

Operator: Good morning ladies and gentlemen. We would like to welcome everyone to CPFL ENERGIA 3Q09 Third Quarter Earnings Results conference call.

Today we have here with us the executives **Mr. Wilson Ferreira Júnior**, CEO of CPFL Energia and **Mr. José Antonio de Almeida Filippo**, Financial Vice-President and Head of Investor Relations, and other officers of the company.

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

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

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

Mr. Wilson Ferreira Junior: I would like to begin the third quarter's highlights, involving here basically a 2.9% growth in energy sales. As we shall go into more detail later on, this is relative to the sales to the distributors' captive market plus those to the free market... I have a slight problem here... in the third quarter, these incorporating the results for the definitive tariff revision of CPFL Piratininga, which, as you know, was the first company to undergo tariff revision in 2007 and, thus now after the fine tuning proposed by the Regulator at Public Hearing 52/2007, has had to readjust its results effective from October 2007.

Evidently in the light of the methodology presented at the end of last year, reducing principally "Parcel A and B", the result I am going to show has to be totally reconfigured from October 2007, including the financial impacts. So this is a major non-recurring effect which is incorporated in this result today.

I also think there are some important aspects to be mentioned relative to our strategic plan, the main one being the acquisition of 51% of Centrais Elétricas da Paraíba, owners of two thermal power plants under construction - Termonordeste and Termoparaíba. We are talking about a project of 340 MW, which with our stake of 51% means an addition to our installed capacity of 174.2 MW... as soon as we have these plants up and running.

We are also announcing the second energy generation project from biomass – the Baía Formosa Project, and I shall be going into more detail on this during the course of the presentation. Subsequently, we shall also be talking about... we can comment a little on the question of the wind power auction in respect to which an announcement was made yesterday as to a price ceiling of R\$ 189. We have, and this we had already disclosed to the market, acquired the rights to seven wind farms in Rio Grande do Norte, in the Northeast, and we shall therefore be participating in this auction in December.

A further highlight in the third quarter is the start on the process of migration of minority shareholders' assets related to the former CPFL Jaguariúna, the assets acquired from CMS in Brazil, and also the incorporation into this process of the exchange of minority shares of CPFL Santa Cruz. These processes, given the very small minority stakes in these assets, will reflect particularly on the one hand in an increase in free float of our company CPFL Energia as a whole by approximately 0.2%, and evidently on the other hand, giving liquidity to minorities once we hold 100% stakes in each of the companies.

I would like to conclude these highlights by mentioning some important recognition the Company has received. For the first time, the CPFL Group is ranked among the 10 Best Companies for which to Work in the guide to the best companies to work for in the Revista Exame Você S/A. I would especially like to mention CPFL Piratininga's winning of the National Quality Award and RGE as a finalist in the same award, which shows how the National Quality Award, the most important prize in the area of corporate management in the country, one of the most important in the world, recognizes two of the Group's companies. This is evidence of the implementation of these management techniques of the Group's management model, as among the most efficient in the world and ranks these two companies in the category of companies with world class management.

Let's look at the bottom part where you can see the results for the third quarter, just for a moment looking back at the 2,389 million net revenue for third quarter 2008, Ebitda of 745 million and net income of 344 million. We are now reporting values in the left upper part and therefore reporting an increase of revenue to 2.704 million, together with Ebitda of R\$ 670 million and a net income of 290 million. Over the course of this presentation we shall be able to justify the differences arising, as I have already said, from the impact of the tariff revision,

retroactive to 2007, of CPFL Piratininga. However, at this juncture it is important to highlight recurring net revenue, Ebitda and net income, especially with respect to the analysis which you analysts and investors need in order to visualize the future of the company.

Thus making it clear to you that with the effect on the company's Ebitda of about 109 million, with the effect on the net income of 74 million, we would have a restated net revenue for the Group in the third quarter of 2,768 million, therefore corresponding to a growth in relation to last year of 15.9% - it evidently incorporates all the tariff adjustments... tariff readjustments made by them at Paulista, RGE, during the early part of this year, higher indicators between 18% and 20%, as well as the tariff readjustment of Piratininga last year which impacted revenue more sharply, without the corresponding increase in Ebitda - Ebitda increasing 4.5% on a recurring basis to 778 million - and net income on this basis would also report growth of 5.6% to R\$ 363 million. Which we believe to be a good performance especially in view of the current incomplete economic recovery and consequently with sales still below forecast.

With all this in mind, let us turn to page 3 where we have our corporate structure which has seen no change in the period and consequently we can see a free float of 30.5%. This free float which I have said is to increase by 0.2% in the light of the share exchange proposal currently pending and involving the assets, principally, you can see in the distribution area where we have stakes of 99.99% of Santa Cruz, 96.56% of CPFL Leste Paulista, 90.15% of Jaguari, 87.80% of CPFL Sul Paulista, 89.75% of CPFL Mococa.

Again in the commercialization and services area, we have here 89.81% of CPFL Serviços, and finally on the generation side, 90.15% of Jaguari. All these incomplete stakes will be included in this proposal for exchanging the shares for those of CPFL Energia. At the end of this process, CPFL Energia will hold 100% of the shares of each one of these companies which I have just cited. So this is the deal which is currently ongoing.

Let's now turn to page 4, where energy sales are detailed. In the top half we can see a chart showing total sales with a growth of 2.9%, slightly exceeding 12 thousand GWh in the third quarter. These are the result in this case of total sales - the sum of the energy sales to the captive market, in the concession area, according to the chart... the chart in the middle in the dark green portion where we have for the quarter 9.354 thousand GWh, which is equivalent to a drop of 0.2%.

On this point I am detailing here the sales to the captive market to be found on the left in the lower part where we have for this quarter a comparison with the same quarter last year, a growth in sales of 4.2% in the residential market, 2.3% in the commercial market, still a decline in industry of 4.8%, and a fall in the others segment of 1.8%.

This segment is significantly affected during the quarter by higher rainfall volumes with a concomitant important decline in the services rendered to the irrigation market. The use of electricity for irrigation was rendered unnecessary

due to heavy rainfall. For all this then, the captive market posted a decline of 0.2%.

Free market performance is shown in the light green part principally reflecting the collection of TUSD, of a tariff for the pre-utilization of the distribution system, and here the free consumers which operate in CPFL Group's concession area recorded a reduction of 4.6%, as can be seen - from 3,059 to 2,919 GWh.

So the sum total of the two columns, light green and dark green, shows a performance in the concession area for the distributors of 12,274, in other words a fall of 1.3% in relation to 2008. This 1.3% we then use for comparison purposes with the graph at the foot of the slide where we have the performance of the Group companies... for distribution of CPFL Group dropping 1.3% in terms of sales to the concession area as opposed to a decline in Brazil as a whole of 2%, and therefore performance of our companies a little better than Brazil nationwide.

This becomes clearer for the seven operations we have here in the southeast, notably in the upcountry areas of the state of São Paulo, some municipalities in Paraná and some in Minas Gerais. However, in these areas we posted a decline of -1% for our distributors, while for the southeast region as a whole, the best comparative basis, the decline was 3.5%. The same performance does not occur in the south, our RGE operations reporting a decline of 2.9%, while for the south as a whole the percentage was - 1.9%... the southern region falling away by 1.9%. We will be able to comment a little more on this later, these results reflecting some particular industrial segments served by RGE and still in recovery mode.

I shall end this analysis by looking at the chart more to the right and in the upper part of the slide relating to sales to the free market, where the company reported a quarter on quarter growth of 15.5% to reach 2,650 thousand GWh, which corresponds in particular here to the principal effect, given the decline in the early part of the year of energy volumes to the free market, of the operation we undertook for serving the so called "Adjustment Auction", sales made over the course of the year... this year, where we were able to allocate an expressive volume of energy, thus resulting in this excellent performance.

The result which is determinant in counteracting the free consumer performance is the operation of our commercializing company for sales to the distributors through the "Adjustment Auction" promoted by the government early on in the year. So the result for sales is a satisfactory one because it already shows, and I am going to be able to show this more clearly in the next few slides, a process of economic recovery and a major success in free market activities.

Let's turn to page 5, where we can analyze these numbers in greater depth. Here I think the first showing the macroeconomic and sectoral situation which, to some degree, interferes with or influences the behavior of the residential and commercial segment. You can also see that the southeast region, notably the state of São Paulo, in a more favorable situation, both in overall growth in household income manifested in strong sales of furniture and home appliances,

similar in São Paulo and Rio Grande do Sul, something close to 3% in sales at the retail level – stronger in São Paulo, 7.5% against 1.5% in Rio Grande do Sul.

And again, a series of important elements which are favorable to the maintenance of macroeconomic activity: a reduction in interest rates, the maintenance of credit and the fall in the prices of home appliance prices, in the latter case due to the reduction in the IPI tax. And on the other hand, aspects which are still ongoing, we have here in principle lower temperatures... a diminished activity in port warehousing as well as a reduced movement of people in public places, principally due to the Influenza A outbreak.

Also worthy of note, and we can see this in the two graphs at the bottom of the slide, firstly that the comparative base for residential and commercial growth is set against a quarter of strong performance seen over the past few years, more especially last year. So you can see that we are growing in the residential segment at 4.2% over a growth of 9.2%, which was the highest up to then.

The same situation can be seen for commercial activity..in other words we are growing 2.2% above a quarter which had already grown 10% over the preceding year. Thus, clearly we continue favorably mobilized towards the two activities, with performance comparatively above the best performance for last year – the quarter immediately prior to the world crisis and from which Brazil is making a strong recovery based on the data which we are showing.

On the other hand, it is important to highlight the average daily temperature which we show here in the graph for Campinas, two to four degrees lower in the last quarter in relation to the same data for the preceding year. As is well known, there is an impact in the residential segment on refrigerator consumption, the principal home appliance in terms of energy demand. And in the case of the commercial segment, lower temperatures also influence air conditioning systems operating on a reduced consumption basis.

Moving on to page 6 where we illustrate a series of elements clearly indicative of the vigor of the Brazilian economy, and unquestionably confirming that the country was one of the first to exit the crisis. The first thing that you can observe is real household incomes, and these are seasonally adjusted for metropolitan regions. In this case we have here better or similar numbers to those prior to the crisis, thus a positive tendency and very clear from the third quarter... the quarter which we are discussing at present.

Another substantiating element for this is the creation of formal job positions, depressed from December of last year, returning to equilibrium from April and thereafter showing signs of vigorous recovery with the creation currently of somewhere close to 700 to 750 thousand jobs up to September of this year.

Turning to page 7, there is also another important element which is credit granted to individuals, and here excluding the question of financing for autos, real estate and personal overdrafts, also already showing recovery to the same levels we were enjoying in September of last year. In the same way with

respect to retail sales volume, in this case from the view point of Brazil, São Paulo and Rio Grande do Sul, clearly São Paulo leads this process and is already in better shape than the pre-crisis period last year and the same goes for Brazil nationwide. We still do not see this same performance, at least with the same vigor, in the state of Rio Grande do Sul, in terms of recovery although it continues positive.

Moving on to page 8. Up to now I have explained the impacts principally on the residential and commercial segments. Now it is worth while dwelling a little on the industrial segment. As you can see, from the three circles on the left side - the industrial, the captive market falling 4.8%, while the major industries report a decline of 4.6, and the entire concession area off by 4.7%, obviously on a weighted average basis for the first two.

I think it is worth pointing out that this is due to sectors that are already presenting consumption higher than last year, namely those on the left hand side - chemicals, non-metallic minerals, paper and paperboard, food and textiles. And again those sectors which are still in the process of recovery, reducing shortfall in performance but still performing below par, such as metallurgy, transportation equipment, including vehicles, rubber which is also related to it, the mechanical sector.

Remembering that sales to the domestic market for vehicles, especially automobiles, will be higher this year although it will not be the same story in the heavy transportation segment of trucks and buses, but light vehicles, certainly. But these sectors are still being affected by the decline in exports- inventory was initially liquidated and in terms of production, we are still operating at rates lower than last year.

Higher sales, as I have said, notably in light vehicles, not in heavy ones, but production still down due principally to the running down of inventory at the beginning of the year and a weaker export performance. On the other hand, monitoring some major customers that operate in the area of Paulista and Piratininga, it is clear that recovery is occurring among selected customers in our market.

We reached the trough of the crisis with a performance of these leading customers at somewhere close to 20% down on the preceding year. This graph is showing in the red bars a drop from 94% to 76%, - baseline of 100 and then a recovery through to more or less February and from then on the line varies very little until the recovery becomes more apparent. We have already talked about this in the preceding quarter – as from the second half of July, the point in time when the recovery becomes well entrenched culminating in September slightly up on last year, with a similar performance being reported for October.

So this then is important data demonstrating the vigor of the large industrial sector. Clearly there are still sectors which depend on exports and here there are challenges still to be overcome in the market. However sectors which depend on the domestic market and where there is no foreign exchange implication, are performing very satisfactorily and this is the determining factor

in the performance reported in these graphs. The performance of the industrial sector, as can be seen there in the last graph, reached -11.5%, improving to a negative 9.7% in the second quarter and finally a negative 4.7% in the third quarter, as we have mentioned before.

Let's go on to page 9, where we have inventories and further evidence of continued recovery. When inventory reaches zero in industry, in the first graph, we can see such a case in capital and intermediate goods getting close to this point. And in the case of consumer goods, which are leading the recovery, when inventory gets to this position there is a demand for higher production and as a result factories are activated to ramp up capacity.

Recovery can also be verified in the graph on the right hand side, where we are reaching 83% utilization of installed capacity. Remember here that at the end of last year at pre-crisis values, we were somewhere in the region of 85% to 87%. And when industrial production is seasonally adjusted, then still with a gap of 8% related most clearly to those sectors that we have just mentioned.

So concluding this market analysis, let's turn to page 10 to try and get a better understanding of CPFL Group's operating performance. Starting out from a third quarter Ebitda for last year of 745 million, let's first record the recurring results and then reverse out the non-recurring result with its variation.

So a significant item of data is the increase in net revenue of 15.9%. This is related basically to the volume of additional sales in the captive market and in the free market, therefore translating into growth of 2.9%, and obviously also impacted by tariff readjustments at Paulista, Piratininga and RGE for this year of the order of 18% and 20% as I have already mentioned but offset against an 8.5% fall in TUSD - the result of the performance of free consumers - and the recalculation of the tariff revision at Piratininga which alone was 11 million..the end result being an increase of 368 million in net revenue. Obviously, to meet this greater volume of sales we also have to increase the volume of energy purchases and more especially the selling price is also related to the passing on of energy purchasing prices.

In addition to the volume to meet free market volumes, we also have the reindexation of energy to meet distributors' needs including the need to satisfy the growth of 2.9%. For all these reasons we have here an energy cost increasing by 321 million with the incorporation of the increase in operating costs and expenses of about 4.4%.

We note here that 0.4%, or R\$ 1 million is exactly the amount required for the startup of the 14 de Julho plant, so we would have had 12% in a recurring form, or 4.4% growth. Remember here that for the larger part of our payroll, there was a readjustment in salaries of 6% in the middle of the year, the result of applying IPCA – which is the principal cost indicator – so compared with the IPCA, we are working with a value which is slightly less. This would thus give a recurring value for Ebitda of R\$ 778 million, or a growth of 4.5% in relation to the preceding year.

And here we have the calculation of the so-called "non-recurring effect" amounting to R\$ 109 million. In the first place, an adjustment which we call positive but in fact is due to the regulatory agency's – ANEEL – new criterion for net revenue in which it takes the full revenue of sales to licensees, called cooperatives, for example, and subsequently subtracts as financial components the so-called discount. So this is an accounting operation and has an effect on Ebitda, but no impact on the company's results.

The principal components are these two negatives which are shown here. The first is the recalculation of Piratininga, which I will go into detail in a little while, but with an impact of R\$ 71 million, principally in the light of Parcels A and B - in "Parcel A" the new consideration of losses and in "Parcel B" a reflection of AP52/2007 – Public Hearing with respect to the costs of the reference company.

And there is also a provisional consideration as well. Aneel has instituted a public hearing to assess all the concessionaires' so-called "voluntary or involuntary exposure" arising from the volume shortfalls, whether shared volumes from Itaipu or the frustrations of Proinfa. So we established a provision at Piratininga for an exposure at that point in time deemed as voluntary, the company presenting a set of resources to Aneel and the latter also recently approving its contracts in terms of volume. We believe this provisioned value to be positive in relation to the future, at least that is my personal view.

The value is definitive in the recalculation of the R\$ 71 million and is still provisional in terms of the consideration of voluntary exposure of R\$ 45 million at Piratininga. Overall therefore we have a non-recurring effect of R\$ 109 million, implying a reported Ebitda of 670 million.

I think it is important to highlight that built into the cost of energy, the 321 million, we have here an increase of 14.4% in average price, exactly this indexation that I have mentioned and 60% for charges for the use of the system, exactly the charges for the higher dispatch of thermal energy last year.

With this explanation we move on to page 11 where we show the net income, and here also using the same criterion, starting with the value for last year of 344 million, we show the impact of the increase in recurring Ebitda of 34 million. To this is added the 22 million in financial result, detailing below as can be seen the fruit of the more benign macroeconomic scenario in the third quarter of this year as against the third quarter last year. In the light of this, we have a reduction in our financial revenues, our cash invested at CDI, the CDI, and Selic declining sharply from 12.59 to 8.47, equivalent to 34.5% of our financial revenues amounting to 45 million.

The positive offsetting feature is that practically 60% of our borrowing is indexed to the CDI, and from this has accrued an advantage of a fall of 30.1% in our financial expenses. These are not all linked exclusively to the Selic... besides the 60% of the Selic, we have a further 30% in the short term TJLP rate which also fell.. translating into a reduction of 67 million, and hence a gain of 22 million, in other words the 67 less 45 million.

Evidently we also have here increases in depreciation, increases in the private pension fund entity the result of movement of investments we made, and obviously reporting a poorer performance in relation to actuarial costs. So contrary to last year when it was still in surplus, we have here a total of 25 million. And by contrast to the Ebitda gain of 34 million plus 22 million, obviously a result for income tax of R\$ 11 million.

This would mean that we would have had a recurring profit of 363 million, which corresponds to an increase of 5.6%, and here those 109 million, which in the previous slide we reported net of tax, resulting in a bottom line of R\$ 74 million. So it is a result which is clearly impacted by this non-recurring effect. But I think we should focus more clearly on the recurring result, especially given the prospects for growth of the economy and for activation or for the entry into operation of a set of generation assets.

This perhaps becomes clearer when looking at a first consideration on this on page 12, showing recurring margins already standing at 29.7%... almost 30% in Ebitda margin and in net margin, 13.8%, corresponding to growth in relation to the second quarter. And principally... I mean, the illustration here of the positive impact where we shall have enterprises going into operation next year: I am speaking here of Foz do Chapecó, of the biomass-fired Baldin plant and two companies that I am going to discuss later on - a biomass unit, Baía Formosa and EPASA.

Note here the better balance, principally in relation to the origin of our operating gains. Today practically two thirds linked to distribution, 25% to generation and 12% to commercialization. And next year, as from the start up of these operations, we shall have 58% as distribution and thus a reduction in the share of distribution. In generation, growing from 25% to 32%, and thus accounting for almost a third of the company's results. In this way we have regulated business declining to 58% and regulated businesses also, but with more definitive regulation, somewhere close to 42%.

Moving on to page 13 to talk a little of the result of the tariff revision at Piratininga. So on the left hand side of the revision cycle, where we show the principal results of this revision: the reduction of "Parcel A", here the effect of losses of R\$ 11 million in the definitive tariff revision.

In "Parcel B", R\$ 26 million, this is particularly the result of the application of the so-called AP52/2007 – Public Hearing, this public hearing which determined the definition of the company's operating and maintenance costs, a total of R\$ 38 million, plus the financial effects to be applied retroactive to October 2007, resulting in that amount which I commented to you just now.

And there is also a readjustment due to the economic indices that change the comparison between IGP-M and IPCA, thus altering the Xe Factor from 0.73% to 0.15%.

And finally on the right hand side the annual tariff readjustment which we had

put at 2.81%, the Pure IRT, where we have here as a result of them, the principal indicators which form the basis of this evaluation. You can see the IGP-M for 12 months varying negatively at 0.4%. the foreign exchange rate also falling 13.3% to US\$/1.778.

As a result of this annual tariff readjustment of 2.81 on average, we have a further 3.17 of financial components, amounting to a total of 5.98 with a growth in the “Parcel A” of 58 million and “Parcel B” of R\$ 6 million.

With this we complete what has to be said on the tariff revision and now move on to comment on some operating efficiency indicators in the distribution segment. On page 14 we show the effects of delinquency precisely to reassure you. Delinquency increased in economic activity as a whole by 53 percentage points in the state of São Paulo, reaching 647 p.p.

You can see that the CPFL Energia Group, with the lion's share of its operation in the state of São Paulo, reported an increase of 0.14%, but reaching 1.44%, but remaining stable since last year – I think the graph at the bottom of the slide shows this clearly. We are reporting practically the same rate that we had in January 2008, as the blue line shows. As for overall economic activity for the period of 2008 and 2009, we have had an important variation but as can be seen, since April of this year, it has been diminishing, to reach the 6.47 which we have just mentioned.

As for economic activity shown on page 15, we continue growing with a 2.2% increase in the consumer base, reaching 6,530 million as well as a growth in productivity. This is clearer in number of consumers per employee with a growth of 4.6%, and less clear cut in energy sales per employee naturally by virtue of very similar year on year energy volumes for the comparative quarters, volume even declining for the quarter by 0.2%, as we have already mentioned. Even so we are able to report an increased in productivity of 1%.

Moving on to page 16 to talk a little about the projects. Here some initial considerations on the Baldin Plant. It is worth noting that 84% of the work is concluded with operation startup in March 2010. A 45 MW plant where we shall have 24 MW of exported energy per crop, an investment of R\$ 98 million. Proceeding on target, the work is absolutely in line with our forecasts.

On the following page 17, we can see... it's an important milestone – the plant with 79% of work concluded as of September, now a little further advanced with 84% of the work concluded, but forecasted to go into operation at the end of the first half of next year...beginning of the second half.

Here we have an important moment which is the diversion of the river. You can see on the right hand side of the photograph the entire spill way which has already been completed. What is taking place now is the pumping dry of the left hand side and the initial stages can be seen and the flow of water on the right hand side across the spillway. From now on over the next six months we shall be building the dam proper and then we shall be ready for operations.

Also worthy of mention is an enterprise which has a key impact on our results, given that it is an investment of practically R\$ 1 million up to the current time. This has an important impact on our debt indicators since we are incorporating this debt as an investment and while we are still not producing Ebitda. However, this project will bring in an additional revenue of about R\$ 300 million annually.

The second important project – and we have already touched on this - is the need for the Group to have a certain level of diversification in its energy sources, notably in the form of biomass and also thermal energy.

So on page 18 we have a little of the justification for the EPASA business. We are acquiring 51% of these two thermoelectric plants currently under construction. These plants have an installed overall capacity of about 340 MW, of which we will have by virtue of our stake, 174.2 MW of the company's output.

This is a thermal operation sold through the A3 Auction of July 2007 and will start operations by October 2010. It is expected to represent a total investment of about R\$ 608 million of which CPFL will be responsible for R\$ 310 million. It already has an installation license and has a Power Purchasing Agreement, as I said, as a result of this auction at R\$ 142/MW. This fuel oil-fired plant has as shareholders DC Energia Participações with 31%, Arunã Energia S/A with 16% and O&Z Incorporação with 2%.

Here it is important to highlight the importance of having thermal energy capacity in the Brazilian energy matrix, especially in the Northeast. Given that the system is interconnected and the Northeast is the system which has the greatest dependence on a single river, for obvious reasons, this is where there is the need for a greater participation of thermal electricity with 23%. This is an important plant therefore for that subsystem and protects the interconnected system with the other systems.

I would particularly like to emphasize that we are not moving away from the Group's hydroelectricity vocation which will correspond to about 90% of our total generation capacity. We are looking at somewhere in the region of 7%, we will have 8% for thermoelectricity from fuel oil and from projects already underway, 2% in cogeneration from biomass.

The plant which we are constructing is already creating 300 direct and 900 indirect jobs while once operational, it will create 50 direct jobs and 240 indirect. So a very important project, which adds to our production capacity, the impacts of which we shall touch on a little later.

On page 19, we can see the second project which we are announcing today – the creation of CPFL Bio Formosa for executing an enterprise also located in the state of Rio Grande do Norte. This enterprise is a partnership with the Farias Group, one of the most important groups in the Northeast of Brazil. This involves the disabling of the current Baía Formosa cogeneration thermoelectric plant with the construction of a new TPP owned by CPFL.

We shall be investing R\$ 127 million in this business with commercial startup

scheduled by July 2011. This TPP already has its environmental license as well as Aneel's authorization for independent energy production. 70% of output has already been contracted through the 2006 A – 5 Auction, the plant having an installed capacity of 40 MW, 25 MW being owned by CPFL. There is also an agreement for additional production of about 11 MW for the Baía Formosa for its normal operations. 70% of the 25 MW has already been sold through the A-5 Auction at a price of R\$ 162.72/MW - base price as of August 2009.

We ourselves were the consultants for selling this surplus through the A-5 auction and of course we shall have 30% of this volume assured for sale in the free market. This plant also provides us with the potential for commercialization of carbon credits – we are very satisfied with the project and with our partner.

Finally, on page 20, I would like to point out our latest initiative. We continue optimistic about the auction scheduled to occur in December – on December 14 – with respect to the wind farms. We announced about a month and a half ago the acquisition of the rights to seven wind farms in Rio Grande do Norte, where we have the possibility of participating in approximately 180 MW of this auction.

We made a choice based naturally on the qualifications of these wind farms with respect in particular to the map of the winds that blow in this region – we are in a region which is very positive for this purpose. The rights incorporate land already leased for 30 years. We received a preliminary license on September 22. We delivered all the certifications for anemometric measurements, certification for annual energy production and the connection statement. All this was delivered to Aneel on October 9 2009.

All our wind farms are now qualified for participating in this auction which from the outset involves an important selection process given the price ceiling of R\$ 189, as against market speculation and forecasts of values between R\$ 200 and 220. This is most important - we already have a positive evaluation of the wind farm complex and we continue very optimistic that we can increase our production in the wind power area – a source of energy which is important for the country. More especially for the Northeast region where we have already said there is the greatest potential for harnessing Brazilian wind power. Practically half the Brazilian wind power potential is in the Northeast region as the map shows.

As a result of this strategy, we are sharing with you here on page 21, the results in the upper part of the slide of the vigorous growth which we expect to see in the next few months with reference to our generation activities. Today we are the fourth largest private sector generator in Brazil with 1,737 thousand MW in operation. As a result of these enterprises which we are concluding or announcing today, we shall already have reached 2.4 thousand MW by 2011 thanks to these enterprises which we are announcing to you.

Obviously, if we can be successful in wind power and these enterprises come on stream in 2012, we would be in a position to reach 2.6 thousand MW and would rank as the third largest participant in the generation market but already much closer to the second position. If you consider our intention to add under

our strategic plan something close to 1 thousand MW between SHPs, plants especially from biomass, as well as the wind farm, for sure we will begin 2012 by being the second largest private sector generator in Brazil with a focus, as I have said, on hydraulic energy and with a significant share in biomass in our portfolio.

I would like to continue our presentation on page 22, talking a little about service and value added, this unit which has been growing in an important way in our segment and growing 16% in gross revenue for the quarter compared with last year. I would also like to point out that we signed 82 new contracts in the third quarter, with sales in portfolio of R\$ 22 million. Already in the first nine months we reported R\$ 54.6 million in sales from this unit in spite of the crisis which caused some prospective business to be postponed.

I would also like to mention growth in the CPFL Total network. Our collection network continues at an accelerated rate of growth, practically doubling in relation to the same quarter last year, reaching gross revenue of R\$ 10 million. I would also like to touch on the performance of CPFL Atende where we have 125 installed service points (PAs) with about 260 employees and already recording R\$ 1.5 million in sales for the quarter, 2.4 million in the year. So important activities that in various ways are instruments for increasing loyalty with leading customers and with major Brazilian energy concessionaires.

Moving on to page 23, and here we have an important record of the cost of debt, achieving here the lowest cost in our history with 5.8% effective and 10.4% nominal. We are thus financing our business at a cost of 93% of CDI, the result of a strategy of diversification based either on CDI or TJLP, as can be seen in the chart in the bottom half of the slide.

TJLP- priced credit lines already with a share of 32% are basically investments in generation totally financed by the BNDES, and part of the investments in distribution via FINEM lines. The yellow segment of IGP corresponds exactly to the financing of our pension funds. The company continues to enjoy a AA+ rating and is the highest for the sector.

Turning to page 24, where we have here an evaluation of the adjusted net debt which has risen from 5.65 billion at the end of the year to 6.5 billion. Of course we made a dividend payment on September 29 and this naturally depresses our cash holdings to 680 million from more than 1 billion before the payment was effected.

So we reach R\$ 6.5 million in adjusted debt with an indicator of 2.39 times debt to net Ebitda. If debt for Foz do Chapecó is excluded, this ratio would be 2.1 times. So a four-year duration shows that the company has an important performance in the financial area as well also creating value from its financing base.

Page 25 is just to show our performance is still inferior to comparable key stock indices. The company was one in the sector, its stock reporting the least decline compared to last year. Clearly the performance in relation to the rest which fell

is a difficult comparison to make. Nevertheless share performance has reported growth of 4% in the domestic market and about 16% in the international market compared with the third quarter last year, maintaining a reasonable volume of business, 1,384 thousand on average for the third quarter, with about R\$ 25.5 million between Brazil and the United States.

Concluding here with page 26 for the purposes of emphasizing the recognition of the National Quality Award presented to CPFL Piratininga and to RGE as a finalist. CPFL Piratininga is the youngest company among large Brazilian corporations to be awarded this prize.

It is CPFL Energia Group's third award and of particular relevance, very important, It is an award not especially connected to the quality of the service, but the quality of management, to the management model – its systems, its management team and particularly its results. Something which makes us very proud, especially with respect to our personnel is the recognition of CPFL in the 150 Best Companies for which to Work, being ranked as the eighth best company to work for in Brazil.

I apologize for this presentation taking longer than usual, but I am here with my executive board and ready to take your questions.

Q&A Session

Operator: Ladies and gentlemen, we will now begin the Question and Answer session. If you have a question, please press the star (*) key, followed by the one (1) key on your touch-tone phone now. If at any time you would like to remove yourself from the questioning queue, press (*2) star two.

Operator: Our first question comes from Sr. Marcos Severine with Itaú Corretora. Please go ahead.

Mr. Marcos Severine: Good morning to all. First, congratulations on the result announced yesterday evening. I have two questions. One is on investments... the two acquisitions, the two thermal plants you announced today. First, I would like to understand, the Capex which you are allocating of about R\$ 600 million Does this also include the price that you are paying for a stake in these assets or just the capex for developing the projects?

The second question is also related to this. The energy sold in the A-3 Auction of 2007 is forecast, if I am not mistaken, based on the start-up of operations of these plants in January 2010. You comment that these plants will only go into operation in October 2010, so you would have an exposure. I would like to know if this spot exposure is already offset against the purchase of energy and what was the price set for the purchase in order to reduce the exposure?

And while on the subject, my last question is in relation to this whole discussion involving the incrementing of the "Parcel B", - I don't know whether you have an estimate of the impact of this eventual change in methodology would generate

for CPFL Group from now on, without considering the past, just thinking about the future and what is your take on the matter? Thanks.

Mr. Wilson Ferreira Junior: A lot of good questions there, Severine. With respect to the first one on the acquisition or rather Capex, the 310 million involves both part of Capex, as well as what we are capitalizing to acquire a 51% stake in the company. So of the investments which were being made, we undertook the capitalization and assumed the financing in such a way that 310 million corresponds to an investment for acquiring 51% of this plant, which will absorb Capex of 608 million, thus capitalizations made on top of investments already undertaken by the other partners. We are not paying for their stakes but capitalizing the company for it to have the capacity to comply with the current investment program up to October 2010.

In relation to the second question, you are right, indeed the company has to start generating energy as from January 2010. On this basis, CPFL Brasil, together with our partner, are taking measures to hedge this position as from this date. But as you can imagine, we are experiencing – with the exception of yesterday's blackout – a period of tranquility in the spot market. In addition there is still a chance that we can anticipate this plant's startup in generation activities a little.

Our business plan treats these energy volumes to be commercialized as critical although we are absolutely comfortable with the contracts we already hold for establishing this hedge.

Finally, in relation to... just a second... with respect to the so-called “view on Parcel B”, I will be absolutely frank with you, we are conducting with ABRADÉE... that is, ABRADÉE is centralizing all views, including an evaluation of impacts, calculations etc., because the proposal made by the regulator is too broad-based to have a single view in the name of the companies via ABRADÉE. Our view... therefore is that we still do not have enough information to establish the impacts going forward.

What I do believe important is to highlight especially the views already manifested both by the TCU (Federal Audit Court) as well as by the Agency itself in the sense of legitimizing the procedures and all the tariff calculations made up to now. This month, we ourselves are discussing both the application with respect to the legal framework as well as the concession contract, a negative amount of R\$ 109 million, which strongly impacts the result albeit made in compliance with the existing framework.

So we imagine that up to November 27 there will be a series of interactions between the agents via ABRADÉE in order to formulate in a consistent manner a distribution company position, and our belief is that the procedure to be adopted will be in the form of an addendum and that this addendum will be negotiated on a bilateral basis.

The companies are willing, as they have always been, to upgrade the regulatory framework, to improve it, but unfortunately the use of the information on the

company always comes back to what is possible, and I emphasize possible supposed ... equivocal of calculation, which does not happen and one does not normally get into those positions and that obviously a system also has the counterparts favorable to the consumer and at the moment these are not being factored into the cost.

There is a willingness to evolve ... we have already had addendums in the past, it is important to note and we have included these with the natural intention of upgrading the regulatory framework. It is important to preserve the framework be it in the form of its content, or in the instruments which form its foundation – the contract being the principal one – in order that we should have the perspective of speaking with conviction in relation to the future of the country, especially with respect to the area of energy, for the good reason that, as you know, the regulatory framework in terms of growth is closely dependent on the PPAs which are attributed to or are assigned by the distributors.

These companies have to respect their contract in order to maintain their economic and financial equilibrium and to provide the principal support for growth of Brazilian generation enterprises, in some of which we could participate today, and others which are currently pending, as you know, the Belo Monte plant itself. That's it, Severine.

Mr. Marcos Severine: Perfect, thank you.

Operator: Our next question comes from Mr. Marcio Prado of Santander.

Mr. Marcio Prado: Good afternoon to all and thanks for the call. I would like to ask two questions. The first is still on the subject of new generation projects but now focusing on CPFL Bio Formosa. I would like to clarify the following doubt: my impression is that this project represents a small shift in CPFL Geração's strategy in relation to expansion in biomass.

The impression I had was that in previous developments in general, CPFL guaranteed... gave support, as indeed you gave to this particular company in energy sales at the auctions, providing support, but not as partners in the enterprise, and guaranteed a take of the energy. In general, the impression I had was that there was, let's say, no partnership with the mill owner.

I would like to get an understanding as to whether indeed there has been a slight adjustment in strategy in relation to developments on the biomass front. And if the idea is to get closer to developing partnerships with the sugar mill owners? And if there has been an increase in understandings that now facilitate partnerships with these groups, which are frequently of a more complicated nature.

And the second question also relates to expansion in the generation of electricity. Wilson commented on the price ceiling in the wind power auction, expressing a degree of optimism in CPFL on the subject. In this light I would like to know if it is possible, if wind speed measurements have already been carried out for all CPFL's projects? And whether it would be possible to share with

analysts what the load factor is for areas in which... if this information is in the public domain, the average load factor for the areas where CPFL is located?

And just by way of conclusion and not as a question, but just for a comment. We noted during the presentation a major focus on the expansion of generation, mention being made that by 2012/2013, CPFL will in all probability become the second largest private sector group in generation in Brazil, let me regress a little... if you could speak on the company's strategy in relation to expansion in generation and distribution, in the case of the latter, where we see many opportunities. If indeed there is now a greater focus on generation or not? And with respect to the opportunities for distribution, to give an update to us on the current outlook for the company. Thank you.

Mr. Wilson Ferreira Junior: Marcio, with respect to the biomass project, there has been no change in strategy. Indeed, this project is one where we are establishing a partnership and it has the following characteristic: the partnership with the Farias Group is in the sense that he will produce... for Farias to operate our enterprise and as a result have the necessary energy to operate its principal business which is sugar and ethanol. We shall assume responsibility therefore for the entire investment in the plant and as a result of this we will have surplus energy, namely, those 25 MW.

We are building a plant of 40 MW and attributing the use of 15 MW, leaving a capacity of 25 MW for export. Of this volume, 70%, as I said, has already been sold via auction at a good price – these good pricing conditions giving somewhere in the region of one hundred and sixty odd reais, as I have already mentioned, an important parameter for making the associated finance viable. There was no need to give a full PPA to CPFL Brasil, just the amount related to the difference, or the 30%. This makes for the feasibility of a good enterprise with a good rate of return and a good partner.

So we have as a principle that all exportable energy is energy that is either supported by a company PPA or is 100% sold in order that the project can be financed. This is one of the secrets of projects of this type. As we understand that the sale was already appropriate, we finalized the sale of the complement and we shall finance this project.

As a principle, just so that we can share this with you, the principle of a partnership with companies is with fewer groups, and where we always have at least 51%. And in all, we have a financing condition through PPAs, preferably entirely with CPFL Brasil or one of its affiliates.

With respect to the prices of the wind power project, unfortunately we cannot.. The competitive advantage of the projects lies exactly in this data which has been qualified. We have done all the measurements, this is part of the process of qualification at the Agency....that is to say that all are qualified, all have anemometric measurements, all of them have their production capacities defined by those service suppliers registered by the Agency – the annual production certification, the capacity factor and the access reports, all of this was delivered by October 9.

I think as I mentioned that the auction had in its original qualification about 13 thousand registered MW. However, certainly to operate at the established price ceiling there will be an important natural selection process among this group of entrepreneurs at the start of proceedings. For you to operate at a price of 189 you are going to have to have a very high capacity factor, which places the preference on projects with greater wind volumes or employing greater technology in wind power generator turbines.

This is something we will begin to understand better... when I say "we" I mean all of us at this conference beginning December 14 where we shall start to get a better idea of the large production potential of Brazilian capacity. And again, I want to reiterate that I am very optimistic in relation to the quality of our wind farms and the partners we shall be announcing at the time to make our projects feasible.

Finally, with respect to our expansion strategy between generation and distribution, please note that we are a Group whose basic strategy is to optimize our growth capacity. This is a Group, which if it fails to grow, it deleverages and in so doing destroys value. So the basic Group strategy is the creation of value, to maximize financial capacity, obviously identifying the sectors where it can be competitive, bring know-how to the table and particularly share good practices.

As to your question with respect to generation versus transmission, our Group's DNA leans strongly towards distribution. It is the largest operating group in Brazil today, with eight companies, and obviously as a function of the consolidation process, subject to some delay because the tariff revisions were provisional, or the director-general of Aneel has a commitment to make them final in the next cycle, but, in short, we have had two years. Piratininga was an example, it was the first to undergo revision, it was two years on a provisional basis, and still has an amount in its balance sheet as an allowance for this so-called "voluntary exposure".

But I believe in this business... the logic of it, I have always said, it is a logic of scale, it is a logic of consolidation, without which you cannot achieve tariff moderateness going forward. So it is natural, there can be delays, but this is the logic that prevails throughout the world. It is good whether for the operator, the regulator, the authorizing entity, especially the consumer.

So it is very important that it occurs and that it occurs in a disciplined fashion. What you can guarantee... obviously being in the financial sector you probably accompany a series of speculations with respect to market movements - we are alert to speculation in our business. Obviously we shall only take a step forward so long as we can, on the one hand, clearly identify the capacity to capture synergies and in doing so, do it within a financial structure which allows us to share the value created with the market.

We are not going to grow our market share for the sake of growing market share. We are going to grow in market share as long as it brings benefits to all related parties, in particular the investor, largely responsible for the viability of

this platform, and with this we can share best services and more moderate prices in the future to create value with this platform.

So this is the Group's preferred DNA. However, it will always seek to grow in a balanced fashion. Thus, in the generation area we are pursuing a strategy of growth that has been roughly 250 to 300 MW annually since the creation of CPFL Geração at the end of 2000, beginning of 2001, with the execution of these projects.

The only thing that can be said in terms of the evolution of our strategy is the fact that it began with major tender bids, with some acquisitions and direct participation in auctions. In this context, we note that the generation projects these days are bigger – we examined Santo Antonio, Jirau and the next one - Belo Monte – where you have to have capacity to study these projects up front - we have been studying this project for more than a year now – but we also believe that we should not be exclusively dependent on such projects.

Here we have the niche operations that leverage not only the so-called “model”, the Belo Monte model... the principal base being the sale to the captive market with a portion of this enterprise to be sold on the free market. But in the niche segment such as SHPs, such as biomass, we have the scope to exploit a major aspect of Group potential - its capacity to commercialize electric energy on the free market.

So these projects, whether Baldin, or the Baía Formosa project, have as their essence the use of this platform of access to consumers of the A4 subgroup which we can make... create value and achieve a rate of return which maximizes this advantage, this knowhow and this expertise of the company.

And now also as an opportunity is the question of the wind power Reserve Auction. The company is alert to the opportunities and is not focusing on a single alternative for growing generation which would be via the medium to large size plants. It is also working on the identification of niches, biomass and SHPs, on opportunities which present themselves such as is the case of wind power and will also be evaluating other alternatives going forward.

The specific case of thermoelectric plants already corresponds to a very large scale business for the company.... I want to emphasize here the case for being the third or potentially the second largest, to say that the Group has to have... it has to assume responsibilities from the hedge point of view, that is to say, Brazil needs thermal energy. We demonstrate this to be the case and it is important that the Group also supports this type of portfolio.

Mr. Marcio Prado: Perfect. Many thanks, Wilson.

Mr. Wilson Ferreira Junior: Thank you Marcio.

Operator: Our next question comes from Mr. Vinicius Canheu of Credit Suisse.

Mr. Vinicius Canheu: Hi, good afternoon to all, I have two questions. The first

is in relation to the acquisition of thermal power plants - what is the acquisition financing model which CPFL is going to use?

And still on the question of these plants, would it not be invaluable to have an idea of annual revenues or the guaranteed annual revenue from them? I would like to know if you can give us an idea of what would be the annual revenue from this plant relative to the participation of CPFL, or an idea of what might be the Ebitda that they are going to generate - for us to have an idea of valuation which the company is paying for this transaction to participate in the project?

And the other question is in relation to the upcoming auctions. In the previous quarter you gave us an idea as to what would be the demand at the time for A-3 and for A-5. A-3 has been held so I would like to know if you have some estimate as to demand for A-5? And also in relation to Belo Monte which is the next auction... probable date for realization, process of consortia formation and how is CPFL placed for this auction? Thank you.

Sr. Wilson Ferreira Junior: Vinicius, just in relation to the financing of the thermal plant, what we are doing in order to improve agility and conclude this project, as I have mentioned, by the beginning of the second half of next year, is to take a bridging loan, using specific instruments, and we are obviously going to try later on to switch... substitute this loan for loans which are possible from the BNDES and the BNB – they finance specifically for operations in the region. This then is the strategy.

You can calculate the revenue from the plant using exactly the value of the R\$ 142/MWh which is the value of the auction and is in the public domain. This is the value proportional to its production capacity and each time you have a dispatch of energy... and here I consider that the possible dispatch in our evaluations is of the order of 4% per year, there is the integral passing on of the cost of the fuel, which would result in something in the region ... additional in terms of fuel, of the order of R\$ 200/MWh. But the revenue is R\$ 142/MWh appropriated on the basis of an installed capacity of 340 MW through a free market energy auction.

Finally with respect to the subject of auctions, I am still unable to give you a view of demand for A-5. Based on volumes indicated here, clearly the fruit of the crisis, you are seeing some accommodation in the market...I would say as follows: the volume is likely to be a little less than it was perhaps in the preceding auctions, but that is pure speculation.

Fruit of our regional comparisons, we already know that this third quarter is proving stronger for some regions and the tendency, if all is confirmed including what was also stated yesterday by Minister Mantega himself, is that a recovery is ongoing.

Here lies the importance of a complement to the A-5 Auction, which perhaps is not so clear to all at this time of adjustment auctions and the A-3 auctions, the tendency... it is obvious that you had a movement in the demand curve, among the companies as a whole, all were affected. Some more, some less, but in our

understanding an overall lesser volume.

With respect to the strategy for Belo Monte, we are waiting for a tender bid notice. The bid notice has to be published a month prior to the bidding and that would bring us to around the 20... 22 of the month. I had the chance to discuss this yesterday. Of course, since the beginning of this project and more recently we have been working in partnership with the other companies linked to Previ itself, namely Neoenergia and Vale do Rio Doce.

On the other hand it is known that the government is working in the direction of stimulating competition in the bidding for this project and for this reason we are looking at a coordinated action in the sense that there will be other groups involved. We are studying with these partners, some of them for some time now and others, more recently – the case of Vale – while with Neoenergia we have been looking at this business for longer.

Obviously, the expression of real interest and the qualification for the auction depend on auction conditions, clearer identification of the conditions for the environmental license which are to be disclosed, besides, evidently, the maximum tariff established for this participation. Right now the possibilities of each group have been defined together with the formalization of a consortium which could have these three components, or even more, depending on the scope and conditions established for the auction. I think we are only going to have a better idea on the subject after the 20th.

Mr. Vinicius Canheu: Ok, that's it. Thanks.

Operator: Our next question comes from Mr. Ricardo Cavenagh of Raymond James.

Mr. Ricardo Cavenagh: Good morning. I also have a question related to Belo Monte. Supposing that CPFL wins the concession, what would be the maximum debt/Ebitda ratio for the company? And under this scenario, do you see the company's payout being maintained?

Mr. Wilson Ferreira Junior: With respect to the financial discipline we adopt, we understand that we could slightly surpass the limit of 3 to 3.5 times Ebitda in the case of a transformational acquisition or of an enterprise the size of Belo Monte.

But in fact you have to remember that Belo Monte will have special conditions. Belo Monte, as well as other enterprises are enterprises funded on a private finance regime basis, that is, the value of the PPA of the captive market for the pool and of the free market are relevant as guarantees in this project, being almost a consideration of this off balance sheet debt.

In any case, BNDES's rules themselves already establish limits for the companies as a function of shareholders' equity. This means that CPFL is unlikely to have more than 25% of this enterprise in view of the parameters for qualification established by the bank for this financing. So this is the first point.

And second, again, we would only get involved with enterprises of this type which have prospects for creation of value and we will only consider the hypothesis for a reduction in payout in line with the policy... the policy of the company is for payment of at least 50% and is public policy. Our practice for the past five years has been a payout of 95%.

The payment is only made if there is no project... we would only propose to pay less than 95% if we did not have... if we had, sorry, a project which in some way created better prospects for the shareholders. The only reason why we do not maintain resources in the company is because the arbitrage is negative.

Again, you can observe from the financial result that the company is conservative in the way it invests its cash resources which have to be applied at CDI. So if we could make better use of the cash, we would discuss the issue with our shareholders and get their authorization to practice a lower payout than has been adopted. As we have not identified any project with this characteristic over the last five years, besides those in which we have invested, for this reason we continue with at 95%.

Mr. Ricardo Cavenagh: Perfect. And also related to Belo Monte, should CPFL fail to win the concession, you spoke of alternatives for growth in projects of a lesser size. Do you think you could reach your growth target for generation without Belo Monte, with some other possibility in the market eventually in terms of megawatts to be incorporated by the company?

Mr. Wilson Ferreira Junior: I should point out to you that Brazil needs something in the region of 4 thousand new average MW to support growth of about 4... 5% in its GDP. So Belo Monte is the most important project and it alone would account for about two years of this requirement, if considered in isolation. As it is a project which takes from five to eight years to come on stream, for sure it will not be the only one, but it is the most important one to be included at the next auction, although you will have other auctions.

We ourselves are developing two projects, one of them being close to 800 MW. However, as we were saying there are other auctions, every year there are auctions. The company's commitment is clearly a function of these questions and linked to climate where there is a focus on hydro and wind power.

The Agency itself has indentified, currently at the inventory or licensing stage, the Tapajós and Teles Pires projects... in other words there are many projects to be pursued or for the company to set its sights on in the future. Hence our strategy of having a large and important area for project development and evaluation.

And evidently with the purpose of trying to identify the projects which can create value. At the moment the objective is to increase our size creating value which can be recognized and perceived by the market.

Mr. Ricardo Cavenagh: Thank you very much.

Operator: Our final question comes from Mr. Gustavo Gattass of BTG Pactual.

Mr. Gustavo Gattass: Good afternoon, everyone, thanks. I have three questions as well, Wilson. Let me begin with the last one which is perhaps the easiest to answer. Your reply to a question, I think it was from Vinicius, that currently you do not have great expectations as to the outcome of A-5.

I would just like to understand, if within CPFL A-5 is formed out of the total demand from each distributor, and whether you see today demand significantly less than what you stated in the past in terms of the need for auctions of the A-5 type or whether really there is no major difference?

Mr. Wilson Ferreira Junior: Sorry Gustavo, there are things that I am unable to reply to alone and I am having recourse here to my colleagues, they are whispering but I am deaf as well. What I want to say to you is this: we do not see significantly lower demand. We are working here with values... you will have a reply straight from the "horse's mouth" here, namely Roberto, who is from our energy management area, he will give you all a clear answer as he has just tried to give me.

Mr. Gustavo Gattas: Very good, thanks.

Mr. Roberto Castro: In our view, this demand should be in the region of some 3 thousand megas approximately, and represents a decline of about 5 to 6% compared with previous forecasts. This is our view of the A-5 auction based on what we have seen in the market on the occasion of previous auctions. This is our current view.

Mr. Gustavo Gattas: So the fall would be...

Mr. Wilson Ferreira Junior: Is that clear, Gustavo?

Mr. Gustavo Gattas: That is very clear. I am just astonished because for me it is a very insignificant decline in relation to what one might imagine, and perhaps presenting much greater opportunities for the A-5 auction than we were imagining. But very clear, thanks.

Mr. Wilson Ferreira Junior: As we were saying, it is the trade off from this initial take-off point which you see and it is very clear cut, something I tried to show in the performance indicators, principally in the industrial and residential commercial classes to illustrate the following: really as from the second half of July we have seen a reversal of the scenario which was present in the first half. Therefore my people here, the people under Paulo Cesar, Roberto himself, we have... there is a major challenge in terms of setting scenarios, we also work in partnership with a person whose sole focus is the scenario, so this vision... we take a very positive view of the scenario .

Mr. Gustavo Gattas: Excellent. My second question... I think it was absolutely clear for everyone in this presentation, Wilson, that you are accelerating the idea of growing the company again, a move which everyone applauds.

I would like to understand a little, more on the conceptual side again, today in the company's view, the opportunities in generation for the market have a self-sufficient return which would allow you to consider reducing the payout in the future? Or is it still the company's desire for the time being to try to maintain the company as a good payer... not good, but a great payer of dividends?

Mr. Wilson Ferreira Junior: We intend to maintain this trademark of the company as a good payer of dividends with growth in value. Today we are seen more from the dividend point of view, but let's not forget also that we... the company's share was one that held up very well during the crisis last year and is still registering some growth, which we believe can be better perceived by initiatives such as this one today.

Again, Gattas, I think that it is important to explain that our financial discipline dictates that a resource that is going to stay in the company without being used is an expensive resource for us. Whenever this situation arises, the resource is going to be used to pay dividends. The company has a capacity to access both the debt market through the dynamic of the capital markets themselves today... the equities market, in such a way as to be able to provide the necessary finance for any type of enterprise such as the one we have just discussed.

Are we saying that the company can? Yes it can in the event of having a major project for the acquisition of a company, of a greenfield project which I would be unlikely to take on ... for example, and on "the back of an envelope basis", let us imagine the cost of Belo Monte being R\$ 25 billion and the company had a 20% stake in this enterprise. It would have to make an investment of R\$ 5 billion over five years, where we would be talking of R\$ 1 billion per year with financing around 75% and 80%, leaving R\$ 200 million to be arranged. R\$ 200 million in equity per year is not something that would modify a dividend/equity policy such as the one we have explained – it would have to be associated with other things to suffer any changes.

Just remembering that the company invested more than it paid out in dividends this year in terms of growth. It has had investments in the region of 1.2 billion, 1.3 billion over the past four years annually. Thus, the company is a major cash generator and here lies the viability, the advantage of it being positioned in the business of distribution and to have generation projects being concluded...I mean, we shall be finishing the entire generation platform within the next six months.

As I said, we have 1 billion theoretically incorporated in our debt that is still not generating Ebitda but which shall be doing so in six months time. Thus the situation changes again and the problem is a good one – we are going to have more cash than theoretically we have in investments, we have to make our teams look for further investments. We just want to avoid going for growth without the criterion of creation of value. So what the company seeks to show to

the market is that it is one that grows with the creation of value and distributes good dividends, ideally the maximum.

Mr. Gustavo Gattas: Excellent. My final question, Wilson, sorry to take up so much time.

Mr. Wilson Ferreira Junior: Not at all.

Mr. Gustavo Gattas: From the conceptual point of view, we are thinking a lot about the evolution of the company's Ebitda from one quarter to another, from the second to the third quarter, where we see a trend in energy sold by the group as a whole in the order of some 3%, and much of this related to TUSD which we were not expecting to have such an improvement in revenue because the capacity... and on the other hand we see an improvement in pure non-recurring Ebitda of more than 12%.

I just want to understand from the conceptual point of view how you are seeing this? Your second quarter was a little weaker than it should have been, or are we seeing here a benefit from greater efficiency and from greater leverage in operations?

Mr. Wilson Ferreira Junior: I think there are two things. The second quarter really was a worse quarter for the company – it is a quarter where of course you still do not have this recovery in sales volume showing through. For example, it does not incorporate the entire Adjustment Auction and this was also a quarter where there was a tariff adjustment revision for Paulista. So it is not a totally typical quarter, but is one characterized by a process, at least at that point in time, of some continuing doubts with respect to market growth. And it contrasts with what we are witnessing now in the case of the subsequent quarters.

I made a special point of emphasizing productivity. As you can see we continue working hard to increase productivity and this can be seen principally in the relation of consumer base to number of employees. At a time when we are witnessing a recovery in the energy sales market in terms of potential, given the outlook for GDP growth, certainly you will see this strategy of productivity becoming still clearer. We shall certainly see a more accentuated tendency in the next few quarters, in particular because there will be no further tariff reviews – and you will have the start up in projects and a series of initiatives naturally having an effect on productivity.

For example, we are finalizing now in the month of October the implementation of the New Commercial System - CCS at Piratininga, and now in January implanting the system at Paulista and abandoning for the first time... twelve years after privatization, we shall no longer have a mainframe at this company. We have just incorporated the distribution assets of CMS and Santa Cruz and these within three months will be included in the SAP Requisition Project, already implemented in the company so that all companies will be sharing the same platform. Next year we shall be upgrading SAP to all the Group companies.

So it is clear that with these investments, there will be repercussions for example on the quality of the data including for the purposes of management the incorporation of BI systems. And on the other hand with respect to the company's possibility of increasing operating productivity, given that we are already in the period between revisions, a point in time when you have to invest to capture the advantages and later share them with the consumers.

So I would say that the second, yes...the second quarter was an atypical one, but the expectations or the perspectives as from this third in the light of the considerations made here of the impact of the revision which is still provisional, are positive. If this tendency is confirmed for Brazil as a whole and that is our belief, we shall also be in a very favorable position.

Mr. Gustavo Gattas: Excellent. Thank you very much.

Mr. Wilson Ferreira Junior: Thanks, Gustavo.

Operator: This ends the questions and answers session. I would like to hand over to Wilson Ferreira Junior for his final considerations.

Mr. Wilson Ferreira Junior: I would like to thank you once more for your attention during this conference call on our third quarter results and in short, to express our satisfaction in being able to share with you the fruit of this work of prospection, the new investments which we have presented today as well as our optimism in relation particularly to the future auctions for wind power and Belo Monte.

We are convinced that we have a well positioned, smoothly operating distribution platform, such that we can in this new Brazilian moment of growth extract advantage from this – on the one hand through the quality of the markets and on the other, the quality of the operations which have been as I have said, recognized for the third time with the National Quality Award. I would say doing all this to maximize the company's assets and financial platforms.

Financial discipline is more than a company statement, it is a practice, which begins... every quarter when I discuss the results and we are readily able to perceive the value that is created. This month it is more evident still through an important reduction of financial costs at below CDI impacting the whole company. The expectation is that each day we can maximize value a little more, produce value from this platform and link it to a series of initiatives - as well as generation and distribution - such as commercialization and services, and which places us in a perspective that we believe to be very positive and optimistic for the future. These were our considerations for this third quarter. Let us meet again for the next one. Thank you.

Operator: CPFL Energia conference call ends here. We thank you for taking part and have a good afternoon. Thank you.