

Local Conference Call
CPFL ENERGIA
2nd Quarter 2011 Earnings Results
August 11, 2011

Operator: Good morning and thank you for waiting. Welcome to the local conference call for the second quarter earnings results for 2011 for CPFL ENERGIA.

Today with us are executives Wilson Ferreira Júnior, President of CPFL Energia and Lorival Luz, Vice President for Finance and Investor Relations Officer as well as other company executives.

This conference call is being transmitted simultaneously over the Internet through the CPFL ENERGIA Investor Relations website at the following address: www.cpfl.com.br/ri. You will be able also we able to find the respective presentation at this address and down load it. We are advising that all participants will be only listening to the conference call during the company's presentation and immediately afterwards we will begin the question-and-answer session, when more instructions will be supplied. In the event you require some assistance during the prophet, please request the help of an operator by dialing *0. It should be remembered that this conference call is being recorded.

Before proceeding, we would like to clarify that eventual statements that might be made during this conference call regarding CPFL ENERGIA's business prospects, merely represent beliefs and assumptions of the company's management and are based on currently available information. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, because they refer to future events and, therefore, depend upon circumstances that may or may not occur. Investors must understand that general economic conditions, conditions within the industry and other operational factors could CPFL Energia's affect future performance and could lead to results that are materially different from those expressed in the forward-looking statements.

Now we would like to pass the floor to Mr. Wilson Ferreira Junior. Mr. Wilson, you may please proceed. Ladies and gentlemen, please wait.

Mr. Wilson Ferreira Junior: I'm going to page 4 to look at the results of the second quarter, as we have done in previous months, especially the implications that the IFRS brought regarding booking regulatory assets and liabilities. And also to facilitate the work of the analysts who have asked us to report our results naturally in IFRS, but making a disclaimer here regarding the impact incorporated in the IFRS statements resulting from the regulatory assets and liabilities.

During this quarter, besides these two regulatory asset liability results, and I will be precisely detailing this below, we've had in this year, like we had the previous year, some non-recurring effects that are very important in order to be

evaluated by the analysts here and investors regarding this disclosure of CPFL Energia's earnings results.

So let's go now to net revenue, which increased by 6.2%, reaching R\$ 3,045 million during this quarter. And here is the EBITDA that was reported, up 2.9%, reaching R\$ 815 million. It is important that we conduct the evaluation of the left side, with results from the taking into consideration the regulatory assets and liabilities and the non-recurring effects. On this basis, and this is the company's recurring result, we are reporting what a result, growth of EBITDA 16.2%, reaching R\$ 877 million.

It is important to say here that at the bottom of this box we showed what are the impacts that we are reporting here. First, and I will detail this a bit further as we go on, is the Incentivated Retirement Program in order to renew our manpower. This program began to receive acceptances as of the month of April and discloses in the month of December — it is programmed retirement of some professionals in the company, through the payment of indemnities and so forth etc.

It is obvious that we have not yet seen all of its effects, we have invested about R\$ 10 million in the program, but we are already recognized the entire program and have established a provision for the program along the course of this year in the amount of R\$ 48 million. It is a program that beyond benefits for renewal of our labor force, etc., naturally has an economic advantage.

Furthermore, we have the effect of the ISS provision, which is the largest effect of this quarter, at the Campos Novos power plant, the result of a lawsuit in agreement that was made during the construction of this plant where we have, stemming from this agreement with the local municipalities, a discount that was not approved by the Chamber of Deputies, and obviously we are fighting this in the courts, but we immediately established a provision for it.

Fees of R\$ 6 million, which are related to the use of the EPASA network in 2010, a non-recurring effect on that occasion, and there is a small positive there, of regulatory assets and liabilities of R\$ 1 million. The regulatory assets and liabilities during the quarter were practically unchanged.

It is important also to mention that last year, during the same quarter, we had a very positive result from the reversal of the provisions we had established at Companhia Paulista de Força e Luz regarding lawsuits for recovery of PIS and COFINS taxes. The reversal at that moment led to a positive result for the company in the amount of R\$ 40 million. As I have said, at that moment we also had a positive result of regulatory assets and liabilities of R\$ 3 million.

Therefore, the EBITDA for this year, for this quarter, was the result of non-recurring events, R\$ 63 million less than the recurring result. Last year's result, was R\$ 36 million higher due to the recurring amount. Naturally, because of the magnitude of these impacts, we believe it is important facilitate to facilitate the work of you analysts and investors would be to make this disclaimer.

It is obvious that this disclaimer on the EBITDA line has direct impact on net income. Looking on the right side, now in the upper box, we are reporting net income that is 18.3% lower than last year (reaching about R\$ 294 million); if we were to have the recurring result here, we would be reporting R\$ 335 million, it would have increased slightly, by 0.2%.

And obviously the details that you'll find below. However, the main driver of this result is exactly the EBITDA effects that we have shown — during this quarter, R\$ 63 million less, compared to the same quarter of 2010, R\$ 36 million more.

Moreover, we had a finance line item of accounting adjustments for the depreciation of the UBP of the power plants that occurred in April, mainly the Foz do Chapecó, which initiated operations this year, of R\$ 20 million and R\$ 21 million are positive adjustments in the regulatory assets and liabilities on the financial side of this account.

Now going to the lower part, looking at that income for the same quarter of the past year. We had R\$ 4 million in financial revenues, the net effect of the PIS COFINS event of Paulista and Piratininga, which were reported in the EBITDA, as well as the negative R\$ 2 million of regulatory assets and liabilities on occasion. Therefore, in the same manner, the recurring result would've been a profit of R\$ 41 million higher during this quarter, contrary to the second quarter of 2010, when the profit was R\$ 25 million higher.

Having made this disclaimer, we shall now go to page 5 only to show the details of the Incentivated Retirement Plan. As you know, the Group today has nearly 8,000 employees. This program was earmarked for about 500 employees. With strong acceptance, of 445 individuals, and 130 of these employees took immediate retirement.

For those who did not need any development or training of their successors, this program runs together with our career succession plan. The 315 remaining individuals are professionals who are now in a program to train their successors within the company, and will be retired over the course of 2011 through December.

The additional costs were reported during this quarter, and as I said they were R\$ 47.5 million, and we have already dispersed R\$ 10.2 million to 130 individuals, and have already established a provision in the amount of R\$ 37.3 million until the end of this year. As I already said, the advantages of this program, as well as modernization, include a permanent reduction in the overall salaries paid out of this population, which is a population that received the highest wages in the company and were at the end of their careers.

Here we show the results of this action of about 43% in terms of remuneration for these positions. It is a general payback, which naturally is a repositioning of about 2.5 years. This is something that is important for the future of the company.

Now let's go to page 6 and we will detail the power sales and the quarter's TUSD. Sales in the concession area, seen in the box on the left, above, grew 2.7%. The captive market, reasonably stable, and there are details here, we had fewer billing days this year compared to last year (I'll show details on the next page), so for the moment we had a small decline of 0.8%. The movement of free consumers continues to be intense, at 13.2%. This is a positive result for the company, additional TUSD revenues.

In the concession area, we are speaking of 2.7% growth. In the next box, below to the right, we compare the company with Brazil. But already had spoken up 2.7% against 2.5%. Really, the country is now in a process of slowdown, and the slowdown is more pronounced in the Southeast, as can be seen – the Southeast grew by 2.8%. At our operations in the Southeast, seven of the eight distribution companies grew 2.2%. In the South, with a very important result turned in by RGE, growth was 2.3%; RGE was up 5%. All of this led to the result for the Group being slightly above that of Brazil.

The important impacts, now looking at the details by class of consumption, as reported here, a growth of 2.2% in the residential class; 4.6% in the commercial class; 1.6% in the industry; in the other segments, 5.4%. Those are the details of this 2.7% total. A little later I'll provide some more details about the residential and commercial segments (which represent the most number of consumers), which were the most impacted by two events that occurred in this quarter. First, lower temperatures; second, fewer billing days than last year because of holidays and the meter reading calendar.

So summing up, the resulting total power sales showed a slight decline of 1.2%, 0.8% in the captive market, certainly influenced by fewer billing days. This means that we will have more billing days in the next quarter, but with a reduction of 2.4% in sales on the free market — and this mainly was a result of the non-recurring operations at CPFL Brasil at the end of the past year involving 2,953 GWh, when we sold part of the reserve power to cover the EPASA gap; so we have here a non-recurring event from last year.

Now let's go to page 7, where the information I mentioned about temperatures is clearer; here are the main cities in the concession areas of our distribution companies (those with the greatest number of consumers). You can see in this figure in red what we call the "long-term temperature average," which we use as the basis for budgeting preparation. We can see in the green the result that we had in the second quarter of last year, somewhat outside of the red. In blue, we see the exact temperatures that were recorded this year.

As you know, lower temperatures influence the market: the commercial market typically because of lower use of airconditioning, because of colder temperatures. And in the residential segment, in particular, because of the reduced use of freezers. This certainly impacts power sales.

The breakdown of the result both with regard to the residential and commercial segments can be seen below in these figures. I want first to discuss the calendar: the number of days that were billed by Companhia Paulista de Força

e Luz, which is our largest distribution company both in commercial and residential segments (it's pointed out here), were two days less for residential customers and nearly 1.8 days less in the commercial segment. One can observe that at Piratininga and RGE the effect is similar, a little larger in one of them, because of the meter reading calendar, holidays and so forth.

From the economic point a view, there is no impact because the lower number of billing days incorporates non-billed income in our revenues, then therefore this has no effect. However, in comparison, without any doubt, regarding energy volumes, I noticed that some analysts have commented about this. It is detailed better in the part below. We reported in accounting terms that in the residential section there was growth of 2.2%. If we had incorporated the calendar and temperature effects, we would reach 6.6%; therefore, real sales in fact would have been higher.

In the commercial segment, a similar event occurs and we reported 4.6%; whereas we would have reported 6.9%. So those are the volumes in this disclaimer is important due to the doubts that some analysts and investments have raised.

Now let's go to page 8 where we show details of the EBITDA. As I have done in previous presentations, on the left side is the so-called "recurring result." And over here are the non-recurring effects that we have discussed in some previous slides, and the effects of the regulatory assets and liabilities that, as I have already observed, are absolutely indifferent and irrelevant to this comparison.

In fact, what impacted our final result, the reported result, are the non-recurring events from last year and this year in particular, emphasizing here the Retirement Program. Therefore, we are making a comparison of the reported EBITDA of R\$ 791 million with R\$ 815 million, and the events that determined this change are, in principle, the 6.9% increase in net revenues, or R\$ 180 million.

Three important things were influential here: the tariff adjustments, that we had noted, particularly those of Paulista during this quarter, because it occurs as of April and for RGE, which occurs as of June and therefore captures very little of this effect, which will be larger in the next quarters; and the increase in the TUSD, resulting from the greater volume of energy in the free market, where we have an additional event in the amount of R\$ 63 million.

Then there are the net revenues from the generation projects that will start up as of next year, Foz do Chapecó, EPASA and Baldin, which incorporate R\$ 66 million in this result. It is obvious that this increase in revenues comes with an increase in taxes, which in the case totaled 8.7%, or R\$ 118 million.

Now let's look at the changes in our costs, with energy and charges, the result of lower growth of energy of 1%, or R\$ 15 million. Here we have already included those effects that we've just pointed out, an increase of 45% in operating costs and expenses, which are R\$ 142 million.

Basically, we are providing details about three topics: the first is the reversal itself of the PIS and COFINS provisions at Paulista last year in the amount of R\$ 40 million, a non-recurring event at the time. The second is precisely the Retirement Program mentioned a little while ago, of R\$ 48 million, as well as the ISS provision at Campos Novos, which was the result.

Finally, a physical inventory of the distribution company assets, an effect that we are maintaining here as current, but which is fully reimbursed through the tariff review process. Therefore, this has been occurring quarter by quarter, that is we conduct an inventory of the distribution companies practically a year and a bit before the review process. We have calculated here R\$ 11 million and this is recognized in the form of tariffs when there is a tariff review, and here we have the cost of the operation of the power plants that started up last year - Foz do Chapecó, EPASA and Baldin, in the amount of R\$ 10 million.

If we were to exclude these non-recurring effects that are emphasized in the box, our recurring cost is 6.7% higher than the same amount for the same quarter last year. This compares to the IGPM of 8.6%, therefore we are absolutely aligned with the main indexes of our expenses, that is the IGPM, in fact we are below it, as can be seen.

Now let's go to page 9, to see calculation of net income, the justified amount with a slight growth of 0.2%, or a reported decrease of 18.3%. There is a 2.9% increase in the EBITDA due to it; an important driver adding R\$ 23 million of growth. Next we have here various negative results. The main one is financial income, 116%, or R\$ 98 million. This was due first to a 65% increase in our financial expenses, R\$ 122 million.

And here it is important to emphasize the accounting adjustments we have put into place in our power plants, particularly Foz do Chapecó, whether UBP or depreciation, which were recognized in April (the company was at a pre-operational stage), posting R\$ 13 million and R\$ 7 million for depreciation. They are non-recurring events, but they affected this quarter.

The financial expense caused by the startup of the Foz do Chapecó operation, these plants that entered into operation and had financial expenses recognized of R\$ 26 million. Just to remind you, we had income of R\$ 66 million from these plants, and now a financial cost of R\$ 26 million. Therefore, they are creating value; of R\$ 66 million in revenues we have R\$ 36 million of operating and financial expenses, therefore they add R\$ 30 million each quarter in the comparison we're making.

Obviously, we have volumes, about 60% of our debt is pegged to the CDI, which in the macroeconomic scenario is rising in the comparison 0.6 percentage point, and we have an increase in the financial expenses involving of financing of R\$ 42 million. We also had cash, by this same effect, always invested at the CDI rate, an increase of 23% in our financial income.

On the other hand, entering into the depreciation line item, there was an 18% increase, R\$ 31 million, with the highlight being the accounting adjustment of the power plants, Foz do Chapecó R\$ 7 million and the startup of the operations and appreciation, the properly speaking, of Foz, EPASA and Baldin.

As a counterpart of this, there was a reduction in income taxes resulting from the smaller result compared to the previous year, R\$ 39 million. With this, we reach a reported net income of R\$ 294 million and recurring net income of R\$ 335 million.

Moving on, this result leads us to propose the distribution of 100% of net income from the first half of the year, or R\$ 748 million, thereby reestablishing our track record, reaching here a dividend yield on the order of 6% for the past 12 months, or R\$ 0.78/share, already split, which would be an amount little bit higher than the R\$ 1.50/share before the stock split, distributing 100% of net profit at that time.

Here is the same consideration as before. We are nearly six years from the IPO, and with a dividend yield of the IPO of 123%; that is, since that occasion (end of 2004) we already have distributed R\$ 8.4 billion in dividends.

I would like to make an observation here on page 11 regarding investments, because the company hosted an international meeting about *smart grids* – *smart grids* are intelligent distribution networks that facilitate the life of the operating companies as well as consumers. Here we can see a small detail regarding the investment that we announced during this international meeting: CPFL is the only Brazilian company that is part of the Global Intelligent Utility Coalition.

The group met here in Brazil with about 150 persons attending, including personnel from Aneel and the Ministry who are in charge of defining the smart grid standards to be implemented in Brazil. This group of which CPFL is a part as today about 20 members, the largest [power] companies in the world, and CPFL is the Brazilian member company, and we already have announced and investment that uses this technology on the order of R\$ 215 million, to be installed in 2 to 3 years. This already is beginning to affect our operations. These investments will make it possible to have greater operating flexibility and therefore lower maintenance costs.

Regarding telemetering, we are installing intelligent systems for measuring Group A consumers, who represents about 50% of the company's sales. Therefore it is important regarding the optimization of our activity. And a third project involves mobility, where we would have a reduction of losses and costs our commercial processes.

Just as a curiosity, about 75% of the investment is recognized in the asset base, mainly the part we are installing in terms of telemetering and in the operational projects — for which we will automate our grids, etc., something which will provide greater reliability to the system for consumers, meaning fewer interruptions, and when there is an outage, it will be of shorter duration.

On the other, permitting the concessionaire to have fewer interruptions and lower costs in order to make repairs, mobility in operations has the advantage of allowing our people to be better located in their vehicles for a higher degree of accuracy.

Page 12, here we are showing details of two projects that we recently announced, within the past two weeks. The Alvorada cogeneration plant, the Coopcana Cogeneration, Alvorada in Minas Gerais and Coopcana in Paraná. Therefore we are installing cogenerators rated at 50 MW, with power supported of 18 average MW, representing an investment of about R\$ 150 million each one of these operations.

With this, a biomass pipeline, of biomass cogeneration through CPFL Renováveis, now with these two new investments we will reach in March 2013 about 330 MW of installed capacity, and investment that has been announced and will require a bit more than R\$ 900 million. We continue here with our to diversify investment strategy through biomass on the part of CPF Renováveis.

On the following page, there is merely a report on the status of our power plants are under construction. Bio Formosa is already in the commissioning process, 97% ready. The sugarcane harvest in the Brazilian Northeast is different than it is in the Southeast. Therefore, we are now entering exactly the moment of the start of the northeastern harvest and this plant will be entering into operation in the third quarter.

The others, which are here in São Paulo, Buriti and Bio Ipê, are in a final phase, to be commissioned at the end of the third quarter and should enter into commercial operation in the fourth quarter. Then there is the Pedra power plant (dislocated). This is a project for next year, already 29% concluded. All of the power plants have obtained financing. The amortization rates here, placed under this box, are between 10 and 13 years, depending upon the project.

On the following page, also just to report, is that we have begun construction of our wind parks. The first are Santa Clara and Eurús, that we have this artist's photo rendition of the parks, now 20% built. And Campos dos Ventos, where we are preparing the work site. In the case of Santa Clara, financing has been obtained from the BNDES, and Campos dos Ventos' financing is being negotiated.

Let's continue now to page 15, just to report on our debt profile, giving some details about the funding we obtained during the quarter. Two important operations captained by Lorival. The first was the issuance of debentures in the amount of R\$ 2.8 billion. These debentures are at CDI+1.37% with average maturity of 6.1 years. We have a five-year series, a seven-year series and the average of these two series is 6.1 years.

They are making it possible to stretch out the debts, to refinance commercialization, generation and distribution, and now obviously providing funding for closing the SIIF or Jantus operation in the amount of 37%.

And therein lies an important innovation, the use of Law 4131, had already “swapped” funding for the CDI in the Brazilian market of about R\$ 1 billion already in the month of July. We have done this at CPFL Paulista and CPFL Piratininga, and now we have obtained funds for stretching out the debts of the first half of next year.

The appeal of this operation is its cost, using this market window of 100% of the CDI already “swapped,” as I said, with an average maturity of three to five years — there are three-year operations and there are five-year operations, so that all of the refinancing of our debts next year, the maturities, are in large part already covered by this 4131 operation.

Finally, let’s go to page 16, which is simply a report on the debt, which during this quarter reached R\$ 7,094 million, adjusted net debt. Therefore, thanks to the operational resource from the first half of the year, without yet having paid dividends, we have additional funds lined up here through the SIIF until the closing of the operation, which should take place during this quarter, and finally because of this resource that has been taken, and 4131 does not have arbitrage, the available funding for the company totaled R\$ 4.4 billion.

If we use the down ratio EBITDA debt of 2.33x, when excluded here from the debt of the projects under construction of 2.13x, we come out here on a line that is a little higher than two times what we have been observing. Because of these operations, we have an increase regarding the share of the CDI in the debt, which was 61% in the last quarter and now is 68%. The capital structure is the same, 47/53, equity to debt. And here we have a decline in funds, when we look at the financial debt versus maturity. The debt is 4.3 years, 21% short-term, therefore a reduction, and 79% long-term.

Page 17 just lets us follow the performance of our shares. Our shares have done better than both the Ibovespa as well as New York regarding the stock indexes for this quarter or for the year to date. We have beaten all of the indexes that include CPFL, the IEE, all of the governance indexes, the IBBrX100, Ibovespa etc. This is a performance that, with the stock market evidently suffering from the macroeconomic situation in the world, we see CPFL performing better than its peers.

Concluding on page 18, here are some important recognitions. Revista Exame Melhores e Maiores: CPFL Brasil, our sales company for the second consecutive race was the Best Company in the Energy Sector. And when we observe that in the same ranking list of energy companies, we had Paulista, our distribution company placing second and Piratininga placing third in electric power companies.

As I already had said about the case history of our Annual Report blog for 2009, an innovation we have maintained since that date, we received recognition from the IBEF for its Sustainability Prize, where CPFL was the winner in the Wind Energy category and among the Top 10 for the transportation territory with our electric vehicle project.

That's what I wanted to pass along to you. Now, together with my team, I am at your disposal for questions.

Question and answer session

Operator: Your attention, ladies and gentlemen, we are now going to begin the question and answer session. To make a question, please dial asterisk (*) one (1). To remove your question from the list, dial asterisk (*) two (2).

Now, thank you, our first question comes from Ms. Carolina Carneiro, of Santander.

Ms. Carolina Carneiro: Good morning to you all. I have two questions. The first regards your investments. We saw that you highlighted in your release the higher amount used to expand and strengthen the electricity system for the distribution portion. You have these new projects that you have announced in the past few weeks regarding biomass thermal plants.

I would like a bit of an update here, if you could pass along the total amount of the expected investment for 2011 and 2012. Do you have available some idea so that we can have an idea about this and what would be the part of distribution, the increase needed, to strengthen the grid?

And the second question is, regarding the thermal project that we saw for the auction, apparently you did not obtain a prior license in time for the gas project you wanted to put into the event. However, so we have some idea when you might be able to get this done, if you are going forward with the project? Do you have some expectation to receive this license and what is the outlook for participating in an auction, perhaps the A-5, with this project? That's it, thank you.

Mr. Wilson Ferreira Junior: Carolina, I'm going to begin with your second question about the thermal project. In, we have an association, which is with one of our EPASA partners, in three gas projects and this was the only one that in Petrobras' assessment we could not have such a partnership. Unfortunately, it was the one that we had the most difficulty with from the environmental timetable point of view.

Yes, we are going to continue, it's an area in which the company is focusing. We are not going to participate in the one where we did not obtain the license, but we imagine, yes, but in the next auctions we can have this project or others that we already have licenses for but did not have qualification from Petrobras. Therefore, we are going to work on two different fronts to obtain licenses and to be able to have a better qualification from Petrobrás.

With regard to investment amounts, if you get the details from last month, we reported for the year of 2012 an outlook of R\$ 1,633 million. We are increasing 2012 by R\$ 200 million, we have for 2013 the amount of R\$ 1,290 million, through Coopcana and Alvorada we will have another R\$ 100 million or R\$

1,390 million. These are the changes, the investments that are occurring in a more pronounced way, those that we reported now during the course of 2012 and 2013, therefore totaling R\$ 300 million more than we had originally foreseen.

Ms. Carolina: Okay that's all right, thank you.

Operator: Our next question comes from Mr. Alexandre Kogaki, of Citigroup.

Mr. Alexandre Kogaki: Good morning, Wilson, good morning, Lorival. The first question is with regard to the tariff review for CPFL Piratininga, the date in October is coming closer and closer. I would like to know if you have an expectation when you will disclose this, a disclosure announcement that Aneel might eventually put up containing the final methodology for this tariff review?

And what would eventually happen if this did not occur at the time of the CPFL Piratininga review, if there would only be a review only in October of the following year, when there is a financial adjustment? Or if there might be some adjustment in the middle?

And also if you could give us a few more details about the PDV, I don't know, maybe some percentage regarding the reduction in personnel costs or even financial expectations? Thank you.

Mr. Wilson: Regarding the tariff review, our expectation today, based on meetings that we have had through Abradee and the company itself with the agency, is that the agency's final proposal will occur between September and October of this year, therefore certainly complying with CPFL Piratininga's original timetable.

The regulations themselves... some companies already have had their reviews, Coelce, for instance, Eletropaulo during this month. The regulations foresee that there is a maximum deadline of 60 days for conducting this revision, with a retroactive deadline for the effective tariff review anniversary date. In the specific case of CPFL Piratininga, if we were to have objectively the announcement of these measures in October, we would be able to put this review into effect by the end of the year (by December), retroactive to October.

Your hypothesis of a one-year delay certainly will not occur. It will occur well before this for all concessionaires, in particular those whose anniversary dates are expired.

Your second question regarding the Retirement Plan, on the monthly basis we would still have factor K here, and we will have to evaluate this, something of around R\$ 12 million annually, which this dismissal plan... I mean the Retirement Plan, would produce, excuse me, R\$ 20-25 million annually.

Mr. Alexandre: Sorry, Wilson, R\$ 20-25 million?

Mr. Wilson: Between R\$ 20-25 million.

Mr. Alexandre: Ok, thanks.

Operator: Thank you, now for our next question, from Mr. Marcelo Sa, of Bradesco.

Mr. Marcelo Sa: Good morning everybody, I have two questions. One, that I would like you to discuss, there's a little bit about the energy sales company. We have a certain amount of difficulty in previewing the result of this company. During the first quarter of 2011, the sales company's EBITDA was R\$ 92 million, whereas now in the second quarter it was R\$ 52 million, with a decline in margin. Could you please comment on what to expect from here on out regarding the result of the sales company?

And another question, more regarding the comparison with BRGAAP and IFRS. Last year you reported earnings in BRGAAP for the second quarter R\$ 793 million, and when it was readjusted for IFRS it went to R\$ 877 million of EBITDA; that is, a difference of R\$ 84 million. However, you reported the impact of the regulatory assets and liabilities was small last year, only R\$ 3 million.

Could you please explain a little bit about these other comments, so that we could even try to preview what would be the impact of the regulatory assets and liabilities, for example, when we are predicting the third quarter's earnings for 2011, for example. That is all, thank you.

Mr. Wilson: Marcelo, I'm going to first pass the floor to Bassalo, so he can talk about the second question, okay? Just a second.

Mr. Marcelo: Ok. Thank you to.

Mr. Antônio Carlos Bassalo: Good morning, Marcelo.

Mr. Marcelo: Good morning.

Mr. Antônio Carlos: As well as the regulatory asset and liability, you have a number of IFRS effects, there is a change in the depreciation rate under IFRS that is being calculated. You have a registration of... how do you call it: Of the UBP, which you also didn't have, among other items. And the most significant relief is the regulatory asset and liability and it varies from quarter to quarter. There can be one quarter when it is positive, and another one when it is totally reverse. It is a situation that is similar now between the first and the second therefore, there are "n" number of factors that make up this difference with the IFRS.

We have demonstrated in a certain way, if you look well at December, it is very clear when you look at the distribution companies, that the ITRs of the distributors already have a composition. If you look at CPFL Paulista, CPFL Piratininga and RGE you will see all the components that affected them ... which are reconciled in the results. If you want some additional details, call me afterwards, and I'll give you the numbers, there are a lot of numbers.

Mr. Marcelo: Perfect, thanks.

Mr. Wilson: Regarding the first question about the performance of the sales company, as you know I believe there are some things that determine the results of this company. One of them is the settlement price, the PLD. We are in a year in which there is the greatest amount of water in the Brazilian market stored of the past few years, and the market price is much lower, it is between R\$ 30 and R\$ 40. Therefore, evidently, this directly impacts the result... not of our sales company, but of all sales companies that are carrying out operations.

It also is important to highlight two other elements. The first is that, as I said, last year we were covering the EPASA exposure. Therefore we had to purchase guarantees (for reserve power), and this was done, increasing the volume of the operation last year, something that had is not happening this year in view of the fact that the power plant now is in operation — and this directly affect the results ... the comparison of the results from last year with this year.

A third element, which I believe to be of relevance, is that a part, a good part of our guarantees, consists of biomass operations, and they occur as of the month of May. Naturally, we expect a somewhat higher result from these operations over the next three months, in view of the fact that we have more biomass guarantees to be sold at this date.

Mr. Marcelo: I'm saying this because in truth there was a decline in the margin. For example, if I compare the first quarter of 2011 with the second quarter of 2011, really from one quarter to just one other quarter, and the PLD already is lower than the first quarter of 2011, for this reason I had a doubt about what could have happened.

Mr. Wilson: I'm going to ask you to send me a note. I'm going to try to explain to you directly along with my sales company team.

Mr. Marcelo: Great, that will be fine thank you.

Operator: Now, our next question is from Ms. Tatiana Feldman, of Morgan Stanley.

Ms. Tatiana Feldman: Good morning, everybody. I would simply like to understand something about the financial expense that we saw this quarter. I understand that there were some non-recurring effects, but I think that even so it can be recognized that there is strong growth both for the year as well as the comparison with the first quarter.

So what I wanted to understand first from you is if you believe there is some reason for these financial expenses to have performed differently than in the rest of the year? And what are your thoughts regarding the net debt/EBITDA ratio? Obviously, it went up a bit during the quarter. I understand that there are projects that are not yet generating EBITDA, however they are being included in this account. How does this fit in with a post-tariff review horizon, is there still

space for net debt versus EBITDA to increase even a bit more?

Mr. Wilson: Sorry, I didn't get your name.

Ms. Tatiana: Tatiana, from Morgan, right?

Mr. Wilson: Tatiana, I think... maybe you haven't been able to see it clearly, but I think it is clear. First, we have two non-recurring events here, these accounting adjustments.

The second thing that I think is important is precisely the fact that the power plants that are in operation will become "underweighted" now, because they have come on stream. Therefore, this is an amount that is absolutely recurring, the financial expenses effectively increased, in the case here... by R\$ 122 million, with R\$ 26 million stemming from this position directly. Therefore, R\$ 42 million, if we were to look at the R\$ 122 million, practically half, or the case of the CDI 1/3, due to the increase in the CDI.

So, what is our expectation? Evidently, a reduction in the CDI is something that will directly and positively affect our financial expenses; 1/3 of them are indexed... 68% are pegged to the CDI, which in this change meant 1/3. I wanted to tell you that, obviously, due to the tariff reviews themselves, there will be a change in our ratio; that is, it will increase, it will increase because the EBITDA of the distribution companies has declined.

However, in the specific case of CPFL, this effect is quite different from comparable companies listed on capital markets. Why? Because the comparables have a distribution company profile and all of them (Coelce, Eletropaulo, etc.) will be having tariff reviews immediately, and some with a retroactive effect in the case of Coelce and Eletropaulo. In the specific case of the CPFL Group, if we were to look only at the asset remuneration base, to which we theoretically are exposed in this segment, we would only have a tariff review of CPFL Piratininga this year, or something that corresponds to no more than 15% of our total asset base.

Next year, in the month of February, in the small concessionaires we will have something to report here, joining together with this 10% to 15%, something like 5%, and then we will only have the tariff reviews of CPFL Paulista and RGE during the year of 2013. Therefore, the effect that we are going to incorporate in the increase of our net debt/EBITDA ratio stemming from the distribution activity of CPFL Piratininga will occur as of this year, but will only affect — if we look including at the EBITDA result itself — the participation of the distribution companies EBITDAs, something around 65%. If we take 65%, only 15% will be over the short-term (which would be CPFL Piratininga and the other distribution companies), so our change would tend to be very small.

It should be remembered that every now and then we are starting up generation projects that change this ratio, also positively. Therefore, I would say that the result that you are seeing as being high, the origin is very strongly based in the CDI change, and this was a strategic option that the company made. On the

other hand, we have the startup of the power plants.

The specific case of the tariff reviews does not affect our ratio significantly over the short-term. I want to add to this that we have a large pipeline of renewable generation operations and for each one of them, evidently, we are obtaining funds. We are making this pipeline feasible, but with important advantages: they are projects that you mature within less than two years, with the load cost of these projects of about two years. Thereafter, they are beginning to produce results.

I would say that in the future what will determinant will be growth in financing for renewable projects, somewhat on account of the tariff review and, obviously, for everybody as well due to the indexing to the CDI, and the prospect of a decline in interest rates. It is something that works to our advantage.

Ms. Tatiana: Perfect, I think I understand it. Thank you.

Operator: Next, we have a question from Mr. Sergio Tamashiro, of Banco Safra.

Mr. Sergio Tamashiro: Good morning Wilson, to all of you. I have some questions, the first of which is about the PDV. I want to understand if this annual gain that you mentioned, R\$ 20-25 million per year, could have the effect here of being passed along to the tariffs in this next tariff review cycle, the third one. Could the same be passed along during the fourth cycle — that is, we should not make it perpetual but rather a temporary gain?

The second question. You had mentioned a slowdown at the beginning of the presentation. I don't understand this regarding the effects on the free contracts. Are you feeling the effect also on the price of the contracts in the free market and also on the ratio? If it has been smaller mainly taking into account the start up of the power plants on the Rio Madeira? Will they continue to be uncontracted, and I wanted you to comment on this.

The third question is, could you please provide a little bit of a follow-up regarding the wind power projects, and if after you bought them have there been many new measurements? Have lower capacity numbers frustrated you, or are they confirmed? Thank you.

Mr. Wilson: Sergio, with regard to the PDV, we have two types of gains here: a gain resulting from the substitution of a person who already has higher compensation in his or her salary category for a person with lower compensation. We are not exchanging a senior person for a junior person. We are putting in what we would call in the company a "little ladder" — the full-time person who is being trained to become a senior employee and, obviously, at some future moment, a junior employee will take the place of the full-time person.

Let me give you an example. In a given category if there were only a senior employee, a full-time employee and a junior, okay? This movement occurs, and

obviously the difference between each one of the compensation categories, based on the amount of time with the company, gives us a reduction that we are estimating to be about 40% per category. It is not exclusively because of the substitution. There also is a rationalization of the processes, okay? Some of our recent processes were modernized as a result of the installation of the SAP 6.0 version, with the implementation of the CCS, and this obviously also rationalizes manpower.

This gain comes from these two components: that is, more modernization from the point of view of people, lower maturity, although we make a very big effort in terms of development. On the other hand, there's the rationalization of the processes and modernization in terms of inventory, originally foreseen with the entry of these advantages.

Next you are asking me about the tariff review. Evidently, this at some moment tends to be captured, but I don't believe it is immediate. In the specific case of CPFL Piratininga, we are not able to achieve this. This plan, just to be clear about it, was offered to all of our employees of all our companies and most of them, without a doubt, most of our manpower is concentrated in the distribution companies. We already have had a tariff review for CPFL Piratininga, we have tariff reviews in the five small distributors and we will have during the course of next year the departure of other employees from the companies who will have tariff reviews in 2013.

Therefore, I do not believe... we are not reducing the number of people. Mainly we are reducing compensation, and this is not captured in the process.

Regarding the wind plants, your third item, we see that in the companies that we bought our verification is still quite small. We do not have this negative assessment; that is, the wind performance at these companies... the SIIF wind towers are maintaining their performance exactly according to our original evaluations and this includes one of the plants whose performance is better compared to all of the plants that we have recently seen.

On the other hand, with regard to the measurements of our greenfield projects, that is why I always mention the importance of using traditional companies for the measurements. We continue moving ahead with projects, making measurements and I would say the following: we have not had any type of negative surprise, particularly in the parks we are building, whether it be the quality of the measurements or the duration of the measurements. In the adjacent parks that we are developing we are seeing things similar to what we see in the parks under construction.

Now, you spoke a bit about the expectation of the market regarding the concession areas. Let me try to make a reference here to our expectation, for example, for the residential segment, which if we were to look a bit towards expectations even for the third quarter... that we are reporting, excuse me I mean the second quarter, 2.2%, and that we grew 5.3% in the first quarter, our expectation for the year, which already is reinforcing this slowdown, is 4.8%. Therefore, it is slight with regard to what we had projected previously.

For the industrial segment, we are imagining 5.4% for the end of the year. For the commercial segment, we are still maintaining our expectation of about 6%. Our assessment in terms of energy volume for the year is approximately 5%, for our concessionaires overall.

It is important to highlight that from the point of view of the free consumers, and also to respond a little bit to some of your colleagues who made previous questions, that in this last quarter we have increased the number of free consumers: we have gone from 98 at the end of last year, and now we have reached 130 free consumers during this last quarter. This evidently winds up determining a positive outlook here and is also seen by the increase in the TUSD; that is, the free consumers continue performing vigorously. The industrial segment, which has a weight in the slowdown, still has a reasonable growth outlook.

It should be remembered that last year we had a very important level of growth in this activity. The second half should capture the slowdown effect from the operational, although they are the largest consumers... a larger number of free consumers, but with an average unit consumption that is perhaps a little lower, the result of a slowdown. A higher volume of power, which is a result of our biomass activity, this is our general diagnosis and, obviously, in both cases, because of the slowdown and water storage levels, without any doubt working with lower PLDs, and this has an impact will.

Mr. Sergio: And if you could comment about the current prices of these contracts and the expectation of the contracts, mainly as a result of the startup of the Rio Madeira projects? And has the duration of these contracts been reduced or are they longer?

Mr. Wilson: Let me see about this here, Sergio, with our university level sales team.

Mr. Roberto Castro: Good morning

Mr. Sergio: Good morning.

Mr. Roberto Castro: I'm going to try to help out here on this. The CPFL Brasil energy sales portfolio has a base that lets us face the market swings over the short term, as well as a contracting period on the order of three years. Therefore, we have are prepared to face this type of the fluctuation. It is natural that we find market swings (particularly in the free market) that respond more directly to the price function, but we are prepared to face this.

Mr. Wilson: Sergio, what we mean to say in a general way is that, at least, the length of the contracts is not changing in any significant way. Evidently, for 2013, the entry of the volumes from the Madeira River will clearly be affected. Our strategy is not a short-term operational strategy; it is a long-term operation strategy... medium and long-term.

Mr. Sergio: Ok, thanks.

Operator: With your permission, ladies and gentlemen, in the event you have a question please dial, asterisk (*1).

We are ending the question and answer session. I would like to give the floor back to Mr. Wilson Ferreira Junior for final observations. Please, sir, you may proceed.

Mr. Wilson: Once again, I would like to express my appreciation for the attention of you all during this conference call. Evidently, I would like to reinforce the point that we spoke about regarding the slowdown. We are growing at a somewhat slower pace and without a doubt this is also a result of the international situation, which has worsened recently. Even so, we are positive regarding our sales outlook in the future market. This evidently is the main driver of the operation of our distribution companies and as well as our sales company.

In the specific case of the sales companies, I wanted to reinforce that this economic slowdown trend obviously will more strongly affect the industrial market, the export market, at the same time that we have a more favorable situation from the storage point of view, which unfortunately leads us to a more negative price outlook. It is obvious that our long-term strategy must in no way ignore this event.

On the other hand, I want to emphasize our spectacular prospects from the renewable generation point of view. We will be in the auction with CPFL Renováveis, with a number of projects, so we are optimistic regarding the future outlook. This is a business area in which the company has been dedicating itself in a very determined manner, and we are very happy about this as of the closing of this operation during the month of August, and with the good prospects that Brazil has demonstrated through its great capacity in this regard and we are satisfied with the outlook. Renewable generation is a business that is becoming a very strong division within the group.

Evidently, because of the few projects that we have in the hydro generation area, with the conclusion of several last year, as was the case of Foz do Chapecó, we are now applying a diversification strategy, focusing ourselves also on the development of technical gas projects. I would say that the group's prospects in general continue to be positive because the market, while it may be less vibrant than last year, continues to grow, and continues growing particularly in the important activities — that is, residential and commercial, this is an element that is important.

In the field of generation, with these two biases — the thermoelectric and renewable sources biases. In the field of sales, without a doubt the result of the medium and long-term strategies, as I have shared with you. Therefore, we see the market in the future as a positive market for the Group, as well.

Operator: CPFL Energia's conference call is concluded. We would like to thank you all for your participation and have a good afternoon. Thank you.
