
Company pension plan covers:	all employees	all employees
Profit-sharing program covers:	all employees	all employees
In the selection of suppliers, ethical standards and social/environmental responsibility of the supplier:	are required	are required
In relation to volunteer work by employees, the company:	sponsors and promotes	sponsors and promotes
Total Nº of customer complaints/criticisms:	to company 0 to Procon 0 to the courts 0	5% Reduction
Total Nº of customer complaints/criticisms attended to/resolved	to company 0% to Procon 0% to the courts 0%	to company 0% to Procon 0% to the courts 0%

Total Value-added for distribution (In thousand of Brazilian Reais)	Em 2003: 123,371	Em 2002: 86,047
Distribution of Value-added	(10.97)% Government	(21.51)% Government
	4.19% Employees	11.05% Employees
	2.14% Shareholders	0.00% Shareholders
	104.53% Third parties	193.07% Third parties
	0.11% Retained	(82.61)% Retained

7 - Other information
Not Applicable

- Notes:
- During 2004, a complete new human resources survey is being carried out, which may result in information not found in this report.
  - The social report of CPFL Geração for 2003 does not include numbers for CPFL Centrais Elétricas S.A.
  - The reduction in the number of employees at CPFL Geração in 2003 is the result of the transfer ot 19 small hydroelectric plants and Usina Termoelétrica Carioba to CPFL Centrais Elétricas S.A.



Restoration of building declared historic by the Heritage Preservation Board | Regional Headquarter | Santos | São Paulo

# Global Reporting Initiative (GRI) Indicators

## Declaration from the Board

This report has been prepared in accordance with the 2002 GRI Guidelines. It represents a balance and reasonable presentation of our organisation’s economic, environmental, and social performance.

Campinas (SP), June 2004

**Wilson P. Ferreira Jr.**  
Chief Executive Officer

**Reni Antonio da Silva**  
Chief Strategy and Regulation Officer

**Hélio Viana Pereira**  
Chief Operations Officer

**Miguel Normando Abdalla Saad**  
Chief Energy Generation Officer

**Paulo Cezar Coelho Tavares**  
Chief Energy Management Officer

**Wilson P. Ferreira Jr.<sup>(1)</sup>**  
Chief Financial Officer

(1) On March 12, 2004, Nilo Marcos Mingroni Cecco resigned from the position of CPFL Energia’s Chief Financial and Investor Relations Officer. Since then, CEO Wilson P.Ferreira Jr. has also been performing the duties of Chief Financial and Investor Relations Officer.





Evaluation of Economic Impacts\*

Clients

Clients were those most benefited by CPFL’s leap in operating efficiency with the standardization of its operations in the field and the unification and integration of internal processes at its distribution companies during 2003.

A multifunctional group for planning and implementing the restructuring was formed, including electricity technicians, who provided valuable guidance on the best way to put these procedures into practice.

The findings were made into a manual and specific training on standardized procedures was given before embarking on implementation.

(\*) **Note:** The values mentioned in this chapter relate to the results of the companies as Controllers, based on the historical events which begun at the time of the publication of the 2002 Annual Report. These figures are different from the values published in this 2003 edition (in the Summary and the chapter entitled Economic and Financial Management and Performance), which are consolidated values.

Individual attention for each client category

CPFL supplies electricity to clients in its concession area alone. Clients are segmented into residential, industrial, commercial, rural, public authorities, public lighting and public services. There is also another category of “free” consumers, which can opt to source energy from any authorized supplier.

CPFL gives individualized attention to each of these client segments, as follows:

- Special clients: demanding 1,000 KW or more, under contracts with hourly or seasonal variations, such as industrial and commercial companies and groups. They are handled by Account Managers.
- Corporate Clients: demanding 999KW or less, under contract, comprising smaller industrial, commercial and rural enterprises. They are handled through a Call Center, a 0800 phone service and internet (e-mail, chats).
- Public Authorities: municipal, state and federal authorities. They are handled by Account Managers.
- Low Voltage Clients: these are residential consumers. They are handled largely through the Call Center or Service Branches.

All clients also have full access to the service structure of CPFL Energia’s distribution companies, guaranteeing fast response to requests for service and the need for emergency network repairs and uninterrupted electricity supply. Service quality indicators are monitored constantly (See chapter on Service Channels and the Quality of Electricity Supply).

Meeting Needs

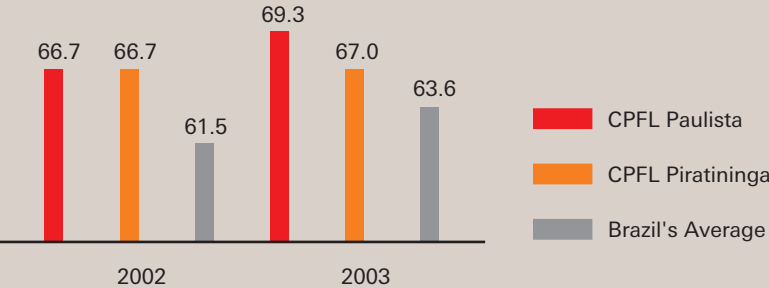
Client needs are detected through the Call Center, the Contact Center, Internet Chats, Service Branches, the Written or Electronic Communications Center, accredited real estate agents, the Rede Fácil chain of stores, the Ombudsman’s Office or the Account Managers.

Prior agreements with Brazil’s Consumer Protection Agency (Procon) for preferential access make it easy to communicate with the Company and reach solutions for consumer service complaints.

CPFL Paulista and CPFL Piratininga also have Consumer Councils, with representatives from all consumer segments, which constantly analyze service quality, besides providing a permanent channel for discussing the companies’ programs and activities.

Consumer Satisfaction surveys are held every year by the companies themselves, by the Brazilian Electricity Distributors’ Association – Abradee and the National Electricity Agency – Aneel.

Aneel Consumer Satisfaction Index - IASC (%) - Source: Aneel

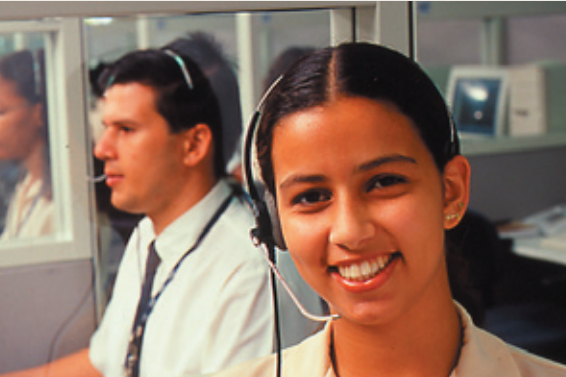


Residential consumer satisfaction is also measured every year by the Overall Residential Consumer Satisfaction survey organized by Aneel, which covers five major distribution areas and 24 quality items, such as quality of electricity supply, corporate image, quality of communication and information, billing and client service. On top of this comes Aneel’s own survey as well.

Client suggestions are always welcome. An example was the new model for client billing/service invoicing of electricity services, intended to make bills/invoices easier for clients to read and understand. It was the result of research carried out with CPFL Paulista clients and was only implemented after receiving client approval.

In addition, Service Branches were refurbished, Call Centers set up for larger clients and specific sites created for clients in the Public Authorities category.

Call Center | Campinas | São Paulo



Client Solutions

In addition to receiving, processing and resolving client requests, suggestions and complaints, CPFL’s distribution companies also maintain an Ombudsman’s Office, which is at liberty to interact with all other internal areas within the companies and has specific objectives and performance measurement criteria.

A major new step will be taken in 2004 towards further improving client relations, with the implementation in September of CRM – Customer Relationship Management, consisting of more complete client information, unified registration of requests, suggestions, complaints and other events as well as integrated contract management.

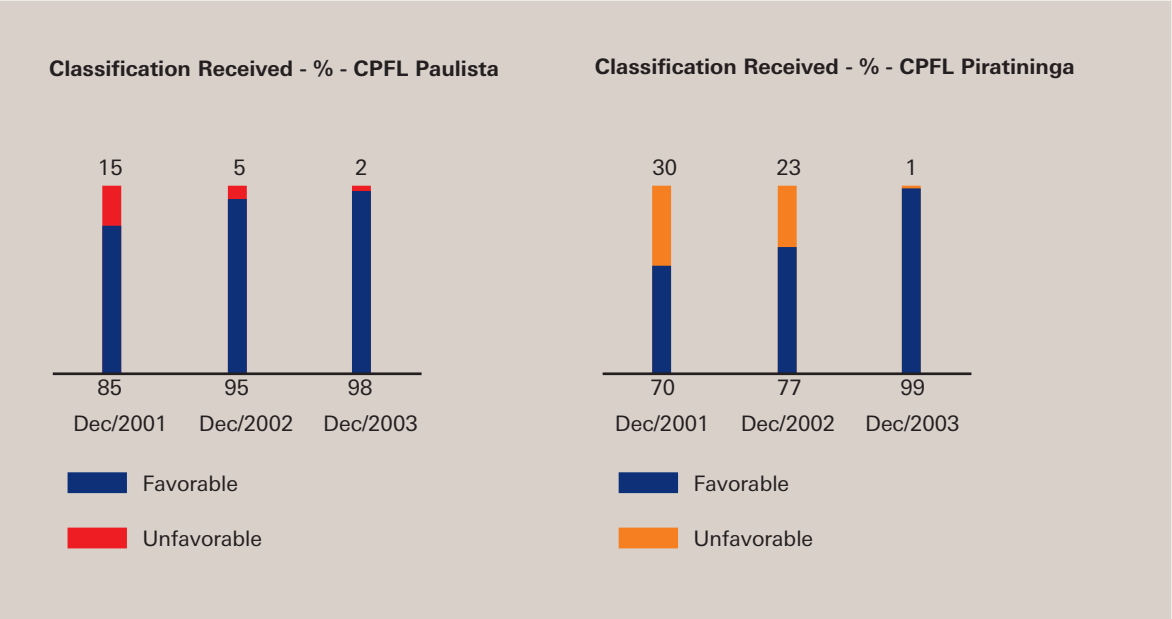
The personnel responsible for client service are fully familiar with the procedures for handling and answering requests and complaints, including how to pass an issue on to the appropriate area within the Company and obtain an answer from the Written Communication Center.

CPFL also communicates with residential clients by means of printed material which is attached to the monthly electricity bills (for more information, see the Social Performance Indicators).



Mass media such as television, radio, newspapers and magazines are used for campaigns on issues of interest to the consumer, such as guidance on how to use electricity safely and economically, why not to fly kites close to overhead electricity cables and how to access the companies for information and details of customer service. In addition, such campaigns divulge the companies’ programs in the fields of health, culture, education, the environment and social responsibility, as a means of enlisting the participation of the community in social transformation.

CPFL Paulista and CPFL Piratininga protect their corporate image by monitoring the press news from over 70 municipalities in their concession areas, an important instrument of corporate image management.



Rural Electricity and the Community Network

CPFL’s objective is universal access to electricity in the rural areas under its concession. At present, 97% of rural establishments (compared to 99% of urban establishments) are connected to the network, as part of the Rural Electricity Program in collaboration with the federal government. In 2003, 2,977 new consumers were connected in different municipalities within the concession area.

Another socially oriented initiative was the Community Network Program for formally recognizing the electricity supply to needy or irregularly occupied areas. In 2003, 2,028 illegal connections were giving amnesty.

EC1. Net sales.

In thousands of Brazilian Reais – R\$	National Market %		
	2003	2002	2001
CPFL Paulista	3,336,522	2,950,982	3,056,270
CPFL Piratininga	1,654,554	1,470,763	577,871
CPFL Geração	1,015	85,597	240,222

EC2. Market Share.

Operating Sector	National Market %		
	2003	2002	2001
CPFL Paulista	6.36	6.27	6.95
CPFL Piratininga	3.48	3.44	3.84
CPFL Geração	0.19	0.19	0.19

Suppliers

Electricity

CPFL buys electric energy from six suppliers: CESP, Furnas, Itaipu, AES Tietê, Duke and CPFL Geração itself.

Supplier relations follow the sector model and are documented in long-term contracts. The cost of energy purchases plus transmission costs accounts for 56% of the Company’s total costs.

Materials and Services

Approximately 100 suppliers are responsible for 80% of total purchase value of materials and services. All contracts with suppliers contain specific clauses establishing a commitment to certain requirements, policies and practices that are part of the Integrated Management System, such as proper pruning of trees, emission controls on vehicles, among others.

Qualification

CPFL has been auditing its principal suppliers since 2002 for compliance with issues of quality, the environment, occupational health and safety and social responsibility.

When putting out bids for the purchase of goods made from natural resources, for example, such as the wood used for poles and cross arms, any bidders not duly registered with the environmental authorities like Ibama are automatically excluded. The contracts contain clauses requiring the supplier to fully comply with environmental legislation.

Suppliers: long-term commitments

- Contracts contain clauses on:
  - Prohibition of child labor
  - Environmental preservation
  - Quality and social responsibility audits
- Survey of progress on Corporate Social Responsibility:
  - Ethos questionnaire
  - Circulation of CPFL's Sustainability and Corporate Social Responsibility Policy
- Meetings with suppliers:
  - Circulation of CPFL's Sustainability and Corporate Social Responsibility Policy

EC3. Cost of all goods, materials, and services purchased.

In thousands of Brazilian Reais – R\$

Company	2003	2002	2001
CPFL Paulista	2,354,585	1,831,510	1,985,055
CPFL Piratininga	1,282,365	1,169,609	386,030
CPFL Geração	2,505	68,654	86,149

EC4. Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements.

Company	2003	2002	2001
CPFL Paulista	100%	100%	100%
CPFL Piratininga	100%	100%	100%
CPFL Geração	100%	100%	100%

Nota: Indicator refers to notes included in payment system.

EC11. Supplier breakdown by organization and country.

The principal suppliers for the CPFL group are companies that sell energy for distribution to consumers.

CPFL Paulista

In thousands of Brazilian Reais – R\$

Largest Suppliers	2003	2002	2001
Itaipú Binacional	528,587	552,971	483,038
Furnas Centrais Hidroelétricas	335,177	331,347	266,673
CESP - Cia, Energética de São Paulo	353,081	373,051	317,124
Cia, de Geração de Energia Elétrica do Tietê	120,632	126,633	117,883
Duke - Energy International Geração	158,079	100,765	94,136
Total	1,495,556	1,484,767	1,310,637

CPFL Piratininga

In thousands of Brazilian Reais – R\$

Largest Suppliers	2003	2002	2001
Itaipú Binacional	361,583	396,617	72,862
Furnas Centrais Hidroelétricas	192,223	215,113	48,955
CESP - Cia, Energética de São Paulo	149,271	174,344	48,021
Cia, de Geração de Energia Elétrica do Tietê	56,838	64,306	13,909
Duke - Energy International Geração	44,677	50,578	11,327
EMAE	34,330	39,517	9,486
Total	838,922	940,475	204,560



CPFL Geração

In thousands of Brazilian Reais – R\$

Largest Suppliers	2003	2002	2001
Co-generators	—	25,885	28,239
Electrico Energy Wholesale Market (MAE)(1,122)		4,076	15,169
Total	(1,122)	29,961	43,408

Employees

EC5. Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region.

In thousands of Brazilian Reais – R\$

Company	2003	2002	2001
CPFL Paulista	163,809	182,585	168,474
CPFL Piratininga	136,226	139,318	25,535
CPFL Geração (consolidated)	8,831	8,589	6,985

Providers of Capital

EC6. Distributions to providers of capital broken down by interest on debt and borrowings, and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed.

In thousands of Brazilian Reais – R\$

Interest on debts	CPFL Paulista			CPFL Piratininga			CPFL Geração		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
Brazilian Currency	11,890	24,581	10,198	1,872	7,456	687	51	318	266
Foreign Currency	20,258	7,017	24,587	0	0	574	0	0	0

Company Dividends	2003	2002	2001
CPFL Paulista	0	0	8,438
CPFL Piratininga	78,772	0	13,515
CPFL Geração	2,639	0	22,723

EC7. Increase/decrease in retained earnings at end of period.

This information can be found in the section on Economic and Financial Management and Performance in 2003, regarding CPFL Energia S.A.’s Value-added statement and Capital Markets.

Public Sector

EC8. Total sum of taxes of all types paid broken down by country.

In thousands of Brazilian Reais – R\$

Company	2003	2002	2001
CPFL Paulista	1,334,967	1,010,597	950,700
CPFL Piratininga	733,268	543,591	159,720
CPFL Geração	-13,529*	-18,505*	60,254

Nota: Based on calculation of Value-added  
(\*) Tax Credits.

EC9. Subsidies received broken down by country or region.

In 2003, CPFL Paulista received subsidies to assist low-income consumers.

Company	2003	2002	2001
CPFL Paulista	31,872	0	0
CPFL Piratininga	0	0	0
CPFL Geração	0	8,923	14,788

**EC10. Donations to community, civil society, and other groups broken down in terms of cash and in-kind donations per type of group.**

CPFL's aim is to work towards improving the quality of life and stimulating interest in culture in Brazilian communities through private social investments that reflect its corporate identity and represent the legitimate interests of society in the fields of health, art and education. In 2003, the CPFL group spent a total of R\$3,063,440.00 in support and sponsorships, the principal of which were:

**Support and Sponsorship:**

**CPFL Paulista**

**1. Field of activity: Education**

CPFL Goes to School Project  
Total: R\$ 1,000,000.00

**2. Field of activity: Culture**

Review of the 20<sup>th</sup> Century  
CPFL Dance Group  
Others  
Total: R\$ 149,500.00

**3. Field of activity: the Environment**

Landscaping of Orozimbo Maia Avenue  
Total: R\$ 45,500.00

**4. Field of activity: Community Action**

Municipal Child and Adolescent Rights Council  
Social Workers Federation of Campinas - FEAC 2003  
Social Workers Federation of Campinas - FEAC 20 years  
Adoption of a public square  
Others  
Total: R\$ 172,970.00

**5. Field of activity: Health**

Araraquara Santa Casa (hospital)  
Limeira Santa Casa (hospital)  
Unicamp Hospital  
Better Vision Program  
Barretos Cancer Hospital  
Brazilian Society for Rehabilitation Research and Assistance – SOBRAPAR  
Total: R\$ 341,000.00

**6. Field of activity: Leadership and Social Influence**

Ethos Institute publications  
Training of Community Agents  
RAC Citizenship Prize  
Meet the Suppliers Program  
III CPFL Press Award  
FEAC Journalism Award  
Total: R\$ 372,000.00

**Other Support and Sponsorship: R\$ 15,470.00**

**Total CPFL Paulista: R\$ 2,096,440.00**

**CPFL Piratininga**

**1. Field of activity: Education**

CPFL Goes to School Project  
Total: R\$ 500,000.00

**2. Field of activity: Culture**

French Week  
Total: R\$ 4,000.00

**3. Field of activity: Community Action**

Municipal Child and Adolescent Rights Council  
Total: R\$ 234,000.00

**4. Field of activity: Health**

Sorocaba Santa Casa (hospital)  
Total: R\$ 75,000.00

**5. Field of activity: Leadership and Social Influence**

Community in Action Project – CPFL and the Tribuna  
Total: R\$ 100,000.00

**Other Support and Sponsorship: R\$ 34,000.00**

**Total CPFL Piratininga: R\$ 947,000.00**



CPFL Geração

1. Field of activity: the Environment

The Nature School Ship Association

Total: R\$ 50,000.00

2. Field of activity: Health

Barretos Santa Casa (hospital)

Total: R\$ 10,000.00

Total CPFL Geração: R\$ 60,000.00

Total Support and Sponsorship Contributed by the CPFL companies in 2003: R\$3,063,440.00

**Note 1:** The cultural projects refer only to investments using CPFL's own resources, excluding those created by the Lei Rouanet fiscal incentives.

**Note 2:** Amounts spent on internal social inclusion projects, such as the Learning Program and the Ethics Seminars, were not included.

EC12. Total spent on non-core business infrastructure development.

The CPFL Cultural Center at its head office in Campinas (SP) offers employees and the population at large free cultural programs.

R\$ 300,000.00 was spent during 2003 on internal adaptation and refurbishment of the CPFL Cultural Center.



Indirect Economic Impacts

EC13. The organization's indirect economic impacts.

CPFL considers the Program for Promoting Co-Generation from sugar cane biomass a powerful instrument of regional agribusiness development, with the potential for making an important contribution to the social and economic well-being of the region, as well as the development of new technologies.

The Company's activities also have an indirect beneficial impact on the economic and social development of the 261 municipalities where it is present.



PCH São Joaquim | São Paulo



Nursery at the UHE Jaguari | Campinas | São Paulo



Nursery at the UHE Jaguari | Campinas | São Paulo



Evaluation of Environmental Impacts

CPFL has adopted a comprehensive set of environmental policies that cover each of its projects from the drawing board to construction and operation. The environmental permit applications are used as input for planning and a guide for taking environmental precautions.

CPFL’s Environmental Management System has been implemented throughout the group to ISO 14001 standards. The Company has introduced a system that identifies, evaluates, updates and complies with all aspects of environmental legislation, as well as other requirements of its Environmental Management System. The whole energy production and distribution process is submitted to internal and external audit, to verify that the group’s operations comply with ISO 14001 standards.

The result can be seen from the environmental certification awarded to CPFL Paulista and Piratininga for “Urban Electricity Lines and the Environment” and to CPFL Geração for “Hydraulic Electricity Generation”. CPFL’s environmental management respects company budgets and seeks to be realistic, combining positive financial, social and environmental results for the Company and the Community.

Reforestation

One of the year’s highlights was the project for reforesting the area surrounding the Americana/SP reservoir with 100,000 seedlings over an area of approximately 50 hectares on the banks of the Salto Grande reservoir in Americana.

The project, designed by the Ecology and Reforestation Laboratory of the Luiz de Queiroz School of Agronomy (LERF/EASL/USP), started out by zoning 354.08 hectares of land surrounding the lake and identifying 25 different environmental microcosms, from fragments of forest to working sugar cane plantations.

After evaluating the recovery potential of each of these areas, four methods of reforestation were proposed, alone or combined: Complete Reforestation, Densification, Enrichment and Natural Regeneration.

CPFL gave priority to reforestation in those areas considered the most degraded, with the least potential for natural regeneration.



Generation of Energy

CPFL’s 19 PCHs – Small Hydroelectric Plants - were submitted to individual environmental review by the São Paulo Environmental Department, since they include units constructed prior to 1986, the year in which environmental standards were introduced for investments with a potential environmental impact.

As part of the environmental compliance process, a number of environmental programs are in progress:

- Reforestation with native tree species at the São Joaquim, Dourados and Lençóis plants, in the final stages of maintenance and self-sustainability
- Restocking of the rivers and reservoirs in the catchment areas surrounding the PCHs with 390,000 native hatchlings in 2003
- Environmental education through hydroelectric plant visits and support for the School Ship project in Americana, involving over 12,000 children.



The School Ship | Americana | São Paulo

The new projects each have dedicated managers for environmental issues. CPFL Geração is responsible for co-managing these issues and ensuring that its environmental obligations are respected by the other project partners. Decisions are made by an Environmental Committee, composed of representatives from each of the partners plus the project’s environmental manager. As the projects are still under construction, correct environmental management is essential for obtaining the requisite environmental permits for electricity generation. Environmental investments are substantial at this stage of the project. CPFL and its partners had made social and environmental investments in these hydroelectric projects totaling R\$117.1 million by the end of 2003, broken down as follows:

- Barra Grande: R\$ 72.7 million
- Campos Novos: R\$ 30.5 million
- CERAN - Rio das Antas complex: R\$ 11.5 million
- Foz do Chapecó: R\$ 2.2 million.

Planned environmental investments represent, on average, 14.2% of the total invested in new hydroelectric generation projects, including the cost of acquiring surrounding land areas, as shown in the following table:

Project	Planned Environmental Investment R\$ million	Total Investment R\$ million	%	Installed capacity/ flooded area
UHE Barra Grande	240.2	1,368.1	17.6%	7.52
UHE Campos Novos	100.1	1,332.9	7.5%	26.75
Ceran Complex				
UHE Castro Alves	20.2	211.6	9.6%	26.0
UHE Monte Claro	17.3	248.6	6.9%	92.86
UHE 14 de Julho	25.0	214.1	11.7%	20.0
Total Ceran	62.4	674.2	9.3%	
UHE Foz do Chapecó	300.7	1,573.7	19.1%	10.69
TOTAL	703.5	4,948.9	14.2%	

CPFL Geração is optimizing generation capacity at its PCHs through investments in modernization and re-powering, which, added to its own reforestation activities and those of its affiliate companies, generates potential for carbon credit sales. CPFL is in the process of signing a cooperation agreement with IUEP - International Utility Efficiency Partnerships to find opportunities for such sales.

Distribution of Energy

The interaction between overhead electricity cables and trees planted in town streets has also received special attention. Although pruning is necessary in order to guarantee the integrity of the network and the electricity supply, CPFL Paulista takes special care to respect the environment, improve its pruning techniques and comply with legal requirements. At present, 75% of its transmission lines and 100% of its distribution lines have been approved by the environmental authorities, although no legal requirement exists in this respect, and the same process is going ahead at CPFL Piratininga.

The Company seeks to avoid major impacts on the environment and the quality of life of surrounding communities when constructing new overhead transmission lines up to 138 KV. The space underneath the distribution lines in urban areas is used for community vegetable gardens, shrubs, gardens, landscaping or fast-growing plants and vegetables.

CPFL Paulista and CPFL Piratininga offset the environmental impact of their activities with environmental measures, such as:

- Reforestation: a requirement of the São Paulo Environmental Department in order to compensate for the environmental impact of their activities. In 2003, the focus was on taking care of 200,000 seedlings planted in the past and due to reach self-sustainability in 2004/2005
- Urban tree-planting: the idea is to reach an “agreement” between the overhead distribution network and the urban tree population. Two seedling nurseries produce 160,000 seedlings per year, enough to meet the replanting needs of the companies and have enough left over to donate to municipal authorities, non-governmental organizations and neighborhood associations in the cities in and around the Company’s generation and distribution areas. For those interested, the Company also offers a guide to planning and executing urban tree-planting programs and promotes environmental awareness among employees and neighboring communities.
- Waste management: waste generated from operations is classified and adequately stored, after which it is disposed of in compliance with applicable legislation and using the best available technology.
- Recycling: this was introduced at the Company’s headquartes in Campinas in 2002 and, in 2003, was responsible for recycling 11,362 kg of material, including white paper, cardboard and plastic, as well as serving as a pilot program for outlying branches, where it will be implemented as well.



Saving Energy

Regular campaigns against waste of energy are run at the community level, in order to help conserve renewable and non-renewable resources and protect our ecosystems. Saving Energy and R & D programs have been implemented, in compliance with the concession contract, which rules that 1% of net operating income should be spent on projects of this nature. These programs also try to reduce technical and commercial losses. Examples are:

- Saving Energy and Public Lighting, financed by Eletrobrás/Procel. This program has already improved the efficiency of 120,000 public lighting installations in 100 municipalities, of which 80,000 during 2003 alone.
- CPFL goes to School: this program trains private and public school teachers to give classes on the basic elements of how to prevent waste of energy and preserve the environment, using Procel methodology.



Other initiatives include:

- Courses in municipal energy planning
- Incentives to buy more energy-efficient appliances
- Projects for improving energy efficiency on commercial premises
- Diagnosis and implementation of energy projects for public services and industry.
- Donation of energy-saving light bulbs to lower-income consumers

CPFL instituted an Internal Energy Conservation Committee – CICE 16 years ago, charged with improving energy efficiency at the Company’s own premises.

Materials

EN1. Total materials use other than water, by type.

	CPFL Paulista			CPFL Piratininga			CPFL Geração		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
Liter	n.a.	n.a.	n.a.	n.a.	3,402	n.a.	n.a.	n.a.	n.a.
Ton	657	994	1,211	151	1,136	n.a.	n.a.	n.a.	n.a.
Km	951	1,068	737	1,245	2	n.a.	n.a.	n.a.	n.a.
Parts	5,923,896	7,540,495	6,893,201	2,897,429	2,953,232	n.a.	n.a.	n.a.	n.a.

**Note:** Principle materials used: isolators, reactors, iron, aluminum, copper and lighting. A conversion factor of Parts to Tons is being studied

EN2. Percentage of materials used that are wastes (processed or unprocessed) from sources external to the reporting organization.

During the second half of 2003, the CPFL group implemented its Reverse Supply Chain, which aims to recuperate some of its principal residues for re-use, in collaboration with its outsourced suppliers which, under the requirements of the Integrated Management System, recuperate materials and deliver them back to the CPFL group.

**Target:** In 2004, targets for percentage recuperation will be introduced.

Energy

EN3. Direct energy use segmented by primary source (joules)\*.

CPFL Paulista	2003	2002	2001
Electricity	69,619,906,800	109,119,545,608,341	114,569,942,891,540
Diesel	68,861,367,763,500	61,579,707,150,000	n.a.
Gasoline	44,182,606,662,600	41,125,352,940,000	n.a.
Alcohol	6,305,558,788,400	10,169,604,120,000	n.a.

CPFL Piratininga	2003	2002	2001
Electricity	13,096,800,000	18,781,190,638,340	27,633,586,225,780
Diesel	17,962,625,580,500	20,343,141,000,000	n.a.
Gasoline	12,631,963,373,400	12,030,151,140,000	n.a.
Alcohol	2,379,614,309,200	4,648,150,520,000	n.a.

CPFL Geração	2003	2002	2001
Electricity	6,706,334,173,568	31,272,799,211,781	37,620,154,047,882
Diesel	n.a.	n.a.	n.a.
Gasoline	n.a.	n.a.	n.a.
Alcohol	n.a.	n.a.	n.a.

(\*) Notes:

- 1. CPFL Energia only acquired its own vehicle fleet in 2003.
- 2. Liters were converted to calorific content as follows:

**Gasoline:** 1 liter is equivalent to 34,860 kJ

**Diesel:** 1 liter is equivalent to 38,350 kJ

**Alcohol:** 1 liter is equivalent to 22.520 kJ

The amounts in the table refer to the calorific content of the total amount of fuel consumed by the companies (own fleet – operating vehicles and management’s cars).

1 Joule = 277.7 x 10<sup>9</sup>kw

- 3. The big change in electricity consumption at CPFL in 2003 is due to the fact that the Carioba thermoelectric plant was not in operation this year.

EN17. Initiatives to use renewable energy sources and to increase energy efficiency.

Renewable sources

CPFL has pioneered the development of sugar cane biomass as a fuel for co-generation of electricity and has been investing since 1987 in leading-edge technology for connections and inter-connections with the grid. This clean and renewable source of energy supplied 6% of consumption in 2003.

CPFL Paulista is coordinating the Solar Pre-heating Project, which entails installing, monitoring and analyzing the performance of 210 residential solar heaters in Americana/SP.

Water

EN5. Total water use.

Consumption of Water (m³)	Paulista			Piratinga			Geração		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
Supply System	71,034	58,254	n.d.	27,247	n.d.	n.d.	1,480	1,221	n.d.
Wells	23,225	29,191	n.d.	0	0	0		n.d.	n.d.
Total	94,259	87,445	n.d.	27,247	n.d.	n.d.		n.d.	n.d.

**Note:** The total consumption of water in this item refers to consumption of water for maintenance of administrative services, water used in sinks and toilets, air conditioning cooling towers, etc. Two supply sources are considered in this process: water supplied by sanitation companies (municipal utilities) and CPFL’s wells.

EN20. Water sources and related ecosystems/habitats significantly affected by use of water.

Use of CPFL’s own artesian wells for water at its headquarters and offices obeys appropriate replenishment criteria and maximum and minimum water levels are monitored. All the Company’s wells were approved by the DAEE (Water and Electricity Department) during 2003.

CPFL Centrais Elétricas generates electricity from water resources drawn from the catchment areas of the Tietê, Grande, Sapucaí-Mirim and Mogi-Guaçu rivers, where its 19 PCHs were built. The reservoirs are small and the use of water to generate electricity has little effect on the ecosystem. The reservoir sizes of the PCHs are as follows.



PCH	Area (m²)	PCH	Area (m²)
PCH Cariobinha	50,051	PCH Lençóis	1,052,984
PCH Capão Preto	624,510	PCH Dourado	288,210
PCH São Joaquim	661,900	PCH Buritis	172,580
PCH Carioba	299,703	PCH Eloy Chaves	3,635,360
PCH Três Salto	12,605	PCH Americana	1,240,000
PCH Chibarro	81,200	PCH Esmeril	230,900
PCH Socorro	26,163	PCH Gavião Peixoto	780,480
PCH Pinhal	114,702	PCH Monjolinho	39,120
PCH Salto Grande	75,500	PCH Santana	440,020
PCH Jaguari	305,580		

EN21. Annual withdrawals of ground and surface water as a percent of annual renewable quantity of water available from the sources.

Not available.

The Company considers that, since this water is only used for drinking and office cleaning, the sustainability of aquifers is not an issue, since consumption is negligible compared with industries that require significant volumes of water.

**Target:** To install controls measuring the consumption of water from the wells at CPFL Geração. The controls would accurately measure the quantity of water from each well and its depth, and supply information on the aquifer beneath.

EN22. Total recycling and reuse of water.

The Company does not need to recycle or recover water, except for the 56,000 liters in its head office air conditioning cooling tower, which operates in a closed circuit, where the only water loss is through evaporation.

Biodiversity

EN6. Location and size of land owned, leased, or managed in biodiversity-rich habitats.

According to the definitions the Company has found, the only area in the state of São Paulo that could be considered “rich in biodiversity” would be the Serra do Mar Reserve. Some of the Company’s transmission lines go from the municipalities of Praia Grande, São Vicente, Santos and Cubatão, on the coast, across the Serra do Mar Reserve towards São Paulo city. To comply with CPFL Energia’s environmental policy, these lines are being submitted for environmental approval, since, when they were constructed, no such legal requirement existed.

EN7. Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, freshwater, and marine environments.

Principal environmental impacts of the construction and operations of the Small Hydroelectric Plants – PCHs:

Impact on the fish population

Interruption of the migratory paths of fish used to running water, due to the effect of the dams on their natural habitat, is considered to be the main cause of the reduction in fish population and migration prior to the formation of the reservoir. In addition, certain dams are used to regulate the level of the water both upstream and downstream, so that adjoining lakes can no longer be used as breeding grounds, since they remain at practically the same level all the year round. Some of the tributaries, or even the main river itself, where spawning used to take place and where the strong current used to keep the spawn in suspension in the water until they reached the joining lakes, end up being flooded or controlled. Where spawning does occur, the spawn no longer remain in suspension, but sink to the bottom, where the quality and pressure of the water may be prejudicial to survival. The Company tries to alleviate this by maintaining its own hatcheries.

Impact on fauna

There has been little damage to the local biodiversity, due to the small size of the reservoirs. The species that used to live in these regions continue to do so, except where hunting or natural predators have caused their extinction.

Distribution

The CPFL group’s transmission and distribution activities impact biodiversity through the pruning and felling of trees during construction and maintenance of its lines. This can affect fauna, flora and even soil conservation, but is made up for by replanting.

EN23. Total amount of land owned, leased, or managed for production activities or extractive use.

Considered as land for production activities, the areas flooded by the formation of reservoirs for the purpose of electricity generation amount to approximately 18.47 km2. CPFL’s PCH reservoirs are not designed to accumulate water.

EN24. Amount of impermeable surface as a percentage of land purchased or leased.

Not available. The Company is instituting a control system for its real estate assets.

EN25. Impacts of activities and operations on protected and sensitive areas.

CPFL’s internal environmental policy is to formally integrate environmental issues into the decision-making process in relation to corporate planning, the project and construction phases of new generation units and the operation and maintenance of existing units and their surroundings.

See impacts listed in indicators EN7 and EN26.

EN26. Changes to natural habitats resulting from activities and operations and percentage of habitat protected or restored.

Energy Generation: the transformation of rivers into reservoirs and the implications for the fish population at CPFL’s PCHs

Rivers are open systems of continuous water flows with changing patterns of physical, chemical and biotic qualities from source to mouth. The fish population can be more or less varied, according to the nature of the water basin, how effective its natural barriers are and the size and number of ecological sanctuaries. Dams and artificial lakes are capable of altering the original chemical, physical and biological qualities of rivers. The degree of alteration as regards biological diversity will depend on the characteristics of the local fauna, the localization of the dam in relation to its natural habitats, the size and shape of the water basin, the existence of other dams, the characteristics of each dam and how the generating plant is operated.

With few exceptions, an inevitable result for the fish population is a change in abundance, due to the interruption of their migratory paths, caused by fragmentation of their natural habitats. Depending on the size of the dam, the magnitude of changes in the water level may be smoothed out both upstream and downstream, with the result that adjoining lakes, supposedly used as breeding grounds, no longer serve this purpose, as mentioned in item EN7.

Principal impacts of CPFL’s transmission and distribution activities

CPFL has already identified the impact on natural ecosystems that can result from the construction and operation of the operating assets it uses for telecommunications, automation, metering, transmission lines, substations and distribution networks. The impacts, real or potential, are:

- a) Damage to vegetation during construction or maintenance of assets: this refers to the pruning and felling of trees. This can alter an ecosystem, damage flora and fauna and be negative for soil conservation.
- b) Use of forest woods: CPFL’s main use for wood is for the manufacture of wire spacers. The use of wood from native trees has the potential to contribute to the destruction of native forests.
- c) Remnants of pruning activity: the remnants left over from pruning trees pose little risk of soil contamination. The main risk to the natural ecosystem comes from irregular dumping in APPs (Areas of Permanent Preservation) or rivers.



- d) The use of pH soil correction, fertilizers and agricultural chemicals: CPFL only uses such materials in its seedling nurseries, reforestation activities and on its own patios and gardens. The use of potentially toxic agricultural chemical can endanger physical and biotic aspects of natural ecosystems, not counting the risks to human health.
- e) Growth of aquatic plants in PHC dams: the accumulation of aquatic plants, though associated with energy generation, is more the result of organic pollution discharged into rivers by the major urban centers.

**EN27. Objectives, programs, and targets for protecting and restoring native ecosystems and species in degraded areas.**

**Managing Impacts and Counter-measures**

**Program for re-stocking rivers and reservoirs**

In the interests of conserving the fish population and the number of fish in the rivers on which its hydroelectric generating plants are located, CPFL maintains a Pisciculture Center at the Jaguari plant in Pedreira/SP, for the production of hatchlings of native fish species. In addition, it runs a program for conserving the fish population.

The Center aims to produce 350,000 hatchlings/year. In 2003, 390,000 were produced and released into the region’s rivers.

CPFL has also installed Dam Surmounting Mechanisms (ladders) at some of its generators, which are kept in perfect working order. The ladders are structures linking the lip of the reservoir to the downstream river level where the water flows naturally. The steps consist of a series of interconnected tanks, in such a way that the water falls down in a series of little water falls, through which the fish can climb upwards and thus surmount the barrier, which is the dam. There are various different types of ladder according to the type of fish.

**Urban Tree-planting Program**

Tree-pruning is only performed by teams previously trained in its “Pruning Vegetation” and “Vegetation and the Electrical System” courses, always under the technical supervision of a properly qualified CPFL professional. This minimizes the impact on flora and fauna, and reduces the visual discomfort suffered by the population.

In 2003, CPFL donated 63,640 “electricity-friendly” seedlings, which were used for urban landscaping programs by municipal authorities, non-governmental organizations and neighborhood associations in 47 municipalities, or 20.1% of the municipalities in its concession area. Native species are only pruned when there is no more environmentally friendly alternative and only when in possession of an environmental permit defining the measures to be taken to compensate for the damage done to the tree or vegetation.

The Company also invests in research into “tree-friendly” network technology (underground, protected and insulated cables) for routine installation in projects for improving the network. Protected cable accounts for 0.5% of CPFL Paulista’s total concession area.

**Reforestation Program**

Maintenance was carried out on the native species reforestation projects during 2003, and a total of 196,500 seedlings were planted in São Carlos, Jabotical, Campinas, Saltinho, Americana and Mogi-Mirim.

Environmental recuperation commitments were also complied with in Altinópolis (30,000 seedlings planted) and Capão Preto/São Carlos (6,375 planted), as well as 3,100 seedlings planted in Lençóis Paulista.

**Certified Wood**

CPFL is concerned with forest preservation and seeks to guarantee that all the wood it uses comes from a sustainable origin, with an Ibama Certificate of Origin. This requirement applies to the purchase of wooden wire spacers. At present, Ibama uses the ATPF (Authorization to Transport Forest Products), which will be gradually replaced with the SOF (Seal of Forest Origin).

**Environmental Education Program**

CPFL’s generators were visited by 6,302 students during 2003, who were given presentations on environmental preservation, especially as regards water resources and energy generation.

Another highlight was the School Ship Project, a partnership between the homonymous institute and

CPFL Geração for teaching about the problem of water resources in the Piracicaba river basin and the proposals for recuperation of the environment. The program involved 6,018 children in 2003 and expenditures of R\$36,000.00.

Sponsorship for R & D Projects

In partnership with UNESP – Universidade Estadual Paulista, CPFL undertook the following R & D projects: “Development of Processes for Accelerated Decomposition of Organic Compounds and Macrophyte Biomass in Reservoirs or Dumps” and “A Model for Monitoring and Integrated Management of Aquatic Plants in Brazilian Reservoirs”.

These projects are the fruit of CPFL’s commitment to sponsoring R & D projects that produce technological advances, while minimizing the environmental impact of the Company’s activities.

EN29. Business units currently operating or planning operations in or around protected or sensitive areas.

CPFL applies for environmental permits for its activities, including new investments in Generation, Transmission and Distribution, as well as the re-powering of its Small Hydroelectric Plants (PCHs). It also applies for environmental permits for clearing the swathes under its Distribution and Transmission lines, for dredging its reservoirs and for disposing of waste products.



New Hydroelectric Plants

Barra Grande Power Plant

The project is located on the river Pelotas, on the stateline between Rio Grande do Sul and Santa Catarina, considered part of the Atlantic rain forest, although it is not subject to federal, state or municipal environmental authorities. The only impact will be on the present APPs (Areas of Permanent Preservation), as defined in the Forestry Code and subsequent legislation. The vegetation that will be affected, type and area, is shown in the table below:

Use of land	Total SC (ha)	Total RS (ha)	Total reservoir
Primary vegetation	1,382.5875	694.87	2,077.45
Initial stage of regeneration	510.055	412.40	922.45
Medium stage of regeneration	689.2425	803.70	1,492.94
Advanced stage of regeneration	835.255	1,323.24	2,158.50
Sarandi	76.7825	74.33	151.11
Reforestation	9.16	43.81	52.97
Grazing	664.1325	449.07	1,113.20
Agriculture	88.82	37.90	126.72
No vegetation	28.4225	14.71	43.13
TOTAL	4,284.4575	3,854.02	8,138.48

Ceran complex - Monte Claro, Castro Alves and 14 de Julho Power Plants

The three Ceran Complex power generation projects are being built on the Rio das Antas river in Rio Grande do Sul. The vegetation in the areas to be flooded by the three plants is part of a Seasonally Deciduous Forest. Calculations are based on overflights dated 2000. All of the flooded vegetation is inside an area of permanent preservation, since it is on the banks of the Rio das Antas river itself. Along the river’s edge the vegetation is largely what is known as “sarandi”, made up of short trees with thin trunks and plentiful branches. To compensate for the flooding and comply with CONAMA Resolution 004 of September 18, 1985, a protective strip 100 meters either side of the reservoir will be established, totaling 1,519 hectares of permanently preserved area.

Flooded/Removed area	UHE Monte Claro (ha)	UHE Castro Alves (ha)	UHE 14 de julho (ha)
Recent Woodland	56.40	70.88	252.22
Intermediary Woodland	12.70	233.13	5.20
No trees			
(stony or agriculture)	3.30	7.00	24.07
Total	72.40	311.10	281.50



## Campos Novos Power Plant

This project is being constructed in a region of seasonally deciduous woods and mixed marshy forest. The present vegetable cover consists of secondary forest in initial and medium stages of natural regeneration (thicker or thinner secondary growth), grazing land (savannah) and cyclical agriculture. Throughout the area to be flooded, the original native tree coverage of mixed marshy forest and seasonal woods has given way to secondary forests, thicker or thinner secondary growth, grazing and agriculture. The result of the action of man has been to form a veritable mosaic of uses and occupation of the land. The power plant will not invade protected or sensitive areas, although it will interfere with two threatened species: 7,545 m<sup>2</sup> of Paraná Pine (*Araucária Angustifólio*) and 21,980 Dicksonia Tree Ferns (*Dichsonia selloncionia*). In compensation, a strip not less than 30 meters on either side of the 210 km of river will be preserved as an area of permanent preservation, totaling 1,753 hectares, practically the same as the area to be flooded, which represents an average width of 83 meters.

Area to be flooded	UHE Campos Novos (ha)
Advanced secondary forest	555.82 ha
Secondary forest	433.19 ha
Thick secondary growth	453.03 ha
Secondary growth	362.45 ha
Total	1,804.51 ha

## Emissions, Effluents, and Waste

### EN8. Greenhouse gas emissions.

The Company is aware that some of its activities cause gas emissions that contribute to the greenhouse effect, but does not yet monitor such emissions.

**Note:** CPFL controls the emissions of particulate matter (soot) by its fleet of diesel vehicles, but does not measure the amounts released into the atmosphere.

Control is by means of certificates issued by qualified companies, indicating that the emissions of the diesel vehicles are within the prescribed limits.

**EN9. Use and emissions of ozone-depleting substances.**

The air conditioners at the Company's head office and branches run on HCFC gas (R22), which is non-toxic and non-inflammable, but emissions are not monitored. The air conditioning system at the Center of Operations in Campinas/SP uses CFC.

**Target:** To specify the ecological 407C cooling gas in all new acquisitions of air conditioning equipment.

#### EN10. NO<sub>x</sub>, SO<sub>x</sub>, and other significant air emissions by type.

See Indicator EN8.

**EN11. Total amount of waste by type and destination.**

**Target:** Establish waste management practices (common waste), together with campaign for smart consumption and reduction of waste.

[illegible]

Waste Disposal

CPFL has developed programs for managing the waste generated during its activities as part of its initiatives to reduce pollution and preserve the environment. It consists of classifying and adequately storing waste and providing for its final disposal according to the best available technology.

Waste resulting from the withdrawal from service of material used in the substations and the distribution network is subjected to technical and economic review, classified as no longer of use and sold to third parties. These third parties, contracted in accordance with the requirements of the Integrated Management System – SGI, take the material away, sort it, recover what is of use and dispose of the rest in an acceptable way. CPFL visits these companies on a weekly basis, to ensure compliance with these procedures.

Recycling

Recycling is being implemented at all CPFL units, inviting employees to participate in the preservation of the environment and the rational use of natural resources. The proceeds from the sale of recyclable material are spent on social programs in CPFL’s concession area.

Pruning Remnants

These are deposited wherever the respective authorities indicate, rather than in unofficial dumps where they could threaten soil and water quality.

Other materials

The Procurement Department always seeks the most environmentally correct means of disposing of discarded material, in compliance with the Company’s Environmental Policy and Waste Management Program. This is true, for example, of the disposal of tires, posts and wire spacers made from treated wood, concrete posts and scrap in general.

EN12. Significant discharges to water by type.

All of the Company’s effluents are treated by the public sanitation system.

EN13. Significant spills of chemicals, oils, and fuels in terms of total number and total volume.

No such incidents occurred in 2003.

EN31. All production, transport, import, or export of any waste deemed “hazardous”.

Disposal of Equipment containing PCB – Polychlorinated Biphenyl (askarel)

As mandated by Interministerial Instruction 19 of January 29, 1981, CPFL has established a schedule for substituting its equipment containing PCB. By December 2003, the Company had disposed of 98% of equipment containing PCB. This represents an important reduction in risks to the environment.

Insulating oil

The CPFL Energia group works in collaboration with third party enterprises specialized in recovering insulating oil, used to insulate, cool and protect electrical equipment components. All the insulating oil used by the Company is disposed of according to existing environmental legislation: the oil is collected, treated and subsequently returned to the electricity distribution operations.

Disposal of Street Lighting Bulbs

CPFL started investing in 1999 in recycling used street lighting bulbs. The burnt bulbs are stocked and then dispatched to a specialized company where their components are stripped out, treated and sold to be re-used to make other products, helping the environment and saving natural resources. CPFL thus protects the environment from contamination with mercury, a highly toxic element used in mercury vapor lamps, sodium lamps and mixed lamps.

**Target:** To invest in training for environmental emergencies.



**EN32. Water sources and related ecosystems/habitats significantly affected by discharges of water and runoff.**

All the spillways in operation have been properly conserved, no significant erosions having been detected.

Principal impacts on the generation system:

1. Jaguari power plant: a slight erosion at the edges, caused by the operation of a dispersal valve. Solution: a deflector to re-direct the flow of water is being designed.
2. São Joaquim power plant: burst water channel, depositing material on the river bottom. Solution: construction of a breakwater and planting of vegetation.
3. Esmeril power plant: rock displacement on the bank near the load chamber, depositing a small amount of rock on the river bottom. Solution: construction of a dispersal basin for the water coming from the load chamber's sand extractor.
4. Monjolinho power plant: burst water channel, depositing material on the river bottom. Solution: rebuild the bank, reconstruct the water channel and plant grass.

**Suppliers**

**EN33. Performance of suppliers relative to environmental components of programs and procedures described.**

CPFL selects, qualifies and evaluates its suppliers according to its Corporate Technical Procurement Standards and the criteria for environmental behavior contained in its Integrated Management System. Specific clauses on environmental behavior are included in the contracts and all suppliers receive a copy of CPFL's Code of Ethics.

A questionnaire with the Ethos Social Responsibility Indicators is also sent to all suppliers as additional material for evaluation.

Compliance is verified by audits which, bit by bit, are helping improve practices at the Company's major suppliers. In 2003, the social responsibility practices of 10.15% of all suppliers were inspected, including environmental practices.

In October 2003, CPFL hosted the II Suppliers Convention, as part of its Social Responsibility and Corporate Sustainability program. The event was attended by 37 major suppliers of goods and services and discussions were held on relevant issues of approach, content and process.

Another initiative taken during 2003 was the Model Contractor Project, the purpose of which was to bring the Company closer to its principal partners, the contractors that execute construction and maintenance work on the Company's distribution networks. The idea was that CPFL should help them with measures to comply with the Company's environmental standards.

**Products and Services**

**EN14. Significant environmental impacts of principal products and services.**

**CPFL Paulista and CPFL Piratininga**

The impact of CPFL's distribution activities is controlled by its Environmental Management System, implemented in all of the companies and ISO 14001 certified. Power transmission and distribution have little impact on the environment and biodiversity. Tree control is compensated for by planting native seedlings in the proportion of 5 to 10 for each tree cut down.

**CPFL Geração**

The chief environmental impacts of its power plant maintenance and operations are as follows:

- Hydraulic generation: hydroelectric power is generated at 19 small power plants in the interior of the state of São Paulo, the principal characteristic of which is the small size of the flooded area (total 18.74 km²), generating a negligible impact on local biodiversity. It is difficult, however, to accurately measure such impacts, since the power plants were constructed prior to the CONAMA Resolution 001/86 that introduced the requirement of environmental studies for projects of this nature. Nevertheless, the power plants have had some degree of impact on nature, such as the transformation of a river into a lake, with consequences for the fish population, and the disappearance of riverside vegetation and the fauna that inhabited it.
- Thermal generation: CPFL operates the Carioba thermoelectric power plant, fired by 2A fuel oil, which releases sulfur and nitrogen oxide into the atmosphere. The plant has two steam condensers that use water from the river Piracicaba to cool the generating equipment, returning the water to the river 6°C above the intake temperature. The volume of water returned to the river at this temperature (2 m³/second) is insignificant compared to the river flow (55 m³/second) and the impact caused by the difference in temperature is consequently insignificant as well.

Compliance

EN16. Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues.

Year	Nr. of fines/charges at CPFL Paulista	Nr. of fines/charges at CPFL Piratininga	Nr. of fines/charges at CPFL Geração
2001		1. <b>Monte Serrat</b> – court case – agreement reached on maintenance of the Monte Serrat line	
2002		1. <b>Sorocaba</b> – Request for information on use of preservation area for planting	1. <b>São Carlos</b> – Settlement CPFL Geração
2003	1. <b>Piracicaba</b> – Fine for cutting down vegetation in a gated residential community. 2. <b>Piracicaba</b> – Court inquiry into municipal complaint regarding pruning of trees.		

Transportation

EN34. Significant environmental impacts of transportation used for logistical purposes.

The greatest impact on the environment comes from CO2 emissions from the Company’s vehicles and those of its logistics partners.

CPFL’s Fleet Management program includes a rigorous maintenance schedule for vehicles and transport equipment, to ensure environmentally correct operating conditions. In addition, once every six months the Company checks for particulate matter emissions (soot) from its diesel fleet.

The Company qualified to perform these tests issues a certificate that the vehicles comply with the required technical standards. The companies that help CPFL with logistics are subject to weekly and spot checks for emission of particulate matter as well as any oil leaks.

Overall

EN35. Total environmental expenditures by type.

In thousands of Brazilian Reais – R\$			
CPFL Paulista	2003	2002	2001
Investments related to operations	3,160	2,468	3,049
Investments in external programs or projects	37	307	110

In thousand of Brazilian Reais – R\$			
CPFL Piratininga	2003	2002	2001
Investments related to operations	1,132	15	441
Investments in external programs or projects	0	0	0

In thousand of Brazilian Reais – R\$			
CPFL Geração	2003	2002	2001
Investments related to operations	22,237	80	25
Investments in external programs or projects	0	742	122
Total	26,566	3,612	3,747

**Note:** In 2003, CPFL Geração included expenditures related to new hydroelectric plants.



CPFL Cultural Center | Campinas | São Paulo



The Energy Museum | PCH Monjolinho | São Carlos | São Paulo



Evaluation of Social Impacts

Human Resources

Qualification and Evaluation

CPFL is convinced of the direct relation between organizational climate and business results and consequently places people management among its top priorities and undertakes a series of initiatives in line with best market practice and its own corporate values. The objective is to make CPFL Energia and its controlled companies increasingly acknowledged as excellent places to work.

To rise to the challenge of increasing operating efficiency, productivity and service quality, CPFL Energia has invested in training and the professional development of its employees through technical courses, seminars, workshops and specialization. A total of 455,756 hours of training were given to 22,970 participants during 2003, equivalent to an average 109.38 man hours/year of training.

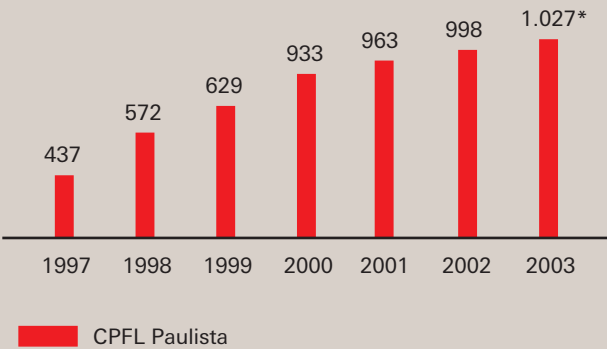
Self-development has been encouraged at CPFL, as an alternative to professional training, with emphasis on three initiatives:

- The Knowledge Generating Plant: 15 courses were put at the disposition of all employees during 2003, on an e-learning basis.
- Library: on-going renewal of its inventory of books and on-line service for the outlying regions.
- Professional Requalification: CPFL Paulista, CPFL Geração, CPFL Centrais Elétricas and CPFL Brasil are committed to reserving 1% of the payroll to human resource development.
- Reciprocal Agreements: such agreements exist with the principal institutions of high school, college and postgraduate learning in the concession area involving discounts on tuition fees for employees and their dependents.

Another professional development tool is the “Continuous Current” program for on-going education, aimed at providing leaders with core personnel management skills. Nine modules were run during 2003 for 25 groups.

During 2003, the “Personal Value” program of 360° performance appraisal became an indispensable instrument for forging technical, administrative and managerial skills for the constant pursuit of operating excellence and service quality.

Produtividade do quadro de pessoal  
(Clientes por colaborador)

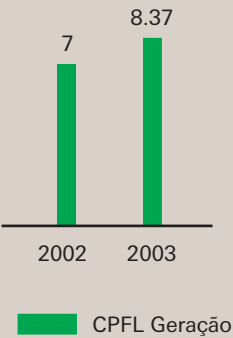


(\*) Productivity rates based on Equivalent Paytoll (FTE).

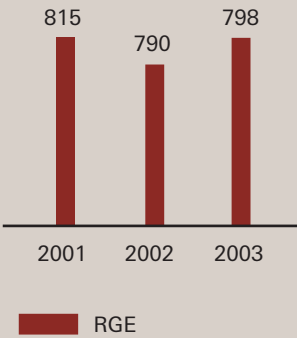
Labor Productivity  
(Clients per Employee)



Produtividade do quadro de pessoal  
(Clientes por colaborador)



Produtividade do quadro de pessoal  
(Clientes por colaborador)



As in 2002, the regeneration of the work force continued, with a turnover rate of 4.43%. In 2003, average length of service with the Company was 12 years and the average age of the workforce 30 years. The CPFL Energia group employed 5,393 people at the end of 2003.

	Men	Women	Total
CPFL Geração+CPFL Centrais Elétricas	88	9	97
CPFL Paulista	2554	394	2,948*
CPFL Piratininga	897	115	1,012
CPFL Brasil	14	4	18
RGE	1,056	262	1,318
Total	4,609	784	5,393

(\*) Productivity rate based on personnel information expressed in FTE.

**Note:** A complete census of employees is being carried out in 2004 and the results will be used in the CPFL Respect for Diversity program, launched in December 2003.

Quality of Life

CPFL pays constant attention to the quality of life and welfare of its employees and invests in such health-related activities as: periodic medical exams; a fitness center; sports workshops; vaccination and disease prevention campaigns; and workplace exercise programs. The results have been significant, especially as regards sedentary habits and smoking.

Occupational Safety

Personnel management priority number one for CPFL, the avoidance of accidents, was the topic of several events held during 2003. More than 154,000 hours of training were given just on occupational safety, covering items such as the Safety by Your Side program about safety during the rainy season, Individual Protection Equipment – EPIs, the use of ladders for high-up work, issues concerning field work and even ergonomic conditions in the office. In addition, a course on Defensive Driving was posted to the Internet, 23 emergency brigades were formed and 22 Internal Accident Prevention Weeks – SIPATs were held.

A broad discussion of work-related risks was held in the context of the Managing Occupational Risks and Preventing Losses Program on the Internet. All the required preventive and corrective measures were taken and various other initiatives resulted from this program, such as:



- Standardization of signs at substations
- Standardization of the way posts are stored and improvements in the tools and EPIs used
- “Fly Safe” program for elementary school children.

Employees play a fundamental role in identifying operating risks and mitigating or eliminating them by the following means:

- Loss Control – This is partly based on OHSAS methodology, whereby employees post onto the Internet information about below-standard working conditions and material incidents and accidents involving people and vehicles.
- Risk Maps: these inform the type and gravity of the risks to which employees are exposed.
- RIMED: a report on distribution material or equipment irregularities, intended to make solutions easier and quicker.

During 2003, the CPFL group received SA 8000 certification, considered a sort of “Social Quality Seal”, for its commitment to better working conditions. SA 8000 is an international standard based on principles drawn from eleven Conventions of the International Labor Organization – ILO, the UN Convention on Children’s Rights and the Universal Declaration of Human Rights.

**Internal and union relations**

Closer relations with the unions, bringing Corporate Social Responsibility closer to suppliers and the Sentry Project were some of the initiatives that contributed decisively to the SA 8000 certification.

In the field of labor relations, a collective agreement was reached covering the period 2003-2005. This demanded much dedication and skill in order to create a climate favorable to dialogue and understanding with the nine unions (affiliated to the CUT and CGT organizations) that control the concession area. The negotiations were characterized throughout by transparency, respect, ethics and a balance between the unions’ claims, the Company’s limitations and the employee welfare.

The employee suggestions culled in the latest Organizational Climate Survey – which will henceforth be held on a bi-annual basis – were embodied in departmental and corporate action plans, the latter of which are monitored by the Informal Employee Committee – GIC, which reports to top management. The GIC is responsible for informing employees about the status and feasibility of the proposed actions.

Employee recognition of the Company’s efforts was evident for the second year running: the 82% approval rate earned CPFL Paulista a place in Exame magazine’s 2003 Guide to the 100 Best Companies to Work For, published in conjunction with the Great Place to Work® Institute

**Management of the Impacts**

As a responsible company, concerned with its image and the well-being of the community, CPFL dedicates permanent attention to the impact its decisions can have on the different constituencies with which it relates and on its partners, from strategic planning to execution.

This implies permanent management of such impacts on shareholders, employees, clients, suppliers, public authorities, society and the environment.

This has prompted CPFL to spell out very clearly and communicate to all employees the Nature and Practice of Corporate Responsibility, on which it bases its daily activities.

**The Nature of Corporate Responsibility**

“A way of being and of going about its business that takes into account the interests of the stakeholders with which the Company relates”.

**CPFL’s Sustainability and Corporate Responsibility Policy**

“To constantly incorporate the concepts of responsibility and sustainability into business management, by taking into account the economic, social and environmental impacts of its activities, respecting the legitimate interests of the community and complying with the requirements of the law”.

**Research and Development (R & D)**

CPFL’s R & D area aims, among other things, to come up with innovations to help the Company meet the challenges of the energy sector. A minimum of 0.5% of annual revenues is invested in project R & D.

Projects are planned jointly with the respective areas within the Company and are developed in collaboration with universities, technical centers and specialized organizations.

Four of the research projects developed during 2002/2003 were concluded, in partnership with Unicamp (SP) Universidade Estadual de Campinas, Inpe – National Institut of Space Research and Unesp – “Júlio de Mesquita” São Paulo State University.

These activities are guarantee of constant technological advancement, oftentimes ahead of market demands.

Labor Practices and Decent Work

Employment

LA1. Breakdown of workforce, employment type and by employment contract.

Work Force	CPFL Paulista			CPFL Piratininga			CPFL Geração		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
Permanent employees	2,948	3,006	2,890	1,012	1,139	1,237	97	110	107
Temporary employees	3	7	173	0	0	19	0	0	0
Outsourced employees	101	115	106	23	9	42	17	0	1
Interns	35	34	0	3	0	0	0	1	0
Third party employees	2,141	2,812	n.d.	867	1,192	n.a.	6	n.a.	n.a.

**Note:** outsourced employees are those hired through specialized recruitment agencies working for CPFL. Third party employees are employed by service providers to CPFL (contractors, meter reading and bill delivery, etc.)

LA2. Net employment creation and average turnover.

Hired/Released	CPFL Paulista			CPFL Piratininga			CPFL Geração		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
Hired	32	118	221	40	22	14	0	7	2
Released	64	161	224	148	135	5	0	1	5
Turnover	-1.08%	-1.43%	-0.10%	-10.67%	-10.15%	7.28%	0.00%	5.45%	-2.80%

**Nota:** CPFL Piratininga’s numbers reflect the organizational restructuring in process since the company was founded in fourth quarter 2001.

LA12. Employee benefits beyond those legally mandated.

A wide range of benefits is offered to all employees: pension plan; medical/hospital/dental assistance; meal tickets; grocery tickets; personal loans; death benefits; life insurance; assistance for pharmaceutical drug purchases and reimbursement of expenditures on organ and bone implants; support program for people with disabilities.

Head office workers also can use the Fitness Center. The outlying units have reciprocal agreements with local fitness centers, available to all employees.

Labor/Management Relations

LA3. Percentage of employees represented by independent trade union organizations or other bona fide employee representatives.

All CPFL group professionals are covered by Collective Agreements between the Company and union representatives.

CPFL Paulista			CPFL Piratininga			CPFL Geração		
2003	2002	2001	2003	2002	2001	2003	2002	2001
86	79	85	73	n.a.	n.a.	48	n.a.	n.a.

**Note:** In the previous report, the commitment to monitor this indicator at CPFL Piratininga and CPFL Geração was assumed and subsequently complied with.

LA4. Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organization’s operations (e.g., restructuring).

Top management is totally committed to transparency, which is a basic tenet of its Code of Ethics and Conduct. All organizational restructurings and changes are first negotiated with the union representatives of the professional categories working at the CPFL group.

Employee participation is also encouraged through the Workers Representative Council, directly elected by employees, as well as Informal Employee Committee (GIC), which assists top management in implementing the Action Plans developed from the Organizational Climate Surveys.



LA13. Provision for formal worker representation in decision-making or management, including corporate governance.

The companies have Workers Representative Councils, elected directly by employees. The president of the Workers Representative Council is also, under the Company’s bylaws, a member of the Board of Directors, with voting rights.

Employees are also represented on the CESP Foundation Board of Trustees, which administers the benefits offered by CPFL Paulista, CPFL Piratininga and CPFL Geração de Energia, including the private pension plan. Furthermore, employees nominate representatives for issues involving SA 8000 international standards and hold free elections for union representatives for each location, in accordance with an agreement with union representatives for the different professional categories existing within the companies. The companies also sit on joint committees with the unions for issues of occupational health and safety and professional training and re-training.

Health and Safety

LA5. Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases.

All accidents, with loss of work or not, and all occupational diseases are registered, monitored and analyzed as to their causes and the corrective measures needed to ensure that they are not repeated. As required by the law, such information is periodically submitted to the Public Welfare System, the Labor Ministry and the unions. Internally this information is made available to the CIPAs – Internal Commissions for the Prevention of Accidents, to the direct superiors of employees that have suffered accidents and to SESMT – Safety and Medical Treatment Engineering Service.

Such procedures enable the causes of accidents to be analyzed. The companies keep medical records on employees and a Loss Control System, in compliance with the norms established by the ILO’s Code for Notifying Occupational Accidents and Diseases. These norms, plus instructions on how to communicate and proceed with such events, are made available to all employees.

LA6. Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees.

Together with the unions, the companies have established Joint Committees for Occupational Health and Safety, which meet whenever events justify. Decisions are registered in minutes to the meeting. On top of this, there is also the Integrated Management Committee, representing all employees, and the Internal Accident Prevention Committees, in number compatible with the degree of risk represented by the companies’ business activities. The president of the CRE – Workers Representative Council participates in SAS 8000-related activities, making suggestions and monitoring activities.

N° of CIPAS	2003	2002	2001
CPFL Paulista	22	23	26
CPFL Piratininga	5	5	n.a.
CPFL Geração	2	2	1

LA7. Standard injury, lost day, and absentee rates and number of work-related fatalities (including subcontracted workers).

Employees – CPFL Paulista	2003	2002	2001
Accidents with loss of work	12	17	22
Accidents without loss of work	42	42	37

Outsourced employees - CPFL Paulista	2003	2002	2001
Fatalities	2	0	1
Accidents with loss of work	25	20	26
Accidents without loss of work	16	11	16

Community - CPFL Paulista	2003	2002	2001
Fatalities*	10	9	10
Serious	12	20	13
Not serious	6	0	0

Employees - CPFL Piratininga	2003	2002	2001
Accidents with loss of work	9	13	22
Accidents without loss of work	11	7	11

Outsourced employees - CPFL Piratininga	2003	2002	2001
Fatalities	0	0	0
Accidents with loss of work	2	0	0
Accidents without loss of work	2	0	0

Community - CPFL Piratininga	2003	2002	2001
Fatalities*	1	5	n.a.
Serious	8	5	n.a.
Not serious	0	0	n.a.

Employees - CPFL Geração	2003	2002	2001
Accidents with loss of work	2	0	0
Accidents without loss of work	3	1	0

Outsourced employees - CPFL Geração	2003	2002	2001
Fatalities	0	0	0
Accidents with loss of work	0	0	0
Accidents without loss of work	2	0	0

Community - CPFL Geração	2003	2002	2001
Fatalities*	0	0	0
Serious	0	0	0
Not serious	0	0	0

(\*) CPFL monitors all accidents affecting the community where the main cause was electric shock. It is aware of its obligation to continue to alert the community to the risks posed by electricity.

LA8. Description of policies or programs (for the workplace and beyond) on HIV/AIDS.

Personal orientation is scheduled to coincide with periodic exams. The Cesp Foundation’s Medical/Hospital plan offers specialized medical treatment where justified. Once a year the companies hold educational campaigns on HIV/AIDS prevention for employees, outsourced employees and their families, involving pamphlets, direct mailing, Expresso and CPFL & Você internal communication vehicles, intranet and workstation blitzes. In 2003, information and increased awareness objectives were achieved through an Intranet campaign featuring a cartoon character, who invited employees to take a closer look at issues of health and quality of life. A series of written material on health issues was also distributed. Towards the end of 2003, a survey was held on the impact of the campaign and its content, and suggestions requested for issues that employees would like to see brought up in 2004. These were taken into account in the Quality of Life 2004 program.

LA14. Evidence of substantial compliance with the ILO Guidelines for Occupational Health and Safety Management Systems.

The CPFL Energia companies have their own Occupational Health and Safety Management System, certified according to OHSAS 18001 standards, which incorporates the standards set by the ILO conventions and by SA 8000, an international standard that aims to improve working conditions, as regards issues of occupational health and safety.

LA15. Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work and proportion of the workforce covered by any such agreements.

The CPFL Energia companies have established agreements with the unions for joint commissions on health and safety issues, with set rules for operations, registration, monitoring and decision-making. One of the commitments stipulated in the Collective Agreement covering the period 2003-2005 was to establish the Overtime Bank, covering all Group company employees.

The company is a signatory to the São Paulo state Collective Occupational Health and Safety Agreement for the electricity sector, intended to improve health and safety conditions for workers in the electrical sector.



Training and Education

LA9. Average hours of training per year per employee by category of employee.

	CPFL Paulista			CPFL Piratininga			CPFL Geração		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
Hours of training/employee	131.9	112	129	48.4	46	n.d.	85.4	10.44	n.a.

LA16. Description of programs to support the continued employability of employees and to manage career endings.

Employment support programs are based on competencies, as defined by the companies. The Company has invested in training and professional development through technical courses, seminars and specialization courses. A total of 455,756 hours of training were given to 22,970 participants. Self-development has also been made a priority at the CPFL group.

CPFL Paulista, CPFL Piratininga and CPFL Geração de Energia have developed a retirement project, due to be launched in the second half of 2004. The idea is to provide support for the transition from professional activity to personal activity, and help people create a vision of the future for which they are willing to strive.

LA17. Specific policies and programs for skills management or for lifelong learning.

CPFL has specific policies for training and professional development, easily accessed by employees.

CPFL Energia has invested in self-development through its “Knowledge Generation Plant” project, launched in 2002, an e-learning project using Internet and Intranet technology to develop key competencies. Also focused on self-development, the Library inaugurated new installations for employees after an ample renewal of its inventory of books. A highlight was the virtual Library, which allows users to consult the catalogue of books and publications on the Internet.

Another highpoint was the “Professional Retraining” program, under which CPFL Paulista, jointly with the unions, maintained its commitment to dedicate 1% of its payroll to investing in the employee development, including graduate, postgraduate and language courses.

Diversity and Opportunity

LA10. Description of equal opportunity policies or programs, as well as monitoring systems to ensure compliance and results of monitoring.

Respect for differences, respect for diversity and rejection of harassment and discrimination are the concepts on which the CPFL Respect for Diversity program, launched in December 2003, is based. The program is a response to a request made by employees during the cycle of discussions and reflections on business ethics sponsored by CPFL Energia in 2002 and 2003.

The Respect for Diversity Program

Objectives

- To respect and promote diversity, facing CPFL with the challenge of respecting and welcoming differences, ethically and democratically.
- To ensure that diversity is welcome and respected, taking the necessary measures to hire qualified professionals, who will increase the acceptance of diversity in the Company.
- To introduce the concept of diversity to clients, suppliers, the community and social action, among others.

Action Plan

- To align Human Resources policies with the CPFL commitment to respect for diversity
- To select functions that offer opportunities for segments that today are under-represented in the Company
- To discover minority-run suppliers and establish a dialog with other companies aimed at a wider commitment to diversity
- Increase awareness among managers
- An internal survey of the opportunities for social inclusion and mobility
- Internal and external communication of the Company’s commitment to diversity

- Incorporation of the concept of diversity in its social activities in the community and society at large.

Responsibility for launching the program and monitoring compliance will lie with the CPFL Social Responsibility and Business Ethics Management Committee.

**LA11. Composition of senior management and corporate governance bodies.**

N° of Directors	CPFL Paulista			CPFL Piratininga			CPFL Geração		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
Male	17	17	4	17	17	4	3	3	1
Female	1	1	0	1	1	0	0	0	0

**Note:** The company is currently undertaking an employee survey and does not yet have more information on the topic of diversity.

**Human Rights**

**Strategy and Management**

**HR1. Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results.**

Elements of the Universal Declaration of Human Rights are reflected in the Company’s principles and are the subject of discussion within the Company as one of the many processes incorporated into company management, such as the process of SA 8000 certification in 2003, for example.

In addition, the Code of Ethics was revised during 2003, with the help of employees. CPFL’s Code of Ethics was analyzed in seminars attended by 1,224 employees, in the context of the Ethos Social Responsibility indicators. Attendees were encouraged to reflect on principles and criteria for making ethically correct decisions in times of crisis and recession.

More recently, the Company has become a signatory of Global Compact, a United Nations initiative to mobilize the international business community to promote fundamental values in the areas of human rights, labor rights and the environment.

The Social and Ethical Responsibility Management Committee is responsible for analyzing and monitoring the results.

**HR2. Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors.**

The objective of the Integrated Management System – SGI is to spread a culture of excellence and quality throughout the Company’s operations, as well as to take precautions against, manage and mitigate the unavoidable risks in its business. These concerns, plus the certification of its principal business methods, help ensure that no strategic definitions or decisions are taken by the CPFL companies without proper consideration of the impacts they can have on the sectors of society with which the company interacts.

Procedures for selecting and contracting suppliers have been adjusted to the SA 8000 requirements, and thus address issues of Human Rights.

**HR3. Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring.**

Since 2002, with the incorporation of the SA 8000 commitments, and, prior to that, the Abrinq Foundation commitments, CPFL has included in its contracts with suppliers specific clauses concerning labor law and social security issues, employee health and safety, child labor and environmental preservation. The Company audited the social responsibility practices of 10.15% of its suppliers during 2003.

In the context of the CPFL Sustainability and Corporate Responsibility Program, the II Suppliers Convention was held in September 2003, with the following topics on the agenda: the importance of the program’s principles for CPFL and its business relations, performance indicators and respect for diversity.

This attitude of sharing with its suppliers the lessons it has learned concerning Sustainability and Corporate Responsibility is part of an approach that CPFL wants to broaden, in order to create more valuable relationships with stakeholders.

The II Suppliers Convention was attended by 37 suppliers, of which 6 made concrete proposals for improvements based on implementation of the Ethos indicators at their companies.



**HR8. Employee training on policies and practices concerning all aspects of human rights relevant to operations.**

All CPFL Paulista, CPFL Piratininga and CPFL Geração employees were made aware, through internal communication vehicles, of the nature of the SA 8000 standards and the Company's Sustainability and Corporate Responsibility Policy.

Discussions on human rights were also held during the 12 Seminars on Ethics, which were attended by 1,224 CPFL and service provider employees.

**Non-discrimination**

**HR4. Description of global policy and procedures/programs preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.**

The Company's Code of Ethics and Conduct clearly states that any kind of discrimination, be it economic, social, political, religious, racial or sexual, is unacceptable and will be punished.

The Ethics and Social Responsibility Committee, founded in 2001, has established specific procedures for judging offences against the ethical principles practiced by CPFL Energia.

**Freedom of Association and Collective Bargaining**

**HR5. Description of freedom of association policy and extent to which this policy is universally applied.**

The CPFL group has a formal Union Relations Policy that has been widely communicated throughout the organization. It also has statutory obligations regarding the participation of the president of the Workers Representative Council on the Company's Board of Directors, as well as its commitments under the SA 8000 norms and the Collective Agreements signed with the unions representing the professional categories employed in the companies (for further information, see LA15).

The Code of Ethics acknowledges the Unions and the Workers Representative Council as the legitimate representatives of the employees and seeks to maintain a permanent dialog with them, in the pursuit of productive and harmonious labor relations.

**Child Labor**

**HR6. Description of policy excluding child labor.**

The Company does not employ child labor and it is defined in the Code of Ethics as an unacceptable practice for the Company's operations and those of its suppliers. Under SA 8000, this commitment needs to be part of a specific clause in the contracts signed with suppliers and is to be audited on a regular basis.

**Forced and Compulsory Labor**

**HR7. Description of policy to prevent forced and compulsory labor and extent to which this policy is visibly stated and applied.**

No specific policy exists against forced labor. As required under SA 8000, no complaints have been filed.

**Disciplinary Practices**

**HR9. Description of appeal practices, including, but not limited to, human rights issues.**

During 2003, 35 law suits were filed against CPFL Paulista and CPFL Piratininga for moral damages.

**HR10. Description of non-retaliation policy and effective, confidential employee grievance system.**

No formal policy exists for non-retaliation. Employees have recourse to their representatives on issues related to SA 8000 norms and the Workers Representative Council.

In the previous report, a target was set to establish a specific channel for complaints, but the target was not complied with. For the time being, the Ethics and Social Responsibility Management Committee is fulfilling this role.

Security Practices

HR11. Human rights training for security personnel.

The CPFL group has agreed to include contractual clauses requiring security service providers to include clauses giving their employees the right to training in human rights.

Indigenous Rights

HR12. Description of policies, guidelines, and procedures to address the needs of indigenous people.

CPFL does not have any specific policy on indigenous populations, although it can point to its program for Indigenous Issues Management at its Serra da Mesa hydroelectric generating plant, which has the largest reservoir by volume in the country: close to 1,784 km². The objective was to reconcile the construction and operation of this project with the right of the Avá-Canoeiros indians to live on their 38,000 hectare reserve on the upper reaches of the Tocantins River in the Mid-west of the country. The action plan developed with the Avá-Canoeiros indians was drafted jointly with Funai (the Brazilian Bureau of Indiginuos Peoples) and submitted for the prior approval of Congress, where it was approved by Legislative Decree in the House of Representatives and the Senate. The Serra da Mesa plant thus became the first hydroelectric project to be authorized by Congress to interact with indigenous territories.

Society

Community

SO1. Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures / programs to address this issue, including monitoring systems and results of monitoring.

The overall directions, policies and procedures of the CPFL group, its Integrated Management System – SGI and its ISO 14001 and SA 8000 certifications make it very difficult for any decision or initiative not to take into account the possible impacts on the group’s stakeholders.

The Company maintains permanent channels of communication, information and exchange of ideas with clients, the community and society, such as its Call Center, a 24/7 free call service, its internet site and its service branches.

In addition, the Company has elected an ombudsman, with specific performance targets and appraisals, to handle the suggestions, criticisms and complaints made by consumers, citizens and regulatory agencies, with carte blanche to intervene in any of the companies’ areas and propose alterations to their internal operating procedures (more information can be found in the chapter Operating Performance-2003, item Electricity Distribution, in the sub-item on Client Service).

CPFL companies also monitor on a permanent basis the “favorability” of the news published about the companies in towns where they are active and practice a policy of open communication with the communities (see “favorability” chart in the chapter A Vision of Sustainability and Corporate Responsibility, item: Direct Economic Impacts, sub-item: Meeting Needs).

The companies take an active part in local Committees, Commissions and organizations, besides holding periodic meetings with representatives of society in order to present their programs and jointly analyze the social and economic impact of their activities.

Periodically, the companies submit to external scrutiny, by running for awards or participating in surveys, in order to have something against which to compare their social responsibility management systems.

At CPFL Geração, currently under expansion, the environmental permitting process and CPFL’s commitment to local and international (ISO 14000) standards require planning as well as measures to prevent, mitigate or compensate for the impact on the community of the execution of its projects.

The following projects have been initiated in relation to economic and social issues:

- 1) Re-settlement and compensation for the communities affected
- 2) Restructuring and regeneration of neighboring communities
- 3) Redimensioning of the service infrastructure
- 4) Integrated plans for soil and water conservation
- 5) Social communication\*

(\*) the overall objective of this initiative is to provide information and explanations to those directly or indirectly affected. It tries to help people to understand the project and aspects of its execution, so as to reduce anxiety levels and turn the community into a partner in the project.





**SO4. Awards received relevant to social, ethical, and environmental performance.**

**Awards received during 2003:**

The CPFL companies are benchmarks for corporate Brazil. By submitting themselves to demanding analysis and ranking, they look to measure themselves against the best practices in integrated management, rather than seek recognition.

Their achievements signify recognition of their policies for corporate excellence, which are the drivers of integrated performance.

**CPFL Energia**

- Awards given by Aberje – Brazilian Association for Corporate Communication:
  - Aberje São Paulo 2003: Corporate Communication Company of the Year
  - Aberje Brasil 2003 – category: Public Communication; for “The CPFL Energia holding company launching Campaign”
  - Aberje São Paulo 2003 – category: Corporate Communications Personality of the Year”
  - Aberje São Paulo 2003 – category: Internal Publications; for the “CPFL & Você” magazine
  - Aberje São Paulo 2003 – category: Public Communication Campaigns; for the campaign for the launching of holding company CPFL Energia
  - Aberje São Paulo 2003 – category: Respect for Corporate History; for the commemoration for the 90 years of CPFL Paulista

**CPFL Paulista**

- Awards given by Abradee – Brazilian Association of Electricity Distributors:
  - Abradee Award for Best Electricity Distributor in Brazil 2003 (2000)
  - Abradee Award for Social Responsibility 2003 (2002)
  - Abradee Award for Operating Management 2003
- Awards from Eletricidade Moderna magazine:
  - Eletricidade 2003 Award – Best Electricity Distributor in Brazil 2003 (2001, 2002)
  - Eletricidade 2003 Award – Best Electricity Distributor in Southeastern Brazil 2003 (2001, 2002)
  - Eletricidade 2003 Award – Best Electricity Distributor in Operating Management – 2003
- Model Enterprise, according to Exame magazine’s Guide to Good Corporate Citizenship.
- Banas Ouro Quality Award 2003 – Best Performance in Integrated Results Management

- Exame magazine – One of the 100 Best Companies to Work For – 2003 (2002)
- IASC Prize - Aneel Customer Satisfaction Index - Best Distributor in the Southeast Region
- Abanet MSN Award 2003 – category: e-services; for its Private Projects site; from ABA – Brazilian Advertisers’ Association. November 2003

**RGE - Rio Grande Energia**

- Abradee Award for Best Client Rating - 2003
- Abradee Award for Best Electricity Distributor in Southern Brazil - 2003

**CPFL Piratininga**

- ABS Health and Safety Trophy, from the Brazilian Occupational Safety Agency – Group C3

**CPFL Geração**

- ABS Health and Safety Trophy, from the Brazilian Occupational Safety Agency – Group C1
- Merit Award for Health and Safety, from the Brazilian Occupational Safety Agency

**Note:** The Abradee Social Responsibility Awards and the Exame magazine Good Corporate Citizenship guide are based on Ethos Social Responsibility indicators.

**Bribery and Corruption**

**SO2. Description of the policy, procedures/management systems, and compliance mechanisms for organizations and employees addressing bribery and corruption.**

The Company’s policies for dealing with bribery and corruption are clearly laid out in the Code of Ethics and Conduct and are based on honesty, integrity and ethics. The Company considers it unacceptable to give or receive bribes, gifts or favors of a non-promotional nature that are contrary to best legal and moral practice, for the purpose of receiving or granting improper advantages or privileges.

Verification of compliance with this policy is carried out by department heads and internal audit.

Political Contributions

SO3. Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions.

The Code of Ethics and Conduct establishes that the CPFL group should not support or make contributions to political parties or the campaigns of any candidates for election to any level of office in Brazil.

SO5. Amount of money paid to political parties and institutions whose prime function is to fund political parties or their candidates.

CPFL companies do not make donations to any political parties, organizations sponsoring political parties or political campaigns for office.

Competition and Pricing

SO6. Court decisions regarding cases pertaining to anti-trust and monopoly regulations.

No cases have been initiated in court or by the anti-trust authorities for the formation of trusts or cartels. The companies’ activities are governed by regulators and specific legislation.

SO7. Description of policy, procedures/management systems, and compliance mechanisms for preventing anti-competitive behavior.

The Code of Ethics and Conduct establishes rules regarding competition. The Company abides by the rules regarding competition and does not admit any form of unfair competition nor unethical commercial practices, nor the use of trusts and cartels in detriment of fair competition and consumers.

Product Responsibility

Customer Health and Safety

PR1. Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring.

The concession contracts signed by the companies and Aneel establish basic precautions regarding the health and safety of clients when using electricity.

CPFL companies promote regular public campaigns to explain, inform and orient clients about the risks involved and the precautions to be taken when using electricity.

PR4. Number and type of instances of non-compliance with regulations concerning customer health and safety, including the penalties and fines assessed for these breaches.

CPFL Paulista and CPFL Piratininga were cited in 23 law suits concerning electric shocks. The suits are being analyzed.

PR5. Number of complaints upheld by regulatory or similar official bodies to oversee or regulate the health and safety of products and services.

No complaints were registered.

PR6. Voluntary code compliance, product labels or awards with respect to social and/or environmental responsibility that the reporter is qualified to use or has received.

The awards and the certifications received (see SO4) attest to the voluntary adhesion of CPFL to socially responsible practices. CPFL is associated with the Ethos Institute of Social Responsibility and is a signatory to the principles of the Abrinq Foundation. It recently signed its commitment to the principles of Global Compact



Products and Services

PR2. Description of policy, procedures/management systems, and compliance mechanisms related to product information and labeling.

CPFL companies run campaigns on how to use electricity correctly and rationally. The electricity invoices/ bills delivered to consumers every month contain all the required information on historical consumption and the calculation of the rate applied to each consumer category, plus information on service quality, how to access the Call Center for client service and complaints and how to access the Ombudsman.

PR7. Number and type of instances of non-compliance with regulations concerning product information and labeling, including any penalties or fines assessed for these breaches.

No CPFL companies were sued for non-compliance with the rules regarding product information and labeling.

PR8. Description of policy, procedures/management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction.

Measurement of client satisfaction is not only systematic, but is also differentiated by market segment, in order to be able to pick up the particular requirements and expectations of each segment.

Surveys are carried out on both Group A and Group B consumers to verify the level of satisfaction with the services received and expectations as regards improvements.

The results also provide input for developing new products and services and for preserving the loyalty of free consumers.

Besides the in-house surveys, two outside surveys are carried out by Abradee and Aneel on the level of satisfaction among Group B consumers.

Satisfaction can also be measured internally through the Technical and Commercial Indicator System, which is based on number of requests for assistance.

Complaint Management is carried out by monitoring certain types of activity, by registering the number of complaints and by following up on how long it takes for complaints to be resolved. A computer-based indicator system also exists, with a complete and reliable data base covering all the client service channels.

Requests for information from CSPE and the Procons are also monitored and analyzed.

The Major Client Satisfaction Survey is used to evaluate the corporate image as regards issues of responsiveness, honesty, technology, social responsibility, investment in service improvements, financial strength, competitiveness and cooperativeness. The best grades go to financial strength, social responsibility and honesty. The percentage of satisfied or very satisfied clients is around 75%. (See charts summarizing the results of client satisfaction surveys and service indicators in the preceding pages).

Advertising

PR9. Description of policies, procedures/management systems, and compliance mechanisms for adherence to standards and voluntary codes related to advertising.

CPFL’s publicity campaigns are either of the institutional kind, informing clients about its products and services, or the educative kind, informing and orienting clients about the proper and safe use of electricity.

Criteria for the use of publicity are contained in the Code of Ethics and Conduct, which considers it unacceptable to expose children, adolescents, women or minority groups in the Company’s publicity pieces to any form of bias or risk.

All the Company’s publicity material is submitted to the approval of the Ethics and Social Responsibility Management Committee.

PR10. Number and types of breaches of advertising and marketing regulations.

None of the CPFL companies has been sued for violation of marketing and advertising regulations.

Respect for Privacy

PR3. Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy.

CPFL does not have any formal policy regarding client confidentiality, but CPFL companies do not disclose information concerning their clients, or their business dealings with their clients, to any agency, enterprise or institution, including credit protection agencies.

Client information is kept strictly confidential and any connections or disconnections from the electricity supply are effected within the limitations of the law and in such a way as not to cause any embarrassment.

PR11. Number of substantiated complaints regarding breaches of consumer privacy.

None of the CPFL companies has been sued for violation of client confidentiality.

Social Leadership and Influence

Associations with which CPFL companies are affiliated

Company	Association and/or Eatity
CPFL ENERGIA	ABA - Associação Brasileira de Anunciantes
CPFL ENERGIA	ABDIB - Associação Brasileira da Infra-estrutura e Indústria de Base
CPFL ENERGIA	Aberje - Associação Brasileira de Comunicação Empresarial
CPFL ENERGIA	IRES - Instituto ADVB de Responsabilidade Social
CPFL ENERGIA	CBIEE - Câmara Brasileira de Investidores em Energia Elétrica
CPFL ENERGIA	FN PQ - Fundação para o Prêmio Nacional da Qualidade
CPFL ENERGIA	ABRINO - Fundação Abrinq pelos Direitos da Criança
CPFL ENERGIA	Instituto Ethos de Empresas e Responsabilidade Social
CPFL GERAÇÃO	APINE - Associação Brasileira dos Produtores Independentes de Energia Elétrica
CPFL PAULISTA	ABCE - Associação Brasileira das Concessionárias de Energia Elétrica
CPFL PAULISTA	ABRADEE - Associação Brasileira de Distribuidores de Energia Elétrica
CPFL PAULISTA	CIESP - Centro das Indústrias do Estado de São Paulo
CPFL PAULISTA	SIESP - Sindicato da Indústria de Energia Elétrica no Estado de São Paulo
CPFL PIRATININGA	ABRADEE - Associação Brasileira de Distribuidores de Energia Elétrica
CPFL PIRATININGA	CIESP - Centro das Indústrias do Estado de São Paulo
CPFL PIRATININGA	SIESP - Sindicato da Indústria de Energia Elétrica no Estado de São Paulo
CPFL BRASIL	ABRACEEL - Associação Brasileira dos Agentes Comercializadores de Energia Elétrica

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(\*) Upon adoption of the Global Reporting Initiative model, CPFL included a cross-index, in accordance with the guidelines and recommendations made in 2002. More information on the GRI model can be obtained from the site [www.globalreporting.org](http://www.globalreporting.org)

(\*\*) Additional indicators not included in reports EN18, EN28 and EN30.

(\*\*\*) Required indicators not included in reports EN4 and EN15 – not applicable to the CPFL Energia companies.



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### Annual Report – Fiscal year 2003

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