

annual report 2005



about this report

When CPFL Energia published its first Annual Report in 2003, it made a commitment to transparency by complying with the Global Reporting Initiative (GRI) international reporting guidelines, which guarantee the reading public a balanced overview of the Company's performance in the economic, operating, social and environmental fields.

This commitment, which reflects the company's approach to business, is furthered in this year's report that relates clearly and objectively the performance and results obtained by CPFL Energia for fiscal year 2005.

In this Report, the GRI indicators have been placed next to the issues to which they refer. This format innovation, introduced in last year's Report, is indicative of CPFL's current practice in the management of its companies: the principles of sustainability and corporate responsibility that guide its businesses are incorporated in day-to-day operations.

In this year's Report, CPFL once again publishes a chapter specially dedicated to themes relating to company sustainability, which is preceded by a thorough assessment of the impact of its business in economic, social and environmental spheres.

The Summary of Economic, Financial, Environmental and Social Indicators has been placed on the inside front cover, allowing a rapid overview of the Company's main results for the year. A CD, inserted at the back of the Report, contains complete and audited Financial Statements and complementary information of interest to diverse audiences, available in English and Portuguese (see CD contents on the back inside cover).

Considerable joint effort has been made by numerous parts of the Company to ensure that this Report makes public CPFL's commitment to acting in a responsible and sustainable manner, in addition to contributing to Brazil's economic and social growth, respecting fully its natural resources and their preservation.

declaration by the board of executive officers

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

Wilson Ferreira Jr.

Chief Executive Officer

José Antonio de Almeida Filippo

Chief Financial and Investor Relations Officer

Reni Antonio da Silva

Chief Strategy and Regulation Officer

Hélio Viana Pereira

Chief Operations Officer

Miguel Normando Abdalla Saad

Chief Energy Generation Officer

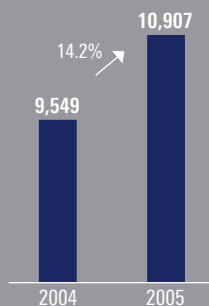
Paulo Cezar Coelho Tavares

Chief Energy Management Officer

key highlights

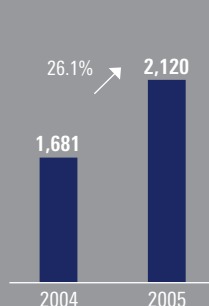
Gross Operating Revenue

(R\$ millions)



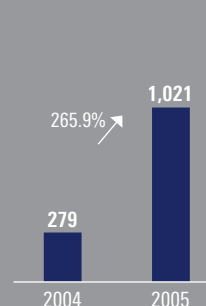
EBITDA

(R\$ millions)



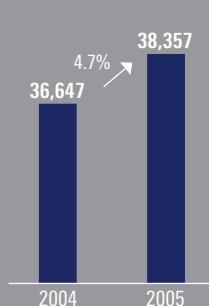
Net Income

(R\$ millions)



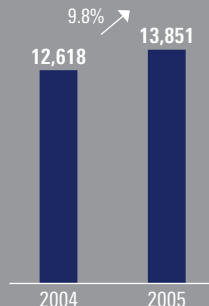
Growth in Energy Sales

(GWh)



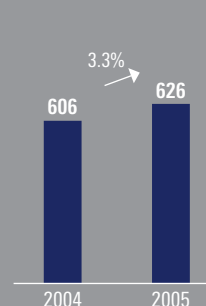
Total Assets

(R\$ millions)



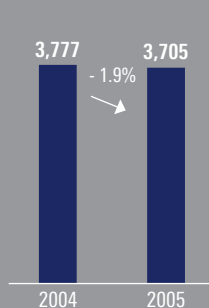
Capital Investments

(R\$ millions)



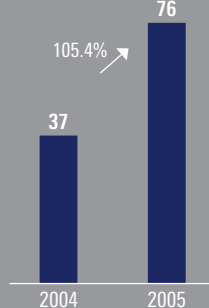
Net Adjusted Debt

(R\$ millions)



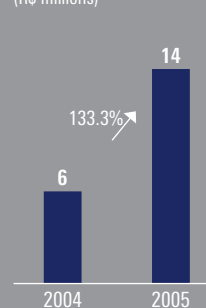
Environmental Investments

(R\$ millions)



Total Contributions to Society – Ibase

(R\$ millions)



summary of economic, financial, environmental and social indicators

CPFL Energia	2005	2004	05/04 (%)	2003	04/03 (%)
Economic Indicators					
Gross Operating Revenue (R\$ millions)	10,907	9,549	14.2%	8,082	18.2%
Net Operating Revenue (R\$ millions)	7,739	6,736	14.9%	6,057	11.2%
Gross Operating Income (R\$ millions)	2,423	1,770	36.9%	1,622	9.1%
EBITDA (R\$ million)	2,120	1,681	26.1%	1,541	9.1%
Operating Income – EBIT (R\$ millions)	1,760	1,268	38.8%	809	56.8%
Financial Income (Expense) (R\$ millions)	(520)	(684)	-24.0%	(1,007)	32.1%
Net Income (R\$ millions)	1,021	279	265.9%	(297)	–
Financial Indicators					
Total Assets (R\$ millions)	13,851	12,618	9.8%	12,050	4.7%
Shareholders' Equity (R\$ millions)	4,796	4,096	17.1%	3,397	20.6%
Investments (R\$ millions)	626	606	3.3%	565	7.3%
Net Adjusted Debt (R\$ millions)	3,705	3,777	-1.9%	4,389	-13.9%
Net Financial Debt/ (Net Worth + Minority Interests) (%)	103	121	-14.9%	166	-27.1%
Shares					
Numbers of Shares (000)	479,757	451,629	6.2%	4,118,698	–
Net Earnings (Loss) per share (R\$)	1.97	0.62	217.7%	0	–
Average common (ON) share price – ON (R\$) *	20.30	17	-100.0%	–	–
Dividends Distributed (R\$ millions)	899	265	239.2%	–	–
Market					
Electricity Sales Volume (GWh)	38,357	36,647	4.7%	34,945	4.9%
Numbers of customers (000)	5,608	5,467	2.6%	5,341	2.4%
Payroll					
Employees (n°)	5,838	5,580**	4.6%	5,393	3.5%
Numbers Hired During the Period (n°)	595	479**	24.2%	237	102.1%
Environmental Indicators – Ibase					
Environmental Investments (R\$ millions)	26	37	-29.7%	28	30.2%
Social Indicators – Ibase					
Internal Social Investments (R\$ millions)	173	182	-4.9%	162	12.1%
Total Contributions to Society (R\$ millions)	14	6	133.3%	5	34.7%
Value Added for the Period					
	6,048	4,933	22.6%	3,916	26.0%
Payroll and Payroll taxes (R\$ millions)	387	443	-12.6%	388	14.2%
Taxes, Fees and Contributions (R\$ millions)	3,903	3,152	23.8%	2,465	27.9%
Interest and Rent (R\$ millions)	3,903	1,059	-30.5%	1,360	-22.1%
Dividends and Interest on Equity (R\$ millions)	918	265	246.4%	–	–
Retained Earnings (R\$ millions)	103	14	635.7%	(297)	–

* Average daily quoted price (at closing)

** Different from previous year as includes controlled companies: Ceran, Baesa and Enercan

map of operations

Commercialization

Active throughout Brazil



Generation

Present Capacity: 915 MW



UHE Serra da Mesa

CPFL Centrais Elétricas
19 small hydroelectric plants
1 thermoelectric plant

UHE Foz do Chapecó

UHE Campos Novos

UHE Barra Grande

4 small hydroelectric plants CPFL Sul

CERAN Complex

UHE Monte Claro

UHE Castro Alves

UHE 14 de Julho

Distribution

5.6 million consumer units served



Distribution

- 523 Municipalities
- 16.5 million people served
- 5.6 million clients

Commercialization

- 86 unregulated market customers
- Active throughout Brazil
- Brazil's largest electric power trader (6,657 GWh) and one of the most important energy-related service providers in the country

Generation

- Present capacity: 915 MW
- Total capacity by end 2006: 1,501 MW
- Total capacity by 2010: 1,993 MW



contents

1.	Messages	
	Message from the Board of Directors	8
	Message from the Board of Executive Officers	10
2.	Corporate Developments and Corporate Governance	
	CPFL Energia Corporate Profile	18
	Corporate Governance	20
	Investor Relations	22
3.	Strategy, Capital Expenditures and Business Outlook	
	Corporate Strategy	28
	Capital Expenditures	29
	Expansion of Operations	30
	Business Outlook	30
4.	Operating Performance	
	Macroeconomic Environment	34
	Regulatory Environment	34
	Electricity Tariffs	35
	Performance Summary	36
	Business Results	37
	Profile of the Electricity Distribution Companies	40
	Performance of the Electricity Distribution Companies	44
	Profile of the Electricity Generating Companies	50
	Performance of the Electricity Generating Business	51
	Profile of the Electricity Commercialization Business	58
	Performance of the Electricity Commercialization Business	59
5.	Economic and Financial Performance	
	Gross Operating Revenue	62
	Net Operating Revenue	62
	Cost of Power	63
	Operating Expenses	63
	Ebitda	64
	Financial Result	64
	Net Income	64
	Consolidated Cash Flow Analysis	65
	Debt	66
	Main Transactions	67
6.	CPFL Energia's Vision of Sustainability	
	Ethics and Transparency	70
	Operational Excellence	72
	Risk Prevention and Management System	73
	Intellectual Property Bank	80
	Action through Socioeconomic Change	81
	Management of Economic Impacts	90
	Management of Environmental Impacts	93
	Management of Social Impacts	110
	Principal Awards Received	120
	Annual Social Report – Ibase Model	124
	The 10 Principles of the Global Compact	126
	GRI Reference Index	127
	Team Responsible for Preparing GRI Indicators	133
	Corporate Information	134
	Credits	136

messages





Management excellence and consistent corporate strategies have led the Company to unprecedented results and to reaching objectives established since its inception.

In 2005, CPFL Energia achieved its best results since 2002, the year of its constitution. Net income reached R\$ 1.021 billion, an increase of 266% over 2004, confirming previous optimistic expectations.

This result is a consequence of the Company's ongoing commitment to creation of shareholder value, to increasing its share of the Brazilian energy market, to strict financial management practices and to the continual pursuit of efficiency and productivity gains.

This outstanding performance in key economic and financial indicators has allowed the Company to maintain a generous distribution policy for dividends and interest on capital, which totaled R\$ 899 million, R\$ 1.92 per share, equivalent to 95% of adjusted net profit for the year.

Highlights in the field of operations are the 4.7% growth in electricity sales and the start of operations at the Barra Grande hydroelectric power plant, the second of six generation plants currently under construction. The commissioning of the Campos Novos hydroelectric plant is planned for 2006. 2007 and 2008 will see the start-up of the Castro Alves and 14 de Julho plants respectively. Work at the Foz do Chapecó plant will begin before the end of 2006, with operations forecasted to begin in 2010. These investments are an essential part of the Company's business growth and diversification strategy.

CPFL's activity in 2005 was also marked by important progress in institutional areas. The regulatory field saw the completion of the tariff review for CPFL Energia-controlled distribution companies and the consolidation of changes to Brazil's Electricity Sector Model, first introduced in 2004. These events provided a stable environment for the development of business over the financial year and have created a positive outlook for adjustments to the Model, which are vital for attracting fresh private investment to the sector. Internally, CPFL Energia incorporated new improvements in Corporate Governance and Investor Relations practice. Internal

processes and controls were improved and management systems were adapted in line with best practice in Brazil and the rest of the world.

Over the year, corporate changes increased the number of shares on the market and the free float grew to 17.75%. The controlling shareholders have committed to raising shares trading in the market to 25% by September 2007.

The markets recognized this good performance and CPFL Energia shares posted a substantial appreciation on the São Paulo and New York stock exchanges, exceeding key stock index performance.

This recognition is symptomatic of investor confidence in the Company's business strategy, in the soundness of the Group's economic and financial indicators and in the new investment capacity, factors which will allow it to grow synergistically and to increase its share of the Brazilian electric energy market via the acquisition of existing businesses or the construction of new plants.

Considerable progress has been made in the search for excellence of corporate management and operations of the Company and its subsidiaries. This effort was validated by the unprecedented achievement of CPFL Paulista – the company that gave rise to the Group – in obtaining the National Quality Award® – PNQ, granted by the National Quality Foundation.

It is satisfying to note that CPFL Energia's corporate consolidation is directed to increasing its participation in the development of its regions of operation as well as that of Brazil. The Company has many objectives and in order to reach them it depends on the motivation of all its employees and on the confidence of shareholders.

My thanks are due to all.

Carlos Ermírio de Moraes

Chairman of the Board of Directors

message from the board of executive officers

CPFL's business strategy, which rests on five keys pillars – synergistic growth, operating efficiency, financial discipline, superior Corporate Governance, and sustainability and corporate responsibility – has provided the Company with its best result since its formation.

Consolidated gross revenue for the year was R\$ 10,907 million, an increase of 14% on the previous year. This result was driven principally by growth of 4.7% in electricity sales, by the effects of annual tariff increases and by growth in revenue from use of the distribution system – TUSD. With the growth in revenue and efficient management of costs and expenses, the operating result measured by EBITDA reached R\$ 2,120 million, an increase of 26% on 2004. With respect to net financial expenses, a reduction of 51% equivalent to R\$ 329 million was achieved. As a result, consolidated net income grew 266%, from R\$ 279 million to R\$ 1,021 million.

Ebitda increased 26% over the previous year.

Net income reached R\$ 1.0 billion

Among the key factors leading to these results were the performance achieved by the three business groups and the improvement in Group financial results.

In the energy distribution sector, CPFL Paulista, CPFL Piratininga and RGE distribution companies that operate in markets with growth rates superior to the Brazilian average, served 5.6 million clients and registered total sales of 31,019 GWh. Consumption by residential, commercial and rural classes rose by 5.8%, 8.0% and 6.9% respectively.

The Group distributors maintained their lead ranking with respect to the quality of energy supply and to client servicing. Performance was considera-

bly higher than that required by the National Electric Energy Agency – Aneel, with special mention going to CPFL Paulista and CPFL Piratininga, which registered the best indices for quality of energy supply of all Brazilian distributors – measured by the length and average frequency of interruptions.

In the commercialization segment, an aggressive strategy of customer conquest and retention was adopted. CPFL Brasil maintained its market-leading position and ended 2005 with 86 clients and growth of 114% in unregulated market sales, reaching 6,863 GWh. Total sales grew 50% in 2005, with market share equivalent to 27% of all energy transacted by sector commercialization companies in Brazil. In addition, the Company has established itself as a significant provider of energy solutions and consultancy services for energy management.

In the electricity generation segment, CPFL Geração continued its program to increase installed capacity, with investments in the construction of new hydroelectric generation plants and in the upgrading of its small hydroelectric plants – PCHs. A highlight of 2005 was the commencement of commercial operations at the first generating unit of the Barra Grande plant on November 1 2005. Also in 2005, filling of the reservoir at the Campos Novos hydroelectric facility began, prior to the start of commercial operations in 2006. Work on upgrading the Gavião Peixoto small hydroelectric plant began while four new small hydroelectric plants were acquired and grouped together in the recently formed CPFL Sul Centrais Elétricas, CPFL Geração's youngest subsidiary.

Through these initiatives, available generating capacity reached 915 MW in 2005 from 854 MW at the end of 2004 and should reach a total of 1,501 MW in the first six months of 2006, with the start-up of operations at the three generating units of the Campos Novos plant, at two further generating units of the Barra Grande plant and with the second electricity generating unit of the Monte Claro plant. As a result,

generating capacity will see an increase of 76% over 2004. With the conclusion of further generating projects currently in development, CPFL Geração will reach an installed capacity of 1,993 MW in 2010.

In the financial management arena, CPFL Energia maintained the trend of improvement from previous years. Of note among other indicators are the reduction in the nominal cost of debt, which fell from 17.7% in 2004 to 13.9% in 2005, as well as the increase in average debt maturity, rising from 5.1 to 6.1 years. The Company's strong financial indicators, and in particular its cash flow protection measures were highlighted in a Standard & Poor's report which raised the Company rating to BrA+.

The year also saw the conclusion of the implementation of GVA – Shareholder Value Generation, an advanced management system which directs Company activities toward value creation.

In the Corporate Governance field, CPFL Energia's differentiated practices took on board new developments, with the adapting of the Advisory Committees structure in support of the Board of Directors, and with actions taken in the field of compliance. Additionally, measures undertaken permitted an increase in free float to 17.75%, reaffirming the commitment of meeting the goal of a 25% free float by September 2007.

The capital markets have recognized the efforts made and results obtained by the Company. The volume of CPFL Energia shares traded has risen and Company shares are now part of some of the leading market indices, among which are IbrX-100 (the 100 most traded shares) and IEE (an index made up of the major electricity companies listed on Bovespa). On the New York Stock Exchange (NYSE), CPFL Energia is now part of the DJ Brazil Titans 20 ADR, a Dow Jones index of the 20 most traded Brazilian ADRs.

The Company's stance on Governance, Sustainability and Corporate Responsibility has led to the inclusion of its shares (which outperformed those of

the select group of which the Company is a part) as a component of the following: IGC – Index of Shares of Advanced Corporate Governance, ITAG – Special Tag Along Stock Index and ISE – Corporate Sustainability Index. The inclusion in these indices reflects the Company's advanced practices in these areas.

The appreciation of CPFL Energia shares, by 65% on Bovespa and by 85% on the New York Exchange, also exceeded considerably Ibovespa – the leading Bovespa stock index, and the Dow Jones index, which appreciated 28% and 0.6% respectively. Once more, this reflects investor confidence in the Company's business strategies and its generous dividend distribution policy.

The principles of Sustainability, Corporate Responsibility and of CPFL's Strategic Agenda have a constant influence on the management of economic, social and environmental impacts with emphasis on the continual improvement of working processes, corporate risk management and on the development of projects designed to create value within both the internal and external spheres of the Organization. Among other initiatives in 2005, were the CPFL Respect for Diversity Program, the CPFL Program for Promoting Volunteer Work, the Supplier Development Program. Externally, the Company has embarked on the Program for Modernizing the "Santas Casas" – charity hospitals originally run by religious foundations – and Philanthropic Hospitals, the purpose being to cultivate modern management practice in these institutions.

In 2005, CPFL Energia further increased the activities of the CPFL Cultural Center, which is developing an aggressive project to disseminate learning in the most significant fields of knowledge.

The broad and inclusive vision of responsibility and the commitment to sustainability put into practice by CPFL Energia was recognized externally once more in 2005. For the fourth consecutive year, the Company was selected as one of the Best Companies to Work

For in Brazil in a survey organized by Exame magazine. For the second year running, CPFL Energia was presented with the Social Report Award for the transparency and comprehensiveness of its Annual Report.

However, a recognition considered historic for never having been awarded previously to a Brazilian electricity sector company was the presentation to CPFL Paulista of the National Quality Award® - PNQ, which ranks among the most important in the world for the demanding assessment criteria employed.

The PNQ recognizes CPFL Energia's commitment to encouraging its subsidiaries to maintain management practices aligned with internationally accepted excellence criteria. This excellence translates into the permanent quest for creating shareholder value and the Group companies' other stakeholders.

The Company's performance in recent years – evidence of its ability to plan in order to achieve the desired results – has made CPFL Energia a company prepared to continue growing in an ordered and competitive fashion within the Brazilian electricity sector while, at the same time, capable of contributing to the sustained growth of Brazil.

To meet these challenges, which will require considerable energy, creativity and synergy of effort, CPFL Energia counts on the commitment of management and employees and particularly on the confidence of its shareholders, suppliers and clients.

Wilson Ferreira Jr.
Chief Executive Officer



FNQ FUNDAÇÃO
NACIONAL DA
QUALIDADE
EXCELÊNCIA EM GESTÃO

**CPFL. Vencedora
do Prêmio Nacional
da Qualidade® 2005.**

CPFL
PALLISTA

Uma empresa

CPFL
ENERGIA

National Quality Award®

excellence and best international practice

In 2005, CPFL Paulista became the first company from the Brazilian electricity sector to win the National Quality Award® – PNO, sponsored by the National Quality Foundation – FNO. The FNO, which since 1991 has awarded 23 organizations (15 of these being major corporations), follows internationally accepted assessment standards, putting it on a par with major awards such as the European Quality Award, the Deming Prize (Japan) and the Malcolm Baldrige Quality Award (USA).

For CPFL, this achievement equates to a certification of excellence in the management of corporate and operating processes. Before winning the PNO 2005, CPFL Paulista had been a finalist for the award in 2004.

The Company achieved this standard and the PNO as a result of the complete execution of its strategic plan, which also placed it among the top energy companies in the world on gaining the following certifications: ISO 9001 for Quality, ISO 14001 for Environmental Management, OHSAS 18001 for Occupational Health and Safety and SA 8000 for Social Responsibility.



The Fundamentals

The National Quality Foundation, a private not-for-profits' organization, was founded in 1991 by 39 private and public sector organizations to administer the National Quality Award® – PNO.

In 2005 the Foundation launched a pioneering project with the aim of becoming one of the major worldwide centers for study, debate and knowledge dissemination of management excellence by 2010. At the same time, it came to be known as FNO – National Quality Foundation and redefined its mission statement, which is to “disseminate the fundamentals of management excellence for increased competitiveness of organizations and of Brazil”.

What has provided the PNO with the credibility it enjoys today is the ability to master the know-how in the assessment area, combined with an ethical code rigorously followed by the institution and the examining boards, and the successive updating of excellence criteria, in the light of an ongoing dialog with similar institutions in Brazil and abroad.



CPFL Chief Executive Officer Wilson Ferreira Jr. receives the National Quality Award® from João Carlos de Souza Meirelles – Science, Technology and Economic Development Secretary of the State of São Paulo | November 2005

**corporate developments
and corporate governance**





CPFL Energia applies the most advanced Corporate Governance practices. The excellence of its relations with stakeholders exceeds the legal requirements of the domestic and international markets.

corporate developments and corporate governance

@... Further information can be obtained in full at <http://ri.cpf.com.br>

GRI

Regional Market Analysis

CPFL Energia companies make up one of the largest groups in the Brazilian electric energy sector. The Group currently accounts for:

- Distribution: 12.4% Brazilian market share
- Generation: 4% domestic private sector market share
- Commercialization: 27% Brazilian market share.

Information for GRI Performance Indicator EC 2

cpfl energia corporate profile

CPFL Energia S.A. is a holding company with interests in other companies operating in the electric energy distribution, generation and commercialization businesses, both in regulated and unregulated markets. Brazilian law governs its activities, and its subsidiaries also adhere to the standards established for companies in the electric energy sector. The terms of concession contracts are agreed through the intermediary of the regulatory authority, the National Electric Energy Agency – Aneel.

subsidiaries, by activity segment

In the Electricity Distribution arena, CPFL Energia retains complete control of Companhia Paulista de Força e Luz S.A. – CPFL Paulista, which in turn owns 100% of the equity of Companhia Piratininga de Força e Luz S.A. – CPFL Piratininga. It also controls 67.07% of the equity of Rio Grande Energia S.A. (RGE).

Combined, the distributors serve 261 municipalities in the interior and coastal regions of São Paulo state and 262 municipalities in the interior of Rio Grande do Sul state.

In the Electricity Generation business, CPFL Energia controls the totality of equity in CPFL Geração de Energia S.A., which holds 100% equity in the following operating companies:

- CPFL Centrais Elétricas S.A. – CPFL Centrais Elétricas.
- Semesa S.A. – Semesa.
- CPFL Sul Centrais Elétricas Ltda. – CPFL Sul Centrais Elétricas

CPFL Geração also has stakes in the following companies:

- 65% in Ceran – Companhia Energética Rio das Antas.
- 25.01% in Energética Barra Grande S.A. – Baesa.

- 48.72% in Campos Novos Energia S.A. – Enercan.
- 66.67% in the equity of Foz do Chapecó Energia S.A. – Foz do Chapecó.

Note: see page 55 of this Report for detailed information on the progress of above-mentioned works.

In the Electricity Commercialization business, via its wholly-owned subsidiary, CPFL Comercialização Brasil S.A. – CPFL Brasil, CPFL Energia trades on a nationwide basis in the country's unregulated electric energy market as well as providing power-related services.

summary of 2005 corporate events

February – Alteration of the characteristics of redeemable class “C” preferred shares issued by CPFL Paulista and consequent provision for goodwill amortization. These measures were taken to meet the requirements of the National Electric Energy Agency – Aneel, and were previously approved by the CVM (Brazilian Securities and Exchange Commission).

June – CPFL Geração becomes a wholly-owned subsidiary of CPFL Energia with subsequent migration of minority-held shares from the subsidiary to the holding company.

July – Increase in CPFL Energia's share capital with the issuing of new shares subscribed by the International Finance Corporation – IFC.

September – Extension of the deadline for the unwinding of the cross shareholdings of the subsidiary CPFL Paulista, with the transfer of its equity interest in CPFL Piratininga (by April 2006) and in RGE (by March 2007) to CPFL Energia holding company.

November – CPFL Piratininga becomes a subsidiary of CPFL Paulista. As a result, CPFL Piratininga's shares are exchanged for shares in CPFL Paulista which, in turn, are exchanged for shares in CPFL Energia.

December – Creation of CPFL Sul Centrais Elétricas Ltda., subsidiary of CPFL Geração.

controlling shareholders

CPFL's capital stock comprises common (ON) shares only. Main shareholding interests are held by private financial conglomerates and by four of the major Brazilian pension funds.

VBC Energia S.A.

Its shares are held by the Votorantim, Bradesco and Camargo Corrêa groups.

Among CPFL Energia's shareholders are some of the largest and most solid industrial groups and private pension funds in Brazil

521 Participações S.A.

The investment fund of the Banco do Brasil Employee Pension Fund – Previ.

Bonaire Participações S.A.

An investment fund belonging to the consortium formed by the following pension funds: Fundação Cesp – Funcesp, Fundação Petrobras de Seguridade Social – Petros, Fundação Sistel de Seguridade Social and Fundação Sabesp de Seguridade Social - Sabesprev.



CPFL's relationships are based on transparency, fairness, accountability and on corporate responsibility

corporate governance

Since its incorporation, CPFL Energia has adopted the differentiated practices of Corporate Governance based on the principles of transparency, fairness, accountability and corporate responsibility as a permanent source of guidance and an essential part of its business strategy. The objectives are to make the Company's growth sustainable and to establish relationships of trust with its shareholders, investors, and other stakeholders.

The Company voluntarily and rigorously follows the requirements of its listing on Bovespa's Novo Mercado and level III ADSs on the New York Stock Exchange. As a result, it adopts Corporate Governance initiatives which have endowed CPFL with a competitive edge in the market. The following are highlighted:

- 100% Tag Along rights.
- 100% Common Shares making up its capital stock: one share is equal to one vote.
- Constitution of Advisory Committees supporting the Board of Directors.
- To maintain the subsidiaries' corporate by-laws aligned with those of CPFL Energia.
- Maintain a commitment to achieving a free float of at least 25% by 2007.
- To publish financial statements in accordance with US GAAP and Brasil GAAP standards.
- To retain a self-appraisal program for the Board of Directors and Fiscal Council.
- To produce and publish an Annual Report in line with guidelines of the Global Reporting Initiative – GRI.

free-float

In 2006 the Company will continue to implement necessary adjustments for fully adapting to the rules of the New Model of Bovespa's Novo Mercado. Among these is the commitment to increase the free float to at least 25% by 2007. Currently, 17.75% of the Company's shares are traded in the market. A range of possible strategies is being examined to achieve this objective, to be announced in due course once a decision is taken.

internal controls/compliance

CPFL Energia is constantly taking measures to improve its internal controls. 2005 saw the creation of a Disclosure Committee and a compliance structure responsible for coordinating efforts to document and evaluate business proceedings to ensure requirements are met for obtaining certification under Sections 302 and 404 of the US Sarbanes-Oxley Act.

The Board of Directors approved the creation of a Corporate Governance Committee, responsible for examining changes to corporate by-laws and other documents related to Company management bodies. Also approved was a measure making the Fiscal Council responsible for supervising and assessing the work of the independent auditors. This allows CPFL Energia's Fiscal Council to act as an audit committee under the terms required by the Securities and Exchange Commission – SEC and, in particular, by the Sarbanes-Oxley Act. As a result, the Audit Committee has been re-denominated the Processes and Internal Controls Assessment Committee, with responsibility for the coordination of the internal audit team.

Also in 2005, an anonymous and confidential communication channel (the Sarbanes-Oxley Channel) was installed to facilitate questioning and allega-

tions of attitudes and practices that could jeopardize the accuracy of the Company's accountancy and auditing. Additionally, the Board of Directors website was installed.

In December, the Information Technology Committee was set up with the task of meeting monthly to monitor progress and offer greater transparency in the conduct of projects and investments made by this area.

cpfl energia management structure

General Shareholders' Meeting

This is the Company's supreme governing body with decision-making capacity and responsibility for ensuring the legality and legitimacy of the Company's corporate management structure. It is the responsibility of the General Shareholders Meeting to elect the members of the Board of Directors and the Fiscal Council. Held within the four months following the end of each fiscal year, the Meeting must examine, discuss and approve the Company's financial statements as well as determine the allocation of net income and decide dividend policy

Board of Directors

The Board is responsible for determining the general direction of business and for approving company policy. It elects and oversees the activities of the Board of Executive Officers. The Board comprises 12 members elected for a one-year term, with re-election allowed. They are required to meet monthly or at the decision of the Company's Chairman.

Fiscal Council

Independent from the management and the external auditors, CPFL Energia's Fiscal Council is permanently installed and composed of five members. Its principal role is to monitor management actions, as well as to

examine and offer an opinion on the financial statements for the fiscal year.

Since June 8 2005, the Fiscal Council has taken on the responsibilities of the Audit Committee, based on the exemption established in rule 10A – 3(c)(3) of the Exchange Act, so as to meet the rules established for foreign company listings on the NYSE.

Since June 2005, the Fiscal Council has been accumulating the role of the Audit Committee

Board of Executive Officers

The Board of Executive Officers is responsible for the day-to-day management of Company operations in accordance with the guidelines established by the Board of Directors, which elects its members. The Board of Executive Officers is made up of six members with a two-year term of office and re-election allowed.

Advisory Committees to the Board of Directors

The Company's decision-making process is backed by seven committees which advise the Board of Directors:

- Executive Committee.
- Processes and Internal Controls Assessment Committee.
- Corporate Governance Committee.
- Compensation Committee.
- Works Committee.
- Financial Services Committee.
- Procurement Committee.

All advisory committees are manned by Board Directors and shareholder representatives. Each committee has its own internal regulatory charter. Among the principal functions is the responsibility to provide input for enabling the Board to reach its decisions.

@... The résumés of the Board of Directors and Executive Officers are available on the Company website.

investor relations

In 2005, CPFL Energia expanded its channels for fostering communication and relations with shareholders and investors. Worthy of particular note was CPFL Day at the New York Stock Exchange, the venue for a meeting of investors, capital markets' analysts and members of the international finance community. In addition, a commemorative event was organized for the first anniversary of the Company's public share offering. Efforts were made to achieve a closer relationship with individual investors through a participation in the Expomoney SP event.

Also in 2005, a series of events was held with investors and analysts. There were 261 one-on-one meetings in all, including:

- The holding of 10 webcasts and 10 public presentations for investors.
- Organization of four non-deal road shows in Brazil and three abroad.
- Participation in 10 domestic conferences and seven conferences abroad.
- Analyst and investor visits to Company operating and management units.

Closer relations with the market led to an increase in the number of institutions following and disclosing the Company's activities via analysts' reports. By the end of 2005, 14 institutions were providing full periodic coverage of CPFL Energia, compared to five in the previous year.

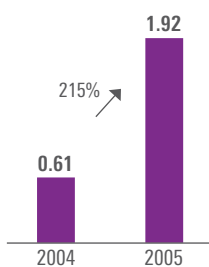
The Investor Relations website was expanded with the inclusion of new information sections. Six editions of the "CPFL Investor" newsletter, a bimonthly publication produced in Portuguese and English, complemented this initiative.

dividend policy

Committed to providing a return to its shareholders, CPFL Energy's generous distribution policy guarantees a dividend payment of a minimum of 50% of net adjusted income on a half-yearly basis.



Dividend per Share (R\$)



However, the Company has exceeded this parameter in the last two semesters. Dividends were equivalent to 95% of adjusted net income and totaled R\$ 899.1 million, R\$ 400.6 million and R\$ 498.5 million in the first and second half, respectively.

The total distributed equates to R\$ 1.92 per share, an increase of 215% over the R\$ 0.61 per share distributed in 2004.



CPFL Energia | 1 year on from the IPO | NYSE | New York

cpfl shares as an investment

CPFL Energia's common shares are traded on the São Paulo Stock Exchange's Novo Mercado while the Company's American Depositary Shares are listed on the New York Stock Exchange. Each ADS is equal to three common shares. Since the completion of the public offering, CPFL has become a component of some of the principal domestic and international stock market indices.

On Bovespa, CPFL Energia shares are included in the following indices:

- IBrX 100 – the index of the 100 most traded shares
- IEE – Electric Energy Index

- IGC – Index of Shares of Advanced Corporate Governance
- ITAG – Special Tag Along Stock Index
- ISE – Corporate Sustainability Index

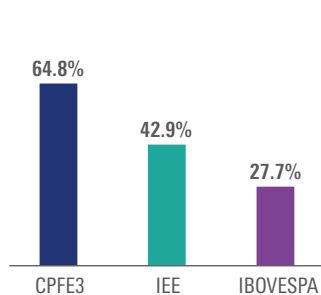
On the NYSE, the Company's shares are part of the Dow Jones Brazil Titans 20 ADR Index made up of the major Brazilian ADSs traded on the Exchange.

In 2005, the performance of CPFL Energia shares (codes CPFE3 and CPL, on Bovespa and the NYSE respectively) exceeded the main capital markets' indices.

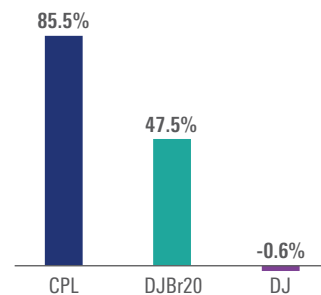
In the Brazilian market, CPFL Energia's shares appreciated by 64.8% against 42.9% for the IEE and 27.7% for Ibovespa. Abroad, ADSs gained in value by 85.5% against 47.5% for the Dow Jones Brazil Titans 20 ADR Index and a fall in value of 0.6% in the Dow Jones Industrial Average.

CPFL's shares appreciated 85.5% on the NYSE and 64.8% on Bovespa

Share Price Change – Bovespa
(accumulated 2005)

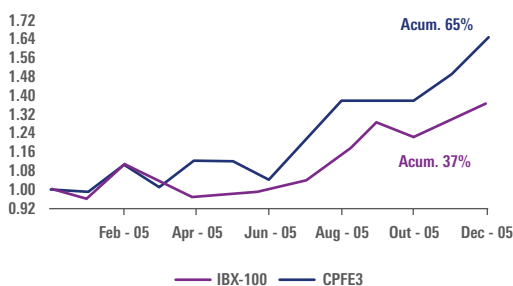


Share Price Change – NYSE
(accumulated 2005)

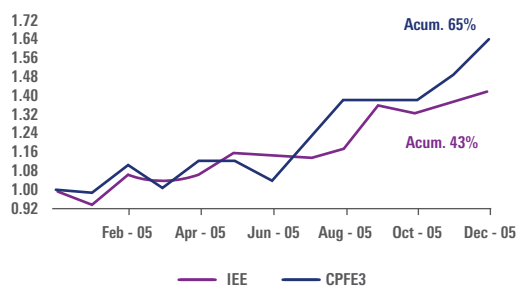


Furthermore, CPFL Energia's shares registered a superior performance to the indices in which the Company is listed.

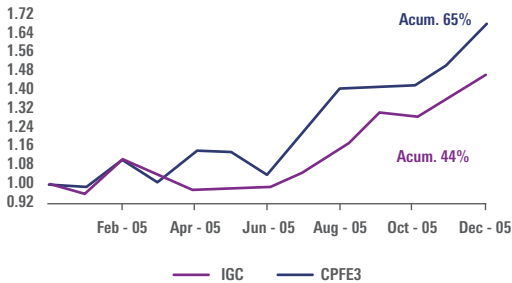
IBX-100 x CPFE3



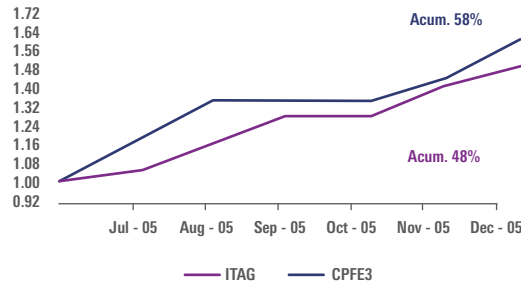
IEE x CPFE3



IGC x CPFE3



ITAG x CPFE3



recognition

The OCDE – Organization for Economic Cooperation and Development and the IFC – International Finance Corporation regard CPFL Energia as among the companies with best Corporate Governance practice in Latin America. This recognition was cited in the publication of the study “Case Studies of Good Corporate Governance Practices”, which highlighted only eight

companies in Latin America, six of them from Brazil, among which was CPFL Energia.

The work carried out by the Corporate Governance and Investor Relations sectors at CPFL Energia also received the following additional market accolades.

- ABAMEC – Quality Award 2005.
- APIMEC SP – Best Presentation – 2005.
- Institutional Investor Magazine – 2005.
- 1st place in “Corporate Governance” – Latin America Electric Utilities.
- 2nd place in “Investor Relations” – Latin America Electric Utilities – Sell Side.
- 2nd place in “Investor Relations” – Latin America Electric Utilities – Buy Side.
- IR Magazine Awards - 2005 Brazil.
- Honorary mention – Best Investor Relations Program for an Initial Public Offering.



CPFL Energia is among the companies with best Corporate Governance practice in Latin America

**strategy, capital expenditures
and business outlook**



Excellence now and in the future through the completion of a capital expenditures plan which will allow CPFL Energia to achieve sustainable growth of operations and guarantee a return to its shareholders.



strategy, capital expenditures and business outlook

corporate strategy

In 2002, CPFL adopted a long-term strategy aimed at creating value for all its stakeholders through the sustainable growth of the business. The key planning objective is the consistent and synergistic expansion of its electricity generation, commercialization and distribution activities. This depends on the identification of opportunities, increases in operating efficiency and on the dissemination of strategic guidelines throughout the organization thus laying the foundations for assuring value creation and business development in a low risk environment.

The strategy is based on five key pillars of activity:

- Operating efficiency through operating improvements, standardization and certification of processes and automation and modernization of systems.
- Synergistic growth with the objective of increasing CPFL Energia's share in the energy market through its electricity distribution, generation and commercialization activities; balancing the portfolio and benefiting from gains of scale.
- Financial discipline, with the key objectives of economic and financial management of the business being to optimize the Company's debt levels and to create shareholder value (GVA).
- Corporate responsibility and sustainability with the aim of ensuring that the sustainable development of the Company's activities adheres to the highest standards of excellence with respect to the environment and through a proactive interest in the economic, cultural and social aspects of contiguous communities together with a commitment to contributing effectively to their development.
- Differentiated Corporate Governance practices, which entail the adoption of transparent management

practices, equality of treatment to shareholders and an increase in free float.

Effective adherence to this strategy was shown over the course of 2005, and the effects of this on future Company business should be visible through greater levels of client satisfaction, in enhanced relations with stakeholders, in exclusive business opportunities and in the sustainability of operations.

In the electricity generation sector, CPFL Energia is increasing its generation capacity. Expansion is taking place through the acquisition of existing plants, the construction of new plants subsequent to successful tender bids under the aegis of Aneel for harnessing hydro power, and through the updating and modernization of the Company's PCHs – Small Hydroelectric Power Plants.

In the energy commercialization sector, CPFL Brasil's activities aim to complement those of the electricity distribution sector and are geared towards retaining clients who choose to migrate from the regulated to the unregulated market. CPFL Brasil's business growth strategy involves the acquisition of new clients outside its concession areas. As a competitive difference, the Company provides value-added energy-related services, as well as being able to trade electric energy on both the unregulated and regulated markets.

The key objective for the energy distribution segment is to increase the operating efficiency of CPFL Energia's companies in order to improve the quality of services provided to clients and reduce operating and maintenance costs. It is also to ensure differentiated commercial management practices with a concomitant reduction in commercial losses and payment delinquency.

The year also saw the full implementation of GVA – Generating Shareholder Value, an advanced management system for ensuring that the Company's activities are permanently creating value.

The principal external metric employed by GVA is TSR – Total Shareholder Return, while its internal metrics are TBR – Total Business Return, CFROGI – the ratio between operating cash flow and gross capital investment, and CVA – Cash Value Added. GVA is a management system which aligns strategies to operations, thereby maximizing the value of the business. It can also be used to establish the relationship between actions implemented in any process and their impact on results and on company value.

CPFL Energia's strategic planning exercise takes place annually. Known as the Millennium Plan, it is organized around four key stages of corporate management – Strategic Reflection, Quantification, Performance Indicators and Variable Compensation.

The dissemination and deployment of these strategies at all levels of the organization that occurs via the Millennium Plan is linked to the management performance system termed Personal Value, which forecasts company results and determines the individual objectives that need to be met. The Prometa System is used to monitor the performance of all individual project control variables.

capital expenditures

Capital expenditures amounted to R\$ 626.5 million in companies controlled by CPFL Energia in the electricity distribution, generation and commercialization sectors. Investments are designed to adhere to business growth strategy and increase the quality of service provided.

In the generation segment, resources were directed principally to the new hydro power plants under construction – the Ceran Complex, Barra Grande and Campos Novos – in which R\$ 244 million was invested. Another R\$ 11 million was spent on other projects, including the acquisition of four Small Hydroelectric

A total of R\$ 255 million was invested in power plant construction in 2005

Power Plants in Rio Grande do Sul state and also the upgrading of the Gavião Peixoto Small Hydroelectric Power Plant.

The electricity distribution segment saw a priority investment of R\$ 202 million for the expansion of the distribution system in order to support the 141,000 new clients served in 2005. A further R\$166 million was used for maintenance and improvements to the distribution system, operating infrastructure, operating support systems and for the research and development program.

The Project GIS-D – Integrated Distribution System Management, providing support for all the processes involved in power distribution, was fully implemented together with the restructuring and modernization of CPFL Piratininga customer service channels.

gis-sddt integration

The integration of SDDT – Digital supervision and control system – with GIS-DMS was concluded at CPFL Paulista's operations center for meeting the needs of this new support tool for operating the power distribution system and thereby allowing a transparent interface for the operation of both systems. In particular, the "open system" characteristic of SDDT is conducive to its integration as well as that of other technical or corporate systems, with a resulting high performance.

Investments (R\$ millions)		
Segment	2005	2004
Distribution	368.0	261.2
Generation	254.9	342.3
Commercialization	3.5	2.2
Total	626.5	605.7

expansion of operations

CPFL Energia operates according to a schedule set out in its plan for expanding power distribution and generation businesses, with the conclusion of plant construction slated for 2010. Of a total of R\$ 3.5 billion, R\$ 1.4 billion is earmarked for energy generation and R\$ 2.1 billion for distribution. Investments in expansion account for 83% of the total investment figure.

Following the start-up of operations at the Monte Claro hydroelectric facility in December 2004, and at the Barra Grande facility in November 2005, CPFL Geração's installed generating capacity reached 915 MW and should achieve 1,501 MW in 2006 with the commissioning of operations of three generating units at the Campos Novos hydro power plant, two generating units at the Barra Grande plant and the second generating unit at the Monte Claro plant. With the conclusion of additional projects under construction, namely the Castro Alves hydro facility in 2007, the 14 de Julho plant in 2008, and the Foz do Chapecó plant in 2010, installed capacity at CPFL Geração will reach 1,993 MW.

In the power distribution sector, investments will provide capacity for servicing an estimated 600,000 new clients by 2008.

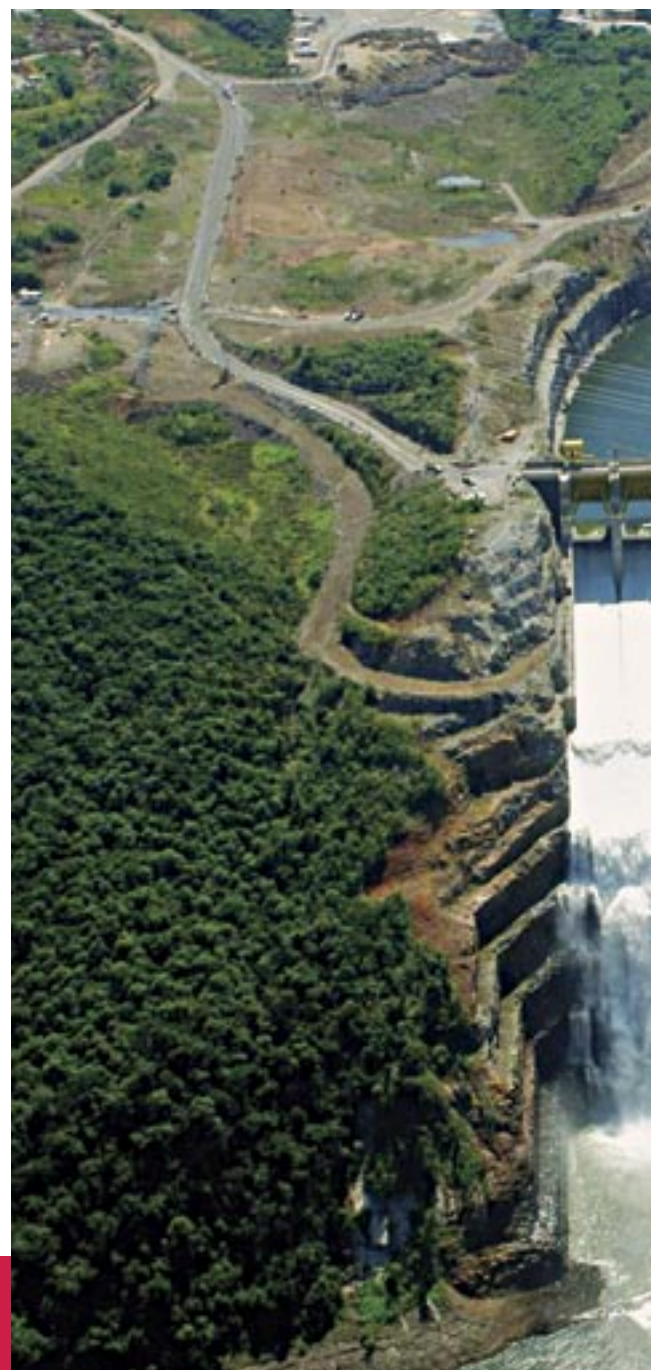
Funding for these projects comes primarily from the BNDES via programs such as Finem, a dedicated finance line for the expansion and modernization of the Brazilian electric system. Further resources come from the Company's own internally generated resources. The solid financial condition achieved by the Group also allows it to tap the capital markets for additional funding.

business outlook

CPFL will retain the strategy of sustainably growing its operations in 2006. Capital expenditures are designed to increase standards of service quality and maximize

new business opportunities in the segments in which the Company operates.

The Company's planning process assumes macroeconomic and regulatory stability, with growth in the Brazilian economy and economic activity in its distributors' areas of operation as well as the unregulated energy market. The latter was the fastest-growing segment of the Brazilian electric energy sector, reporting a growth rate of 50% between 2004 and 2005.



The Company has been rigorously complying with timelines for execution of work in progress at its generating plants under construction. In the commercialization sector, the policy of retaining the current client base and prospecting new clients will be maintained. The potential increase in demand in this sector should provide the Company with further opportunities for growth.

CPFL Energia plans to study opportunities arising from government New Electric Energy Auctions as long as the conditions offered fall within the Company's mi-

nimum parameters of return and risk.

With the aim of furthering business diversification, the Company may enter the electric energy transmission sector, either through acquisition of existing assets or through auctions for new lines put up for tender by the Federal Government.

In this way, CPFL Energia will be well positioned, both financially and operationally, to play a major role in the consolidation forecasted for the Brazilian electric energy sector.



Campos Novos hydro power plant | Santa Catarina

operating performance



CPFL Group companies seek to employ the most advanced management practices. As a result, they set the standard in their operating segments.

operating performance

macroeconomic environment

In 2005, the Brazilian economy was impacted by an international environment of economic growth and controlled inflation in the leading financial centers. International interest rates receded and investors directed resources to emerging markets which registered consistent economic fundamentals allowing returns to be maximized. Brazil was one such recipient of international capital, reporting considerable inflows over the year. In addition, the country registered a record trade surplus of US\$ 44.8 billion. As a result, the real appreciated 11.8% relative to the US dollar during the year, reporting a closing rate of US\$1.00/R\$ 2.34.

In the domestic arena, a policy of controlling inflation through the setting of inflation targets and adjustments to the basic rate of interest (Selic) was maintained. There was no defined trend during the year, the Selic being at 18.25% in January, peaking at 19.75% in May and then gradually declining to 18.00% in December. These measures caused the IGP-M – the general price index – to rise by only 1.21% in the year, the lowest ever registered for this indicator since its inception.

Mechanisms have been established for passing on non-manageable costs to distributors' tariffs

However, GDP grew by 2.3%, a rate lower than forecasted, but sufficient for demand in the electric energy sector to increase, particularly in the residential and commercial classes of consumers. Other factors affecting this increase were: a 2% growth in incomes (measured between 2004 and 2005 in the six major urban regions according to the government statistics office – IBGE); a reduction in the formal unemployment rate (8.3% in 2005

– the lowest registered since March 2002); and increased availability of personal credit (growing 83% from 2004 to 2005).

regulatory environment

The year was marked by the effective adoption and the first tests of industry rules known as the New Electric Sector Model. The Federal Government ratified this into law in 2004 with the aim of guaranteeing a reliable supply of energy, assuring growth of the electric energy system and promoting moderate levels of electricity tariffs, as well as furthering social inclusion.

One of the consequences of the State's resumed role in electric sector planning has been the structuring and implantation of auxiliary entities: the Energy Research Company – EPE, responsible for study and research to assist the power sector planning process, the Electric Sector Monitoring Committee – CMSE, responsible for monitoring the reliability and safety of the electricity supply system throughout Brazil and the Electric Energy Trade Board – CCEE, charged with organizing auctions of existing and new electric energy as well as adjustment auctions.

With the first tests now complete, there will be some fine-tuning to make investments in new plants more attractive to private sector investment. This could reduce the requirement for public sector contributions. Equally, the consolidation of the New Sector Model is indicative of a period of greater statutory stability and an environment more conducive to the development of business in the sector.

unwinding of cross shareholdings

Aneel Resolution 305, of September 5 2005, agreed to the extension of the deadline for finalizing the unwinding of cross shareholdings of the CPFL Pau-

lista subsidiary through the transfer of its stakes in CPFL Piratininga (by April 2006) and in RGE (by March 2007) to the holding company, CPFL Energia.

amendment to concession contract

In 2005, the electric energy distribution companies CPFL Paulista, CPFL Piratininga and RGE signed an amendment to their concession contracts. These amendments include a calculation methodology guaranteeing neutrality in passing on the costs of acquiring electricity for resale to customers, as the cost of electricity purchased is considered within Parcel A – CVA, Cost Tracking Account Mechanism as set out in Decree 5.163/2004.

electricity tariffs

distribution segment

The Tariff Review process for CPFL Paulista and CPFL Piratininga distributors was concluded in 2005. RGE Tariff Review had already been finalized in 2004. As such, the three CPFL distribution companies now have definitively fixed tariffs.

Aneel issued a ruling on changes in federal tax collections on electric energy billings with PIS/COFINS taxes being excluded from electric energy tariff calculations for CPFL Paulista and RGE (July 1 2005) and for CPFL Piratininga (October 23 2005). As a result, costs incurred with PIS/COFINS payments are now entirely borne by the end consumers in the same way as ICMS taxes, thereby avoiding losses and guaranteeing neutrality for the distributors.

The details of the tariff reviews for each distributor are as follows:

CPFL Paulista – in April 2005, the 2003 Periodic Tariff Review was concluded, increasing tariffs

by 20.29%, while the Annual Tariff Review – IRT amended the tariff increase for electricity supply to 17.74% as well as subsequently awarding an additional regulatory increase of 1.01% due to inconsistency in passing on costs of electricity acquired from Itaipu.

CPFL Piratininga – In October 2005, the 2003 Periodic Tariff Review was completed, increasing tariffs by 9.67%. The Annual Tariff Review – IRT led in turn to an increase of 1.54% on average in the tariff for electric energy supply.

RGE – In April 2005, as a result of the Annual Tariff Review – IRT, tariffs for electricity supply were increased by an average of 21.93%

generation segment

Electric energy sales contracts relating to generating companies contain specific clauses on price readjustments, with the main indexer being the annual variation in inflation as measured by in the IGP-M.

Semesa S.A – In January 2005, the tariff for electric energy supply was increased by 12.42%.

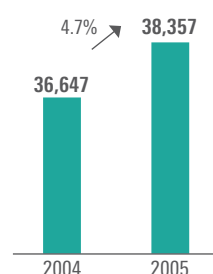
CPFL Centrais Elétricas S.A. – Tariffs applicable to contracts signed with CPFL Paulista were increased by 4.32% for initial contracts, and by 11.12% for bilateral contracts. Initial contracts correspond to the final 25% tranche in the decontracting process.

Ceran and Baesa – Electricity purchase contracts for energy proportional to CPFL Geração's stakes in the Monte Claro and Barra Grande plants were signed with CPFL Paulista, CPFL Piratininga and CPFL Brasil. These contracts allow for an annual price adjustment indexed to the IGP-M.

performance summary

Trend in Electricity Sales (GWh)			
	2005	2004	Var. %
Residential	8,783	8,302	5.8
Industrial	16,995	17,897	-5.0
Commercial	5,329	4,936	8.0
Rural	1,730	1,619	6.9
Public Authorities	800	745	7.4
Public Lighting	1,098	1,070	2.6
Public Services	1,400	1,359	3.0
Own Consumption	25	26	-3.8
Bilateral Contracts	2,197	693	217.0
Total	38,357	36,647	4.7

Trend in Electricity Sales (GWh)



In 2005, the sum of electricity sales to the end consumer in the regulated market by distributors CPFL Paulista, CPFL Piratininga and RGE, plus CPFL Brasil's sales to unregulated market clients, and under bilateral contracts, totaled 38,357 GWh, an increase of 4.7% on the 36,647 GWh of 2004. This increase is more than double the growth in Brazilian GDP over the same period.

Increases in the commercial (up 8.0%) and residential (up 5.8%) consumer classes were particularly significant. Sales to the industrial class fell 5%, due mainly to

the migration of consumers in this class to the unregulated market. As a result, the share of residential and commercial classes as a total of CPFL electric energy sales, increased from 22.7% to 22.9% and from 13.5% to 13.9% respectively.

Energy sales in the electric energy commercialization sector increased by 50%, from 11,100 GWh to 16,657 GWh. Sales to consumers in the unregulated contracting environment and under bilateral contracts with unrelated parties grew from 3,509 GWh to 7,120 GWh, an increase of 103%, a testimony to the Company's well planned strategic positioning for the sector.

GRI

Taxes paid – Total in R\$ thousands

	2005	2004	2003
CPFL Energia	3,903,307	3,151,642	2,464,930

Information for GRI Performance Indicator EC8.

Energy sales increased 8% in the commercial class and 5.8% in the residential class

Evolution in Participation of Consumer Classes in Total Sales – 2005/2004 (%)

Classe	2005	2004	Var.%
Residential	22.9	22.7	0.9
Industrial	44.3	48.8	-9.2
Commercial	13.9	13.5	3.0
Rural	4.5	4.4	2.3
Public Authorities	2.1	2.0	5.0
Public Lighting	2.9	2.9	0.0
Public Services	3.6	3.7	-2.7
Own Consumption	0.1	0.1	0.0
Bilateral Contracts	5.7	1.9	200.0
Total	100	100	4.7

CPFL Brasil's competitiveness, the quality of its services and its standards of technical and commercial excellence were evident in the increase in the number of consumers served, which rose from 50 to 86, an increase of 72%. Key industry sectors served are the metallurgy, chemical, textile and non-metallic mineral industries.

business results

electric power distribution segment

During the year, the segment's focus was on operating efficiency. The segment reported consolidated gross revenue of R\$ 10.1 billion, an increase of 11.4% over the R\$ 9.1 billion in 2004. Consolidated EBITDA was R\$ 1.6 billion, versus R\$ 1.3 billion in 2004. Net income reached R\$ 755.8 million, 134.0% above the R\$ 323.1 million of 2004. These results can be attributed to tariff increases, growth in sales revenue from the commercial and residential classes, an increase in revenue from TUSD (use of the distri-

bution system), control over operating and financial expenses, and commercial loss reduction programs involving the inspection of consumer units.

electricity generation segment

Gross operating revenue for this segment increased 31.8%, reaching R\$ 435.9 million. EBITDA totaled R\$ 345.1 million, a growth of 22.3% over 2004. Net income increased 64.9% and reached R\$ 117.2 million. These positive results reflect the realization of the strategies established in the Company's planning process.

There was a 10.8% increase in electric energy sales, particularly due to the start-up of operations at the Monte Claro plants in December 2004, and Barra Grande in November 2005. Results were also boosted by increases in energy supply tariffs: 4.32% for initial contracts, 11.12% for the bilateral contract between CPFL Paulista and CPFL Centrais Elétricas (both in April 2005) and 12.42% for Semesa's supply contract with Furnas.

electricity commercialization segment

Driven by the increase of 50% in energy volumes sold in 2005, gross operating revenue for this segment was R\$ 1.4 billion, 59.1% more than the result in 2004. Net operating revenue reached R\$ 1,227.4 million, 56.8% more than the result seen over the same period in 2004. EBITDA totaled R\$ 224.7 million, an increase of 47.6% over 2004.

The principal driver behind these increases was the growth in sales to unregulated market consumers and to other concessionaires and license holders. Electricity commercialization activities reported a net income for 2005 of R\$ 153.8 million, a growth of 51.2% over that registered in 2004.

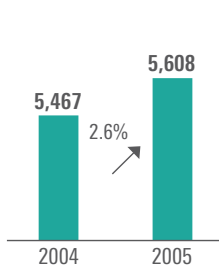




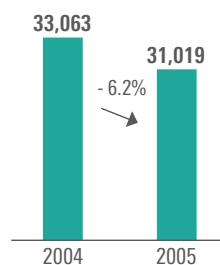
profile of the electricity distribution companies

The distributing companies CPFL Paulista, CPFL Piratininga and RGE operate in the most developed regions in the interior of the states of São Paulo and Rio Grande do Sul, with historic market growth rates superior to the Brazilian national average. An example was the increase of 5.0% in the consumption of electricity in CPFL Paulista's and CPFL Piratininga's concession areas between 2004 and 2005. This was greater than the overall growth experienced in São Paulo state and in Brazil, of 3.8% and 4.6% respectively. The three companies serve 5.6 million customers in 523 municipalities. The distribution companies employ the most advanced operating and maintenance practices. This enables them to provide superior operating efficiency and high quality customer service, thus ranking them as leaders of the Brazilian electric energy sector.

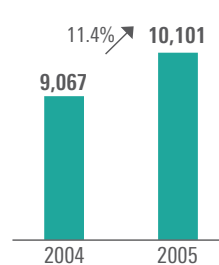
Growth in Customer Numbers
(000)



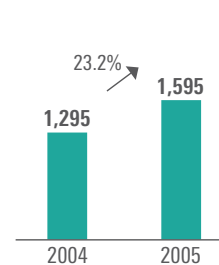
Growth in Energy Sales
(GWh)



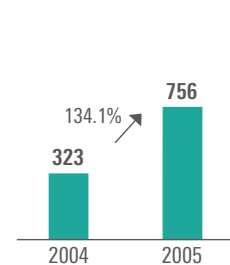
Gross Operating Revenue
(R\$ millions)



Ebitda
(R\$ millions)



Net Income
(R\$ millions)



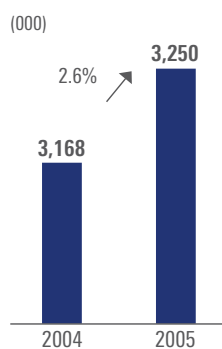
cpfl paulista – companhia paulista de força e luz: profile

CPFL Paulista, the original company of the CPFL Energia Group, was founded on November 16 1912 and operates in the interior of the state of São Paulo, a region of significant economic growth containing urban and industrial centers of great economic importance to Brazil. CPFL Paulista serves 3.3 million customers in 234 municipalities out of a population of 9.4 million. Notable in its concession area are cities the size of Campinas, one of the largest industrial and technological centers in Brazil, and Ribeirão Preto, Bauru, São José do Rio Preto, São Carlos, Araçatuba and Marília. All have a strong industrial and agro-industrial base. In addition, there are dozens of medium-sized municipalities, together forming one of the largest consumer markets in Brazil.

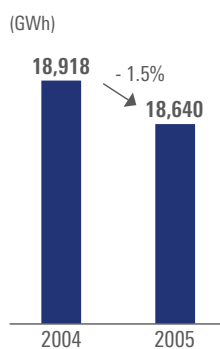


The CPFL Paulista Fleet

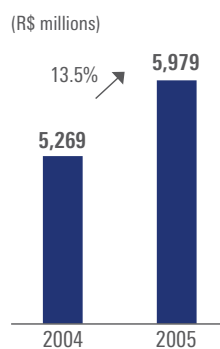
Growth in Customer Numbers



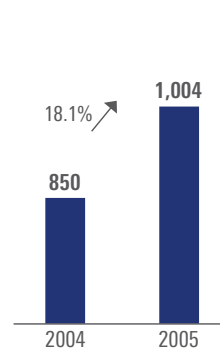
Growth in Energy Sales



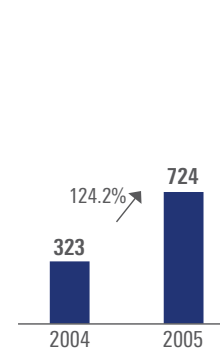
Gross Operating Revenue



Ebitda



Net Income





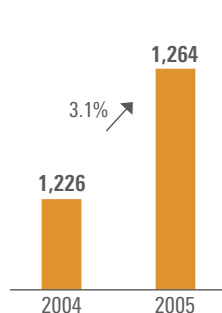
cpfl piratininga – companhia piratininga de força e luz: profile

The company began operations in 2001 in a region incorporating cities in the interior and coastal region of São Paulo state, with numerous industrial centers and exporters of great economic importance to Brazil. CPFL Piratininga serves 1.3 million customers in 27 municipalities. This area includes the cities of Santos - Brazil's largest port, Cubatão, with its major petrochemical complex, and further highly industrialized areas that are centered on the cities of Sorocaba and Jundiá.

Systems Operations Center | Santos | São Paulo

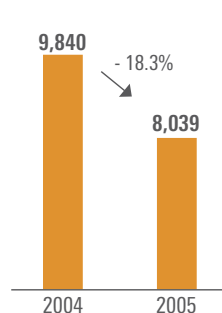
Growth in Customer Numbers

(000)



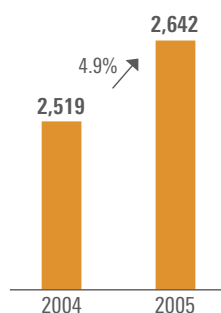
Growth in Energy Sales

(GWh)



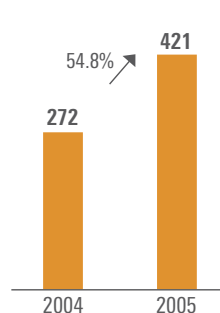
Gross Operating Revenue

(R\$ millions)



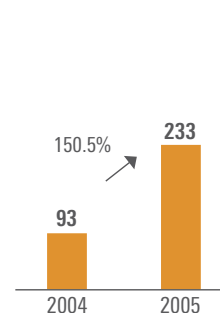
Ebtida

(R\$ millions)



Net Income

(R\$ millions)



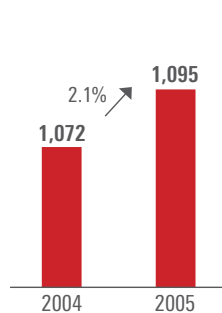
rge – rio grande energia: profile

RGE has been operating since 1998 in the interior of Rio Grande do Sul state, an area of economic centers predominantly focused on agriculture/ranching, industry and tourism. The company serves 1.1 million customers in 262 municipalities, including Caxias do Sul, Passo Fundo, Canela and Gramado.



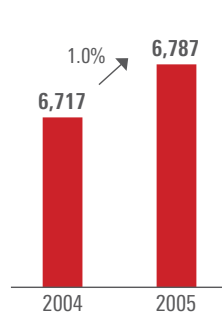
Growth in Customer Numbers

(000)



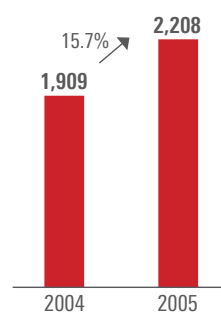
Growth in Energy Sales*

(GWh)



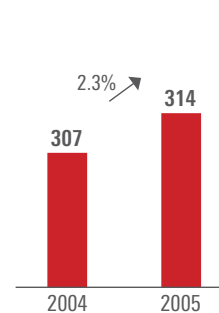
Gross Operating Revenue

(R\$ millions)



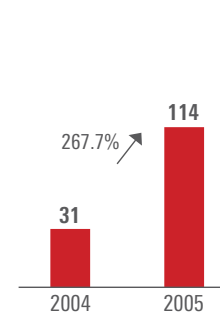
Ebitda

(R\$ millions)



Net Income

(R\$ millions)



* Includes energy supply of 298 GWh in 2004 and 317 GWh in 2005 (increase of 6.4%)

performance of the electricity distribution companies

CPFL Energia's customer numbers reached an impressive 5.6 million in 2005, an increase of 2.6% over 2004 and 0.3% above GDP growth. The residential class, which represents 85.7% of total consumers, grew 2.8% over the year.

energy sales

Energy sold by the distribution companies totaled 31,019 GWh, 6.2% down on 2004. This drop was principally due to the migration of 46 customers to the unregulated market, although this loss was largely offset by TUSD revenue.

energy transportation

Customers that migrate to the unregulated market pay a tariff to the distributors for use of distribution facilities (TUSD). In 2005, energy transportation to serve the needs of unregulated market customers in Group

concession areas increased by 113%, from 3,288 GWh to 7,013 GWh in 2005.

commercial losses

The success of the Commercial Loss Reduction Program reflects the standardization of processes and the encouragement given to the sharing of best practices among Group distributors.

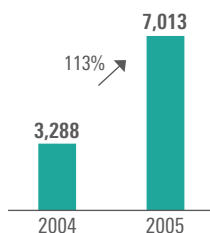
In 2005, inspections were performed at 420,000 consumer units, 11.4% more than the 377,000 in 2004. Additionally, 92,800 obsolete or damaged meters were replaced over the period.

The commercial loss rate for CPFL Paulista fell to 2.61% between 2004 and 2005. At CPFL Piratininga the reduction was more significant at 1.80% for 2005 alone. This represented a revenue recuperation of R\$ 122.3 million.

At RGE, the Commercial Loss Reduction Program carried out 68.700 fraud inspections in 2005, 62% more than in 2004. As a result, commercial losses in 2005 were 2.75% and R\$ 8.9 million in revenue was recuperated.

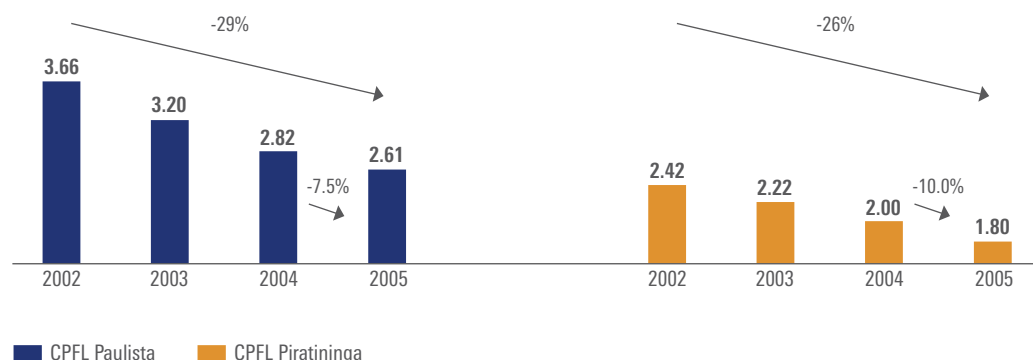
Energy transported by the Distributing Companies

(revenue through use of the distribution network, GWh)



Commercial Losses

(%)



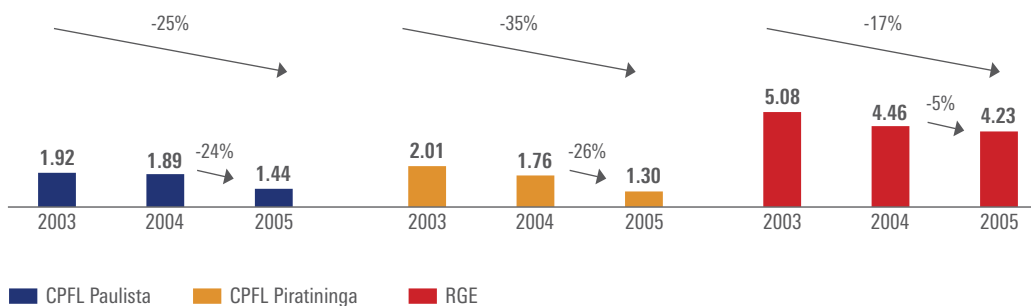
payment delinquency

As a result of efforts to negotiate and collect unpaid bills, as well as the intensification and greater efficiency in disconnecting delinquent

consumers, the rate of unpaid bills, calculated as energy bills more than 30 days outstanding, fell by 24% for CPFL Paulista, 26% for CPFL Piratininga and 5% for RGE.

Payment Delinquency Rate

(% of sales revenue)



electricity purchases on the regulated market

One of the ongoing challenges of CPFL Energia's business strategy is striking the right balance in forecasting supply and demand, so that contracts in the regulated market accurately reflect supply requirements to end consumers for a period of not less than three years.

So as to analyze all the variables that can influence this balance and to mitigate the risks resulting from a mismatch between the contracting and sale of electricity, the Company's specialized teams operate computerized systems to determine the correct amount to be purchased. The systems enable the Company to plan electricity power needs through the use of mathematical models which build in economic and population growth factors as well as climate variables.

The macroeconomic scenarios used in the forecasting process are established by the Board of Executive Officers and the Board of Directors in conjunction with consultancy companies renowned in their areas of business.

quality of energy supply

CPFL Energia distribution companies are constantly investing in improvements to the quality of electric energy supply. Actions and initiatives are taken with the aim of improving operations management, the organizational logistics of the emergency service system, the ongoing inspection system and preventative maintenance of substations and distribution networks and lines. Investments are also dedicated to employee training, the latest technologies, work process standardization and in the sharing of operating management best practice among Group distributors.

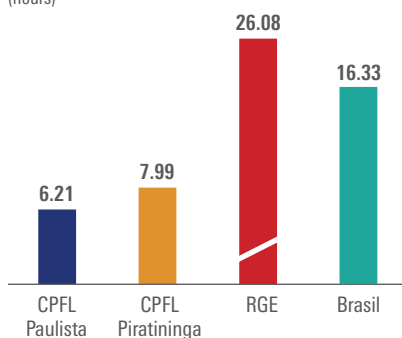
The results of these practices are evident in improved electricity supply quality indicators as well as using the DEC (Average Duration of Service Interruptions) and FEC (Average Frequency of Service Interruptions) indices supplied by Aneel for comparison purposes. In 2005, Brazilian distributors registered an average of 16.33 hours for DEC and 13.10 times for FEC. The DEC declared by CPFL Paulista, CPFL Piratininga and RGE in 2005 was 6.21,

7.99 and 26.0 hours, respectively. FEC was 5.41 times for CPFL Paulista, 5.94 for CPFL Piratininga and 16.47 for RGE.

As a result of their constant quest for operating excellence, CPFL Paulista and CPFL Piratininga hold first and second place respectively in the Brazilian ranking for these indicators.

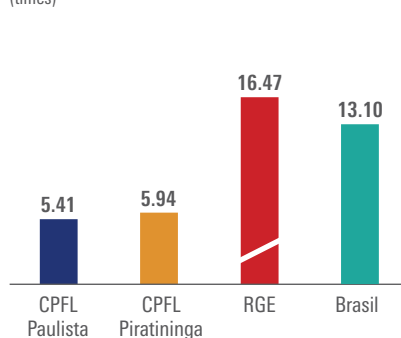
DEC – Average Duration of Service Interruptions

(hours)



FEC – Average Frequency of Service Interruptions by client

(times)



capital expenditures in distribution capacity increases

During the year, CPFL Paulista's and CPFL Piratininga's invested in expanding both transmission and distribution capacity, increasing transformer capacity at the substations (SE) by 93 MVA and power line transmission capacity by 377 MVA.

CPFL Paulista's main capital expenditures in the electricity system in 2005 were:

- Expansion of Valinhos SE from 25 MVA to 40 MVA.
- Expansion of Barretos SE with the installation of 26.6 MVA.
- Expansion of Descalvado SE from 18.8 MVA to 37.5 MVA.
- Construction of Itapuí SE a new substation of 12.5 MVA.

At CPFL Piratininga over the same period Votorantim SE was enlarged from 80 MVA to 120 MVA.

substation automation

Over the course of 2005, the distributors continued the process of increasing substation automation levels with the aim of improving monitoring, reliability and functionality of systems.

The highlight of this activity was the Final Acceptance Agreement for the Automation of the Santos Region, formally marking the conclusion of the project in this area.

customer satisfaction

CPFL Energia Group's distribution companies constantly monitor levels of satisfaction registered by their customers for services rendered as a whole, customer support, quality of communication and the information provided. To this end, they make use of the results of research carried out by Aneel (IASC – Aneel Index of Consumer Satisfaction) and by the Brazilian Association of Electricity Distributors – Abradee (ISQP – Perceived Quality Satisfaction Index). The IASC 2004 research project was cancelled by Aneel. The Abradee survey for 2005 showed the ISQP of CPFL Paulista at 79.9%, of CPFL Piratininga at 75.4% and that of RGE, 88.9%.

The Company also carries out quarterly research to assess Call Center levels of service. For the first time in 2005, the Company undertook a survey of the quality of service provided by the Ombudsman, a practice that will be repeated frequently in future.

Since 2003, the Company has carried out extensive research into products and services rendered and perceptions of quality of service among customers consuming more than 100 kW. Research by the Vox Populi Institute has helped the Company identify weaknesses as well as actions to be taken and has served as a basis for remedial plans. Research conducted in 2005 revealed, among other important findings, that CPFL Paulista and CPFL Piratininga are rated highly for transparency, solidity and innovation.

customer service

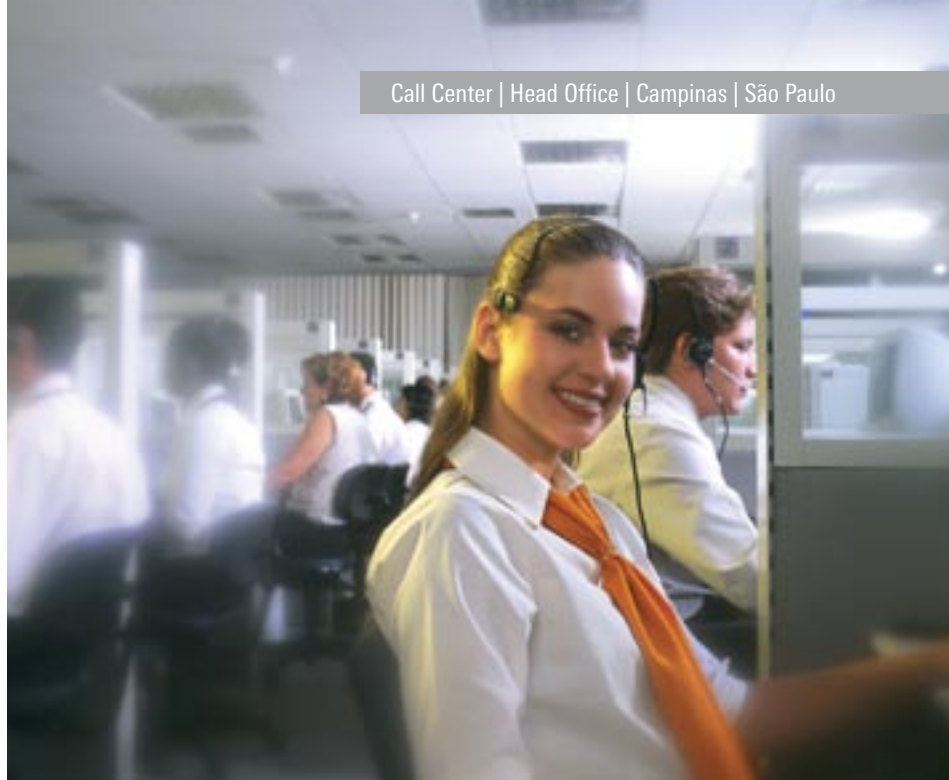
CPFL Energia distributors are working towards improving the quality of service with the opening of a range of customer assistance channels to ensure easy access and responsive service. Call Centers are standardized and work around the clock using advanced technology and are manned by qualified professionals ready to offer the best solutions to meet customer requirements. Some 14 million service calls were handled in 2005. The companies also changed their toll-free access numbers in 2005, in accordance with Aneel requirements.

Customer service points handled 1.23 million inquiries in 2005, and the websites (www.cpf.com.br and www.rge.com.br), a further 2.98 million, representing 16.4% of the total. This channel of communication has grown steadily over the last years as it allows better conditions of access and convenience to customers, plus speed and reliability in service provision on the part of the CPFL companies, as well as entailing a considerable reduction in costs and easier information handling.

In 2005, the internet service channel began incorporating online chat rooms offering an uninterrupted service. The Company also provides a service from its accredited stores - Rede Fácil, and the Electronic Channel direct to real estate brokers (via internet).

customer service for large-scale consumers

The Company has a dedicated team to support Group A customers – those with demand in excess of 500 kW. In addition to the services of business managers, the Contact Center offers a personalized telephone service for a pre-defined set of customers. Recently, the Company implanted CRM – Customer Relationship Management, a computerized system which unifies and consolidates all information received through customer servicing and



carries out integrated contract management, which results in an improved, more responsive service to these customers.

energy efficiency, research and development programs

Pursuant to Law 9.991/2000, CPFL Energia Group distributors' earmark 1% of net operating revenue for Energy Efficiency Programs (50%) and for Research and Development Projects (50%).

During 2005 work progressed on 186 energy efficiency projects, with the majority of this investment going to low-income communities, particularly in programs for education in the efficient use of electric energy.

The Group's distributors seek partnerships for their R&D projects with universities, research centers, technology-intensive companies and equipment manufacturers in order to maximize the results of investments.

In 2005, CPFL Paulista, CPFL Piratininga and RGE invested in 104 projects, among which some of the more important were:

- **Precarg Project – Real Time Load Prediction:** Real time system for load prediction to support optimized use of power transformers, in DO and to support MAXCOM, in forecasting energy purchases.
- **Web-raios Project – Operation Lightning Detection System:** Assessment of the impact of electrical discharges on CPFL Energia's transmission and distribution system for improving the quality of electricity energy services.

@... More detailed information on the projects developed and resources employed in these programs is available on the Energy Efficiency and R&D link of www.cpf.com.br

- **Bimetallic Cables to Neutral in Substations – Theft Prevention:** Analysis of the impact of a lack of a neutral setting in primary overhead distribution cable networks and new technologies in grounding systems.
- **Antifraud Measurement Standard Project:** Definition and implantation of compact energy entry standards. This project was made available to the market in 2004.
- **Green Transformer Project – Clean Distribution Transformer with Greater Capacity per kg:** Distribution transformer using insulating vegetable oil, which is ecologically clean and increases the capacity of a conventional transformer, previously limited to 75 kVA, now upgraded to 88 kVA, with the same weight, dimensions but with improved performance. In the next two years, CPFL Energia's companies will install 500 of these units in their distribution system.
- **Loss Management and Revenue Recuperation System:** Development of a tool for analysis and classification of technical and commercial losses.
- **Project for Control and Handling of Water Hyacinth (Aguapés) – a pro-environmental solution for the Americana Reservoir:** Development and implantation of equipment for water hyacinth handling and shredding installed in 2005 in the PCH Americana reservoir in order to reduce the area infested by the plant.

The success of the R&D Program is evidenced by the number of patents applied for by the companies in 2005 (six registration requests). A further 12 patent requests are being prepared for submission in 2006.

universal service coverage

In 2005, CPFL Paulista and CPFL Piratininga became the first distributors in Brazil to provide universal coverage in their markets.

Until June 2004, the companies were executing new connections to meet the full coverage target using their own resources. In June 2004, a contract was signed with Eletrobrás for implanting the Light for All Program, set up by the Federal Government for rural electrification, with financing provided from funding under the Program. The companies successfully met their contractual targets, CPFL Paulista connecting 4,167 rural customers and CPFL Piratininga a further 1,530. Total investment was about R\$ 13.04 million and R\$ 3.24 million respectively.

RGE needs to connect approximately 17,000 customers to achieve universal coverage. In 2005, the company connected a total of 4,767 rural customers under the Light for All Program at an investment of R\$ 20.7 million. Connection of a further 4,994 customers is forecasted before the end of 2006.

An additional 7,300 urban customers are being connected using the company's own resources and work is expected to be concluded by 2008.

recognition

Among CPFL Energia's distributors, the National Quality Foundation's presentation of the National Quality Award® – PNQ, was particularly important. It is awarded to companies for outstanding excellence in all aspects of corporate management. It is one of the leading awards in the world, only 23 Brazilian organizations having been so recognized. CPFL Paulista is the first company in the Brazilian electricity sector to receive this distinction.

CPFL Paulista also received awards for Operations Management and Quality of Management from the Brazilian Association of Electricity Distributors. Additionally, it received the award for Best Distribution Company in the country granted from *Eletricidade Moderna* magazine, for the fourth consecutive year.



CPFL
ENERGIA
Centro de Operação d

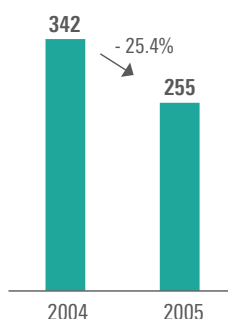
profile of the electricity generating companies

CPFL Geração de Energia is a holding company with an interest in seven companies. It holds overall control of three companies: CPFL Centrais Elétricas, which owns 19 small hydroelectric power plants – PCHs and one Thermolectric Plant - UTE, located in São Paulo state; Semesa, which has a stake in the Serra da Mesa hydroelectric power plant in Goiás state; and CPFL Sul Centrais Elétricas, which owns four PCHs located in Rio Grande do Sul state. CPFL Geração retains an interest in a further four companies:

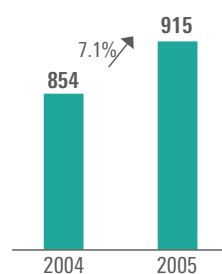
- 65% of Ceran (Companhia Energética Rio das Antas), responsible for the Monte Claro, Castro Alves and 14 de Julho plants.
- 66.67% of Foz do Chapecó (Foz do Chapecó Energia), which holds 60% of the Foz do Chapecó plant.
- 48.72% of Enercan (Campos Novos Energia), which owns the entirety of the Campos Novos plant.
- 25.01% of Baesa (Energética Barra Grande), which holds 100% of the Barra Grande plant.

Total installed capacity at the end of 2005 was 915 MW. With the conclusion of current construction work, this total should increase to 1,993 MW by 2010.

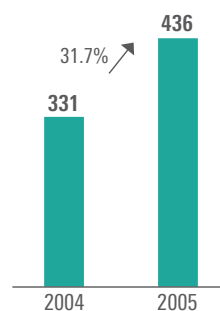
Investments (R\$ millions)



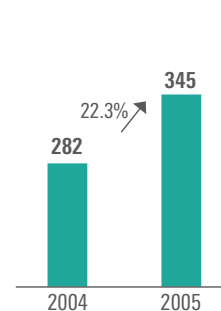
Growth in Total Capacity (MW)



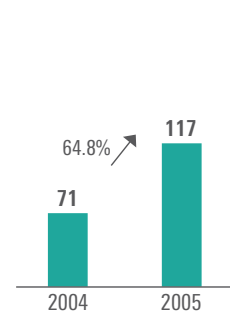
Gross Operating Revenue (R\$ millions)

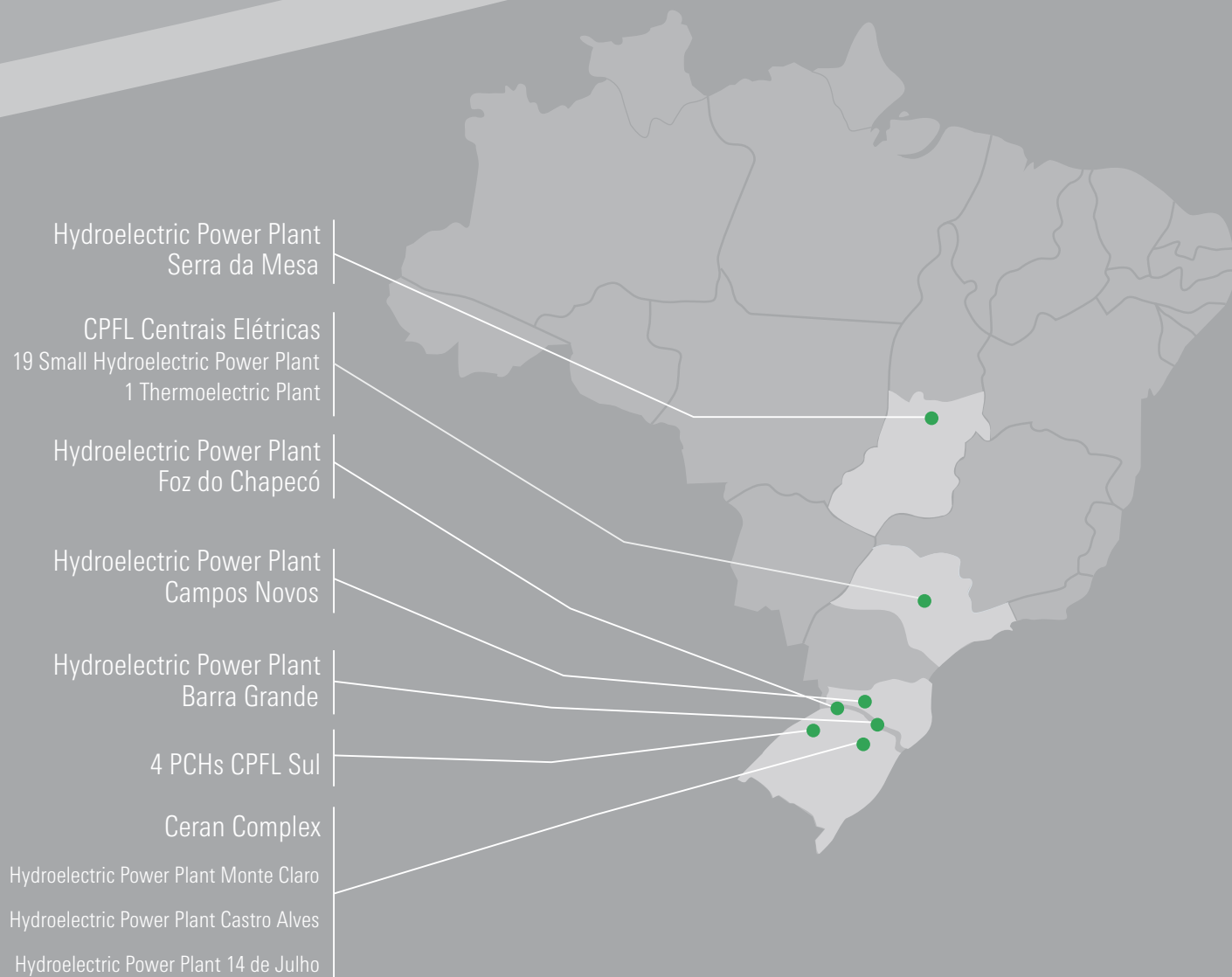


Ebtida (R\$ millions)



Net Income (R\$ millions)





performance of the electricity generating business

Since its inception in September 2000, CPFL Geração has established its business strategy as the expansion of generating capacity through the acquisition of operating plants, the construction of new plants for harnessing fresh hydro power and put out to tender by Aneel, and through the upgra-

ding of its small hydro power facilities – PCHs.

On November 1 2005, the first generating unit of the Barra Grande plant began commercial operations. The installed capacity of this unit, one of three identical units, is 230 MW, with a secured energy capacity of 207 average MW, which represents 54% of the total secured energy of the plant at 380.6 average MW.

The filling of the Campos Novos plant's (880 MW) reservoir was begun at the end of 2005. The

start of commercial operations is scheduled before the end of 2006, its first generating unit possessing a secured power capacity of 342 average MW, which corresponds to 91% of the total secured energy of the plant at 377.9 average MW.

In 2005 the first unit of the Barra Grande plant began commercial operations, with an installed capacity of 230 MW

The year also saw construction continuing at the 14 de Julho (100 MW) and Castro Alves (130 MW) plants, both part of the Ceran Complex, with commercial operations expected to start in 2007 and 2008 respectively. Work on upgrading generating capacity at the Gavião Peixoto PCH (4.8 MW) also got underway.

Four PCHs were purchased from RGE with a total capacity of 2.7 MW and these were grouped under the recently created CPFL Sul Centrais Elétricas umbrella.

operating efficiency

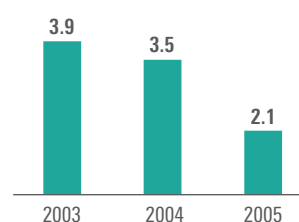
The following tables show equipment uptime and failure rates for CPFL Centrais Elétricas' PCHs and the uptime trend at the Serra da Mesa plant (Semesa). Uptime figures for the Monte Claro plant (Ceran) are shown for 2005, the first year of commercial operations.

Additionally, CPFL Geração signed a five-year contract with Enercan for Provision of Operating and Maintenance Engineering Services at the Cam-

pos Novos hydro facility. On expiry the contract can be renewed for further five-year periods.

CPFL Centrais Elétricas – PCHs Failure Rate

(%)



CPFL Geração is installing the Plant Management System – SGU, which will facilitate monitoring and management of hydro power plant operations and maintenance, increasing the responsiveness and reliability of the existing process.

Progress continued with the Team Qualification and Training Program for plant operation and maintenance, the preparation of new plant operation and maintenance manuals, the monitoring of the commissioning of Barra Grande and Campos Novos plants and the development of the relationship with electricity sector regulatory agencies (CCEE, Aneel, ONS and others).

The Generation Operations Center – COG, also continued to make improvements for minimizing equipment down-time and for optimizing operations.

Equipment Uptime (%)	2005	2004	2003
CPFL Centrais Elétricas (PCHs)	96	96	95
UHE Serra da Mesa	86	83	83
UHE Monte Claro	98	–	–

capital expenditures in expansion of power generating capacity

CPFL Geração has invested in expansion and improvements to its electricity generating complex through participation in construction of new generation projects, the upgrading of the PCHs and through the purchase of existing generation assets.

Work continued on the PCHs Upgrading Program, with construction starting on the Gavião Peixoto plant. Another four PCHs are due for inclusion in this program between 2006 and 2008.

Through the intermediary of CPFL Sul Centrais Elétricas Ltda., CPFL Geração acquired from RGE – Rio Grande Energia S.A., as a transaction between related companies, a total of four small hydroelectric power plants – PCHs, with total capacity of 2.7 MW, all in Rio Grande do Sul state.

The following table shows a summary of capital expenditures in 2005.

Project	Capital Expenditures Realized (R\$ millions)
Ceran Complex	58.4
UHE Barra Grande	54.2
UHE Campos Novos	129.5
UHE Foz do Chapecó	2.3
Other Capital Expenditures*	10.5
Total	254.9

* Other Capex refer to the upgrading of Gavião Peixoto, the acquisition of PCHs from CPFL Sul Centrais Elétricas and investments in SEMESA.

GRI

Information on PCH upgrading complies with GRI Performance Indicator EN 17, on initiatives for using renewable energy sources and for increasing the efficiency of energy employed. The upgrading process adds more electric power to the system with zero environmental impact.



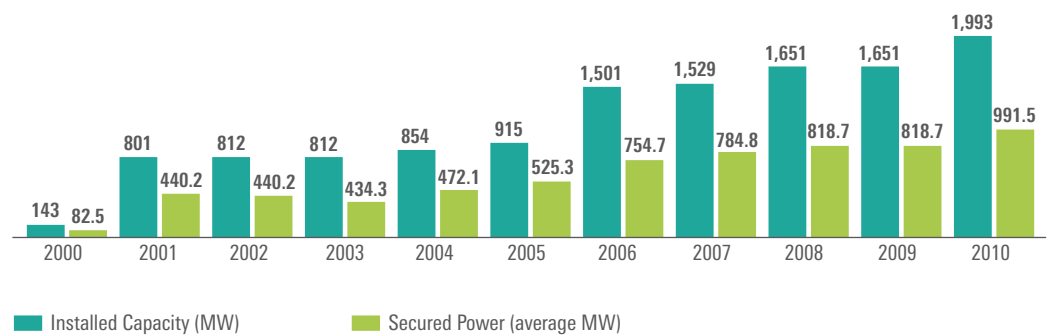
Serra da Mesa hydroelectric power plant | Goiás

installed capacity

The following graph shows the growth in CPFL Geração's installed capacity and secured power from 2000, the

year the company was constituted when it had an installed capacity of 143 MW, until 2010 when capacity should reach the 1,993 MW mark:

Growth in Installed Capacity and Secured Power



Note: Data refers to year end and takes into account a) The upgrading of CPFL Centrais Elétricas PCHs and b) Secured Power of CPFL Sul's PCHs, as from March 2006.

Monte Claro hydro power plant | Rio Grande do Sul state



progress of construction work

As of December 31 2005, projects under construction were as follows:

Barra Grande Hydro Power Plant

The Barra Grande plant is located on the Pelotas River on the border of Santa Catarina and Rio Grande do Sul states and will have total installed capacity and secured power of 690 MW and 380.6 average MW, respectively. The total forecasted investment is R\$ 1,657 million, with CPFL taking a 25.01% share in the project. Construction work at the plant began on July 1 2001. As of December 31 2005, 99.9% of the total project had been concluded, as follows: Civil Construction – 100.0%; Equipment Delivery – 100%; Electrical and Mechanical Installation – 97.2% and Environmental Engineering Work – 85.2%, with the first generating unit entering commercial operations on November 1 2005. CPFL Energia's quota of energy is already committed under power purchase contracts approved by Aneel and signed with the CPFL Paulista and CPFL Piratininga distribution companies.

Campos Novos Hydro Power Plant

The Campos Novos Plant is on the Canoas River in Santa Catarina state and will have installed capacity and total secured power of 880 MW and 377.9 average MW, respectively. Total planned investment is R\$ 1,568 million with CPFL's share in the project standing at 48.72%. Construction work at the plant commenced on August 1 2001. As of December 31 2005, 98.1% of the total project had been completed, as follows: Civil Construction – 98.2%; Equipment Supply – 98.3%; Electric and Mechanical Installation – 93.7% and Environmental Engineering Work – 99.0%. The start of commercial operations of the first generating unit is set for 2006. CPFL Energia's quota of energy is already committed under power purchase contracts approved

by Aneel and signed with the CPFL Paulista and CPFL Piratininga distributors and with the power commercialization company, CPFL Brasil.

Ceran Complex

The Ceran Complex consists of three hydro plants under construction: the Monte Claro plant, with 130 MW of available capacity and 59 average MW of secured power; the Castro Alves plant, with 130 MW of available capacity and 64 average MW of secured power; and the 14 de Julho plant, with 100 MW of available capacity and 50 average MW of secured power. All the plants are located on the Rio das Antas, in Rio Grande do Sul state. Total investment in the Complex is forecast at R\$ 1,073 million, with CPFL taking a 65% stake in the project. Construction work at the Monte Claro plant started on April 1 2002, with the first generating unit entering commercial operation on December 29 2004. Construction work at the Castro Alves plant began on April 1 2004 and work at the 14



14 de Julho hydro power plant | Rio Grande do Sul



Castro Alves hydro power plant | Rio Grande do Sul

de Julho plant on October 1st 2004. As of December 31 2005, 44.2% of total work at the Ceran Complex had been concluded, as follows: Civil Construction – 39.7%; Equipment Supply – 37.0%; Electrical and Mechanical Installation – 34.2% and Environmental Engineering Work – 59.2%. The start-up of commercial operations at the Castro Alves plant is forecast for 2007 and at the 14 de Julho plant for 2008. CPFL's allocation of energy from the three plants is already committed under power purchase contracts with distribution companies CPFL Paulista and CPFL Piratininga and with CPFL Brasil.

Foz do Chapecó Hydro Power Plant

The Foz do Chapecó plant is to be constructed on the Uruguai River, on the border between Santa Catarina and Rio Grande do Sul states, with installed capacity and total secured power of 855 MW and 432 average MW, respectively. Total planned investment is R\$ 2,084 million and CPFL's stake in the venture is 40%. Construction is scheduled to begin in the last quarter of 2006, and commercial operations to start in 2010. CPFL Geração's share of energy to be produced is already committed under power purchase contracts approved by Aneel and agreed with distribution companies CPFL Paulista and CPFL Piratininga.

Gavião Peixoto small Hydro Power Plant

Gavião Peixoto small hydro power plant is located on the Jacaré Guaçu River in São Paulo state and is being upgraded. Its installed energy and total secured power will increase to 4.8 MW and 3.82 average MW respectively. Total planned investment is R\$ 20 million and CPFL has a 100% stake in the project. Work at the plant began on August 31 2005. By December 31 2005, 29.7% of the total work had been completed, as follows: Civil Construction – 30%; Equipment Supply/Installation – 20%; and Environmental Engineering Work – 30%. The first generating unit is expected to be commissioned in January 2007.





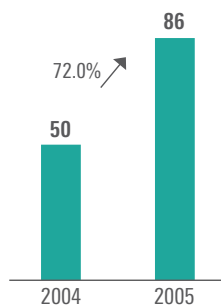
profile of the electricity commercialization business

CPFL Energia has been active in the electric energy commercialization sector via its subsidiary CPFL Brasil. The company trades energy in the unregulated and regulated markets as well as providing value-added services. Its competitive edge in the market comes from the Group's accumulated experience and market knowledge.

Thanks to these advantages, CPFL Brasil's total energy sales rose 50% in 2005, from 11,110 GWh to 16,657 GWh.

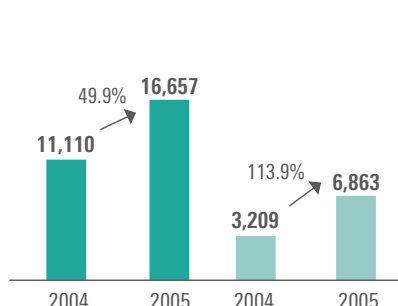
Unregulated Market Customers

(n°)



Growth in Energy Sales

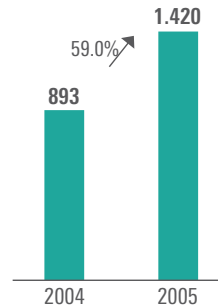
(GWh)



■ Total ■ Unregulated Market Sales

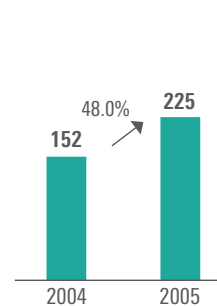
Gross Operating Revenue

(R\$ millions)



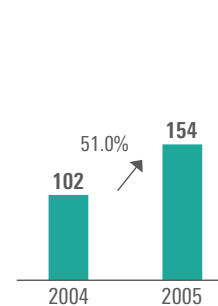
Ebitda

(R\$ millions)



Net Income

(R\$ millions)





Commercial Operations Center | Head Office | Campinas | São Paulo

performance of the electricity commercialization business

CPFL Brasil's competitiveness was clearly demonstrated by the large increase in sales coming from the unregulated market, reaching 6,863 GWh in 2005 and a significant increase of 114% over 2004.

CPFL Brasil's unregulated market customer base stood at 86 customers by the end of 2005, up on the 50 customers for the previous year and an increase of 72%.

CPFL Brasil is a provider of value-added services in the electricity commercialization segment – an important competitive advantage. These services are: the construction of substations and transmission li-

nes, preventative and corrective maintenance of substations and industrial electrical installations, energy efficiency projects, public lighting projects, distribution systems in horizontal condominiums and energy-related management consultancy.

In 2005, sales revenue from these services reached R\$ 17.4 million. The strategy of providing services to customers, besides directly adding value, also strengthens relationships and provides leverage for the core energy commercialization business.

At the end of the year, 12 138 KV substations were under construction, totaling 176.5 MVA of transformer capacity. At the end of 2005, the Company had a portfolio of consultancy services customers comprising four major corporations acting in different areas of the economy.



**economic and
financial performance**

The growth of business in all segments and a constant focus on seeking the optimum capital structure have resulted in the best results in CPFL's history. This is excellence in financial discipline.



economic and financial performance

These comments on economic and financial performance and operating results should be read in conjunction with the Audited Financial Statements and relevant Explanatory Notes. More information on financial and balance sheet changes can be found on the website www.cpf.com.br or on the Brazilian Securities and Exchange Commission – CVM’s website – www.cvm.gov.br, and in the Financial Statements and Explanatory Notes found on the CD accompanying this Report.

The consolidation of strategy and the favorable economic environment have produced the best performance in CPFL Energia’s history. More than 70% of this result is due to business growth and operating efficiency in all segments of activity. In addition to these factors, CPFL Brasil, the Group’s commercialization arm, once again demonstrated excellent performance, gaining new customers, and increasing trading turnover and value-added services.

Other highlights are the startup in operations of new plants, the increase in demand for energy both in the regulated and the unregulated markets, increased efficiency in reducing commercial losses and payment delinquency as well as the result obtained from the increase in revenue from Tariffs for the Use of Distribution Facilities – TUSD.

These factors, aligned with rigid financial discipline and the ongoing review of the companies’ capital structure focused on debt reduction and improving debt profile, were responsible for total net income in excess of R\$ 1.0 billion, the best result on record.

gross operating revenue

CPFL Energia attained gross operating revenue of R\$ 10,907 billion in 2005, an increase of 14.2% over 2004. The main factors contributing to this growth were:

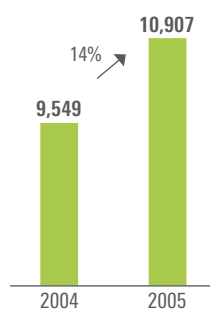
- R\$ 1.102 billion relating to an increase of 4.7% in energy sales, in addition to the effects of annual tariff increases (IRTs) of 17.74%, 21.93% and 1.54% of the distribution companies CPFL Paulista, RGE and CPFL Piratininga, respectively, and the 12.42% increase in the Semesa contract.
- Increase of 118% in revenue from use of the distribution system – TUSD (R\$ 256 million).

net operating revenue

Net operating revenue in 2005 reached R\$ 7.7 billion, a 14.9% increase over 2004.

Gross Operating Revenue

(R\$ millions)



GRI

Net Operating Revenue – em R\$ thousands

	2005	2004	2003
CPFL Energia	7,738,912	6,736,253	6,057,069

Information on Net Operating Revenue is for GRI Performance *Indicator EC1*

cost of power

power purchased for resale

The cost of electric power purchased for resale was R\$ 3.2 billion in consolidated terms. This represents an increase of 1.6% relative to the cost in 2004 of R\$ 3.1 billion.

charges for use of the transmission network

Total charges for use of transmission networks, both exclusive connections and those shared with other agents, as well as pro rata sharing of other system use charges, was R\$ 757.2 million in 2005, an increase of 11.6% compared to 2004.

The increase in costs is the result of greater purchases of energy volume necessary to meet demand, tariff increases and IGP-M increases over the period.

operating expenses

Total costs and operating expenses increased 24.3%, from the R\$ 798.4 millions registered in 2004 to R\$ 981.0 million in 2005. The changes are due in the main to adjustments to the accounting method for the Energy Efficiency and R&D Programs (R\$ 52 million) and the provisioning of a non-recurring event for the Extraordinary Tariff Rate Recomposition and Free Energy (R\$ 92 million). If the effect of these increases is not taken into account, the increase in costs and operating expenses is 6.0%.

In 2005, in accordance with CVM Instruction 371, the expenses for provisions for the CPFL Energia Pension Fund were R\$ 90.4 million.

Costs relating to the Energy Development Account – CDE, refer to contributions made by electric energy distributing companies to projects for developing and promoting alternative energy sources. In 2005 these contributions totaled R\$ 272.8 million, an increase of 47.8% over 2004.

GRI

Cost of goods, materials and services purchased – R\$ thousands

	2005	2004	2003
Energy Purchased for Resale**	3,174,764	3,125,751	3,022,575
Charges for Use of the Transmission and Distribution System	757,185	678,558	443,138
Materials	246,299	132,658	154,594
Outsourced Services	377,339	349,304	289,918
Others	357,665	210,461	211,547
CPFL Energia	4,913,255	4,496,735	4,121,775

Information for GRI Performance Indicator EC3.

** Equivalent to the net cost of deferral of tariff costs (CVA), PIS and Cofins tax credits plus the effect of the adjustments in unregulated electricity market prices.

GRI			
Total Payroll and Benefit Payments –			
R\$ thousands			
	2005	2004	2003
CPFL Energia	442,532	421,561	354,302

Information for GRI Performance Indicator EC 5

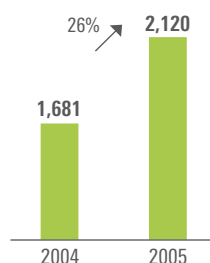
ebitda

The operating result measured by EBITDA reached R\$ 2,120 million in 2005, an increase of 26.1% over the 2004 result.

This result was due mainly to the increase of 14.9% in net revenue (R\$ 1,003 million), partially compensated by the increase of 3.4% in energy costs (R\$ 128 million) and of 34.8% in operating expenses (R\$ 436 million).

EBITDA is calculated as net income before taxes, financial expenses/income, depreciation/ amortization and pension fund contributions, in addition to adjustments for extraordinary events.

Ebitda
(R\$ millions)



financial result

The financial result for the period was negative at R\$ 519.8 million, a positive change of R\$ 164.0 million relative to the 2004 results (negative in R\$ 683.8 million). This reflects the Company's ability to reduce debt levels and to obtain positive results from investing available resources.

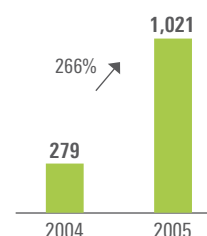
net income

In 2005 CPFL Energia reported consolidated net income of R\$ 1,021 million, an increase of 266% relative to the R\$ 279 million achieved in 2004. This result stems mainly from the following factors:

- 26.1% increase (R\$ 439 million) in EBITDA
- 51.4% reduction in net financial expenses (R\$ 348 million)
- 40.5% fall in private pension fund expenditure and the recognition of tax credits in the holding company (R\$ 133 million).

Over the fiscal year, earnings per share increased from R\$ 0.62 to R\$ 1.97.

Net Income
(R\$ millions)





GRI

Information on Net Income is for GRI Performance Indicator EC 7.

consolidated cash flow analysis

Operating cash flow was R\$ 1.2 billion in 2005, a 10.5% increase over the R\$ 1.1 billion registered in the previous year. This result reflects the improved operating performance achieved during 2005.

Total capital expenditures reached R\$ 626.5 million, a 3.4 % increase over the R\$ 605.7 million registered in 2004. Investments worth R\$ 146.3 million were made in securities and bonds.

Financing activities used total cash of R\$ 664.9 million for loan principal amortization, financing and debentures and for a R\$ 559.2 million payout of dividends and interest in shareholder equity.

The final result was a net cash generation of R\$ 211.5 million, versus R\$ 443.0 million in 2004. CPFL Energia began the year with R\$ 817.7 million and registered a final cash balance of R\$ 1.0 billion at the end of the fiscal year allowing CPFL Energia to make new investments and distribute results to shareholders in line with the five pillars of its operating strategy.

Consolidated Cash Flow Analysis 2005/2004/2003 (R\$ millions)

	2005	2004	2003	05/04	03/04
Opening Balance	818	375	177	443	198
Operating Cash Flow	1,198	1,084	947	114	137
Total Net Capital Expenditure	(744)	(555)	(223)	(189)	(332)
Net Financial Flows	(665)	(86)	(526)	(579)	440
Increase in Cash for the Period	212	443	198	(231)	245
Final Balance	1,029	818	375	211	443

GRI

Debt service, broken down by interest on loans and financial debt and dividends on all classes of shares – R\$ thousands

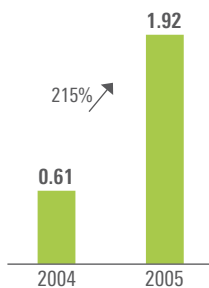
This information is for GRI Indicator EC6.

	Interest on Domestic Currency Debt			Interest on Foreign Currency Debt			Derivatives*			Proposed Dividends		
	2005	2004	2003	2005	2004	2003	2005	2004	2003	2005	2004	2003
	CPFL Energia	44,945	33,205	28,368	2,986	6,543	37,482	41,679	87,752	31,046	899,087	264,973

*For 2004 and 2003, Swap transactions have been reclassified for balance sheet purposes as derivatives

Dividend per Share

(R\$)

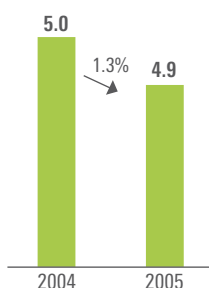


dividends

The Board has proposed the distribution of R\$ 899.0 million in dividends, equivalent to 95% of net adjusted income for the period and R\$ 1.92 per share for fiscal year 2005. This dividend represents an increase of 215% compared to the R\$ 0.61 per share declared in 2004.

Debt

(R\$ billion)



debt

Company debt at the end of 2005 was 1.3% lower than at the same period in the previous year, at R\$ 4.9 billion. This reflects an ongoing process to restructure capital and reduce the cost of raising third party capital, thus maximizing shareholder value.

Net adjusted debt, calculated as total debt (loans and financing added to pension fund liabilities), excluding regulatory assets/CVA and cash/short-term cash investments, posted a 0.6% decline in 2005, reaching a total of R\$ 3,705 million. The net debt/EBITDA ratio showed positive gro-

wth, falling to 1.7 at the end of 2005, versus 2.3 in the previous year.

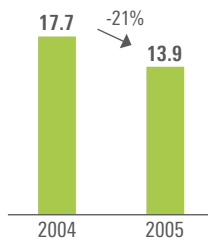
Particularly important was the improvement in debt profile thanks to initiatives begun in 2004 to improve key indicators, including a reduction in cost and a more extended maturity profile.

This improvement is also the result of changes in indexers, particularly the increased proportion of debt linked to TJLP (the long-term interest rate), with the drawing down of Finem funds and finance for the construction work on new generating plants. There was also reduced reliance on funding linked to the interbank deposit rate – CDI, due to significant amortizations by the distribution companies worth R\$ 354 million of BNDES borrowings and relating to RTE/CVA (Special Tariff Recomposition/Parcel A Cost Tracking Account Mechanism). CPFL Paulista also amortized R\$ 151 million of debentures and R\$ 152 million in Floating Rate Notes.

In the light of this progress, in January 2006, Standard and Poor’s upgraded the CPFL Group’s rating to BrA+.

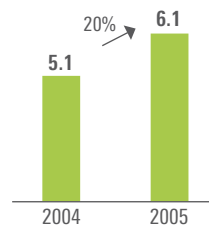
Nominal Cost of Debt for the Year

(%)



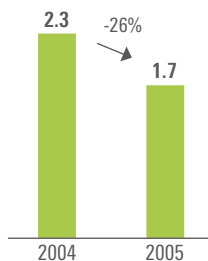
Average Maturity

(years)



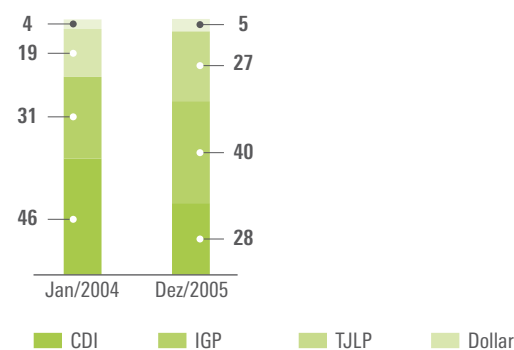
Net Debt / EBITDA

(R\$ millions)



Breakdown of Debt

(%)



main transactions

In December 2004, the BNDES (National Economic and Social Development Bank) approved the eligibility of CPFL Paulista and CPFL Piratininga for the Expansion and Modernization of the Brazilian Electric System Program – Finem with financing worth R\$ 241 million and R\$ 89 million respectively, both lines indexed to the TJLP interest rate with a six-year maturity. In 2005, three installments were drawn by CPFL Paulista under this line totaling R\$ 139 million while CPFL Piratininga drew R\$ 66 million in four tranches.

In April 2005, Enercan, in which CPFL Geração holds a 48.72% interest, received approval for a loan from BID – Inter-American Development Bank, totaling US\$ 75 million for financing the Campos Novos hydro plant. Two installments have been drawn to date for a total of US\$ 60 million.

In December 2005, CPFL Piratininga drew R\$ 300 million as a short-term loan, indexed to the CDI. This loan was repaid in February 2006 from part of the proceeds of a R\$ 400 million five-year subordinated debenture issue. This issue enjoys remuneration equivalent to 104% of the CDI, repayable in two installments – the first on January 1 2010 and the second on January 1 2011.

RGE's total financial debt at the end of 2005 was R\$ 633 million, little changed from the consolidated balance of 2004. Of the R\$ 284 million of new loans in 2005, the most important was a debenture issue of R\$ 230 million, permitting the lengthening of the debt maturity profile. The issue was effected in two series, one totaling R\$ 204 million, indexed to the CDI and maturing in April 2009, and the other of R\$ 26 million, indexed to IGP-M and maturing in April 2011.

cpfl energia's
vision of
sustainability





The National Quality Award[®], presented to CPFL Paulista last year, represents everything CPFL Energia has always striven for: to uphold its standards of excellence and competitive edge in the market, not only in meeting the expectations of our various stakeholders and neighboring communities, but also in its business results.

cpfl energia's vision of sustainability

The activities and attitudes arising from CPFL Energia's Corporate Responsibility and Sustainability Program form one of the five pillars of its Strategic Plan, which is designed to ensure continual business growth and the creation of shareholder value.

All Sustainability Program initiatives originate from the principle that the Company should perform to the highest standards of excellence, respecting the environment and proactively safeguarding the economic, cultural and social interests of the neighboring communities. In this way, CPFL Group companies take an active role in the development of their concession areas and in the sustainable growth of their own activities.

Corporate sustainability guidelines permeate the Company's activities at every level and are practiced in the following areas:

1. Business ethics and transparency
2. Quality management of services and processes
3. Risk prevention in all areas of activity
4. Management of the intellectual property bank
5. Initiatives involving neighboring communities in areas where CPFL retains leadership and social influence
6. Management of economic impacts
7. Management of environmental impacts
8. Management of social impacts.

ethics and transparency

In 2005, CPFL Energia aligned its Code of Ethics to the requirements of the Sarbanes-Oxley Act. The new version will be sent to stakeholders outside Brazil in the first half of 2006 and includes a Term of Commitment, which each employee will be required to sign reaffirming a commitment to ethical conduct in both his/her personal and professional activities.

Compliance with the requirements of the SA 8000 standard, which systematizes management of

social responsibility, also encourages ethical behavior and relationships. CPFL is a pioneer among electric energy sector companies in complying with this standard's requirements, recertification having been received in 2005.

GRI

The Code of Ethics clearly states the Company's position against bribery, corruption and the policy of not making political contributions (*information for GRI Indicators SO2, SO3 and SO5 – see the definitions of the performance indicators in the GRI Reference Index at the end of this Annual Report*).

The Code of Ethics also takes a position regarding the prevention of unfair competition. *Indicator GRI SO7.*

The principle of transparency of communication in all business dealings and with all concerned parties is also part of the organizational culture. This principle is guided by Company Values and by Corporate Governance directives (read more on this at the beginning of the Report and view the guidelines on the CPFL website). Emblematic of our commitment to transparency is the publication of our Annual Report since 2003 (our first, covering the 2002 financial year) in line with guidelines for the Global Reporting Initiative – GRI, one of the most wide-ranging and respected international models for reporting corporate sustainability results. In 2005, the CPFL Energia Annual Report received the Social Report Award for the second consecutive year and was named third best Annual Report by Abrasca – the Brazilian Association of Listed Companies.

social responsibility and corporate ethics committee

In order to better serve the interests of all stakeholder groups with which it interacts, CPFL Energia's Social Responsibility and Corporate Ethics Committee is composed of representatives from many different areas: Corporate Communications and Institutional Relations, Human Resources and Infrastructure, Operations, Procurement, Project Development, Quality Control, Internal Audit, the Ombudsman's Office, Customer Service, Legal Counsel, as well as the president of the CPFL Paulista Employees' Representative Committee (also representing CPFL Geração employees) and a workers' representative from CPFL Piratininga.

GRI

The Committee's assessment of CPFL publicity campaigns is for *GRI Indicator PR9*

CPFL does not breach any advertising regulations. *GRI Indicator PR10*.

GRI

CPFL Group companies play an active role in Committees, Commissions and local organizations. In addition, they promote periodic meetings with entities representing society for presenting programs and evaluating the socio-economic impacts of their actions. Periodically, the companies take part in external surveys and enroll in award schemes and surveys for gauging the effectiveness of their processes and systems of corporate responsibility. *Information for GRI Indicators SO1, SO4 and PR6.*

In 2005, CPFL Paulista became the first company in the electric energy sector to receive the National Quality Award® from the National Quality Foundation – FNQ, one of the most highly regarded awards in Brazil for its demanding assessment criteria which are in line with internationally recognized standards. The award recognizes companies that are most successful in the pursuit of management excellence, and places value on the use of operational quality control systems, quality certifications, and commitments to sustainable development and corporate responsibility.

CPFL Paulista also gained recognition from customers with the fourth consecutive annual improvement in the Perceived Quality Satisfaction Index in a survey carried out by Abradee – the Brazilian Association of Electricity Distributors.

The principal responsibilities of the Social Responsibility and Corporate Ethics Committee are, among others, to propose whatever measures and actions are needed to keep CPFL permanently aligned with best practice in corporate social responsibility and to ensure CPFL's publicity campaigns are similarly guided.

operational excellence

Constant efforts are made to improve service quality and stakeholder relationships so as to ensure the Company upholds standards of excellence and achieves



GRI

Information on CPFL Energia's Sustainability and Responsibility Program as well as the Integrated Management System and the multiple Certifications awarded, comply with *GRI Indicator S01*.

Through the Integrated Management System, strategically important operational procedures of the CPFL Group's companies are certified according to the leading international standards: ISO 9001:00 for Quality Management; ISO 14001:04 for Environmental Management; OHSAS 18001:99 for Occupational Health and Safety; SA 8000:01 for Social Responsibility Management. In 2005, for the first time, all processes were re-certified simultaneously. They are the following:

CPFL Paulista – ISO 9001:00, OHSAS 18000:99 and SA 8000:01 for "Distribution and Sale of Electric Power", ISO 9001:00 for "Electricity Consumer Call Center Service", "Electricity Transmission Systems Operations" and "Compiling and Processing of Technical and Commercial Indicators of Electricity Supply Quality"; and ISO 14001:094 for "Harmony between Urban Electricity Distribution Networks and the Environment".

CPFL Piratininga – ISO 9001:00, OHSAS 18001:99 and SA 8000:01 for "Distribution and Sale of Electric Power", ISO 9001:00 for "Compiling and Processing of Technical and Commercial Indicators of Electricity Supply Quality"; and ISO 14001:04 for "Harmony between Urban Electricity Distribution Networks and the Environment".

CPFL Centrais Elétricas – ISO 9001:00, ISO 14001:04, OHSAS 18001:99 and SA 8000:01 for "Hydro Genera-

tion of Electric Power"; and ISO 9001:00 for "Operation of the System for the Generation of Electric Power".

CPFL Energia plans to take a further step forward with respect to excellence in processes and services: the Group's target in 2006 is to implement the 6 Sigma strategy, which uses statistical analysis to improve rationalization of operating processes.

risk prevention and management systems

CPFL Energia and its subsidiaries and affiliates have implemented financial and operating policies and strategies for protecting both their assets and employees, and for controlling the impact of their business activities on society, the communities and the environment. The Company already has procedures in place for monitoring its operations and transactions so as to forestall, trace and mitigate the various types of risk to which it may be exposed.

The principal precautionary systems and procedures are as follows.

prevention of financial risk

Instruments Used

Financial risk management is centralized at CPFL Energia and uses the instruments most frequently found in financial markets, one of which is the Risk Maps system, also used by some of the largest banks in the Brazilian financial market. This model allows the management of financial risk using ALM – Asset and Liability Management, VAR – Value at Risk, Stress Test and Duration analyses of assets and liabilities of the subsidiaries and holding companies of the CPFL Group. These techniques define the level of financial risk in each transaction and offer ways of neutralizing or protecting against such risks.

Exchange Rate and Interest Rate Risks on other Liabilities

Currency Risk in Electric Power Purchases – Companies that are obliged by law to acquire energy from Itaipu have the right to seek financial protection from currency losses through the CVA Part A Cost Tracking Account Mechanism (Aneel Resolution 90/2002), which compensates companies for foreign exchange rate losses on energy purchases by adjusting their electricity tariffs.

Currency Risk on Financial Liabilities – The CPFL Group protects its earnings and cash against fluctuations in the US dollar through hedge/swap transactions, allowing financial debt to be linked to variations in purely domestic indices.

Interest Rates – The CPFL Group's companies have entered into derivatives contracts to hedge against the risk of fluctuations in reference interest rates such as LIBOR, for example, making for predictability and stability of financial expenses on foreign currency debt.

Financial Covenants – Loan agreements, financing contracts and debentures in which the CPFL Group's companies have participated include the restrictive covenants usual in this type of transaction, typically relating to certain financial ratios, cash generation, and others. All such covenants are strictly complied with by the CPFL Group and do not represent any kind of limitation on the companies' abilities to conduct their normal business.

Credit – The risk of loss through inability to collect from clients is low given the absence of client concentration and the company policy on collection and disconnection in the event of non-payment. Measures are frequently taken to reduce the level

of payment delinquency (for more information on payment delinquency see the chapter on Performance of the Distribution Companies).

Planning for Energy Purchases – CPFL Energia's operating subsidiaries have also implemented extensive planning models and procedures, intended to generate solutions and strategies for reducing their exposure to risks and penalties and to discover new ways to add value to their business activities within the context of Brazil's New Electricity Sector Model.

In order to limit the risk of over- or under-contracting energy needs, resulting from the intrinsic uncertainties in making statutory market projections over the next five years, and to minimize the total cost of energy purchases, CPFL group distribution companies have built a range of mathematical optimization models. These are used to help develop the best strategies for acquiring energy in regulated energy market auctions based on a range of projected demand scenarios constructed in such a way as to incorporate all sectorial and macroeconomic variables affecting electricity demand.

Private Pension Plan

The CPFL Group employs structural procedures to obtain positive results on its employee pension plans, which are managed by Fundação Cesp – reflected in the surpluses achieved over the last five years. In addition to a highly specialized team, equipped with the most advanced instruments for evaluating risk, the CPFL Group has also created the Pension Plan Asset Management Committee covering all Group subsidiaries except RGE. The Committee comprises staff from the Chief Financial Officer's office and other departments, employees and beneficiaries. The responsibility of the Committee is to evaluate and decide on investment

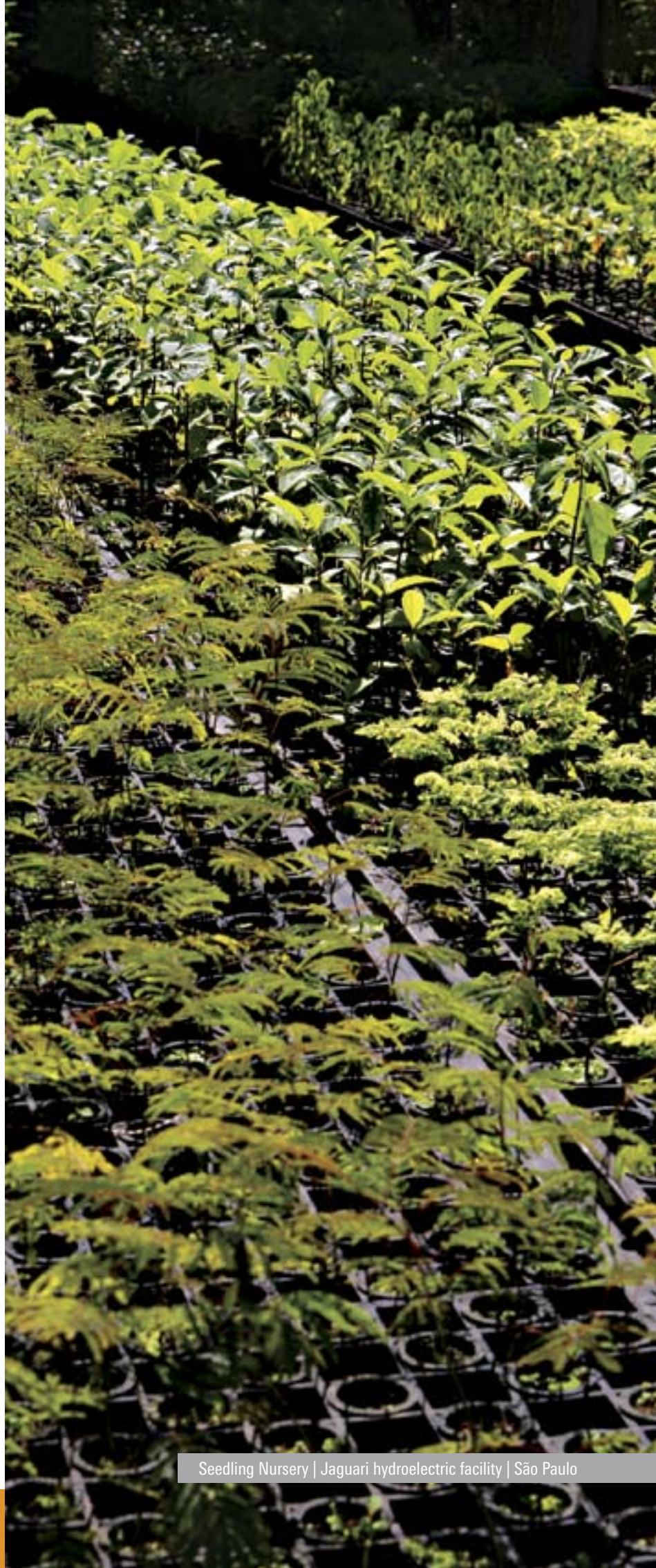
policy for the plans' funds, to assess actuarial calculations, economic and financial statements, security, profitability and liquidity, in line with guidelines approved by the Deliberative Board of Fundação CESP. The Committee also examines the management of the plans and makes adjustments when necessary. Results are analyzed monthly by the Committee and the asset management team of Fundação Cesp. Meetings are held quarterly or whenever deemed necessary, to review strategies and limits.

Insurance – CPFL Energia has established formal insurance management guidelines for taking the necessary measures to protect its assets as well as to protect against the threat to profits from accidental losses. Strategies for eliminating this type of risk are developed in conjunction with specialized world-renowned insurance consultants.

prevention of operating risk

The Environmental Management System provides a control framework for activities and technical guidance for electric energy distribution and hydraulic energy generation processes. These processes adhere to the requirements of the Environmental Certifications and the technical standards in force (*read more about this in Management of Environmental Impacts, on the following pages*).

Environment – Extensive and conservatively based environmental impact studies are prepared for each of CPFL's new projects and the Company closely monitors the execution of its environmental programs. This enables it to comply with the numerous and complex stages that precede the granting or periodic renewal of an Operating License, thus avoiding difficulties for the commercial operations of these projects.



Seedling Nursery | Jaguari hydroelectric facility | São Paulo

Hydrological Risks – The power generated by CPFL Energia subsidiaries is basically hydroelectric in origin. However, the revenue from the sale of power does not depend on the volume of power effectively generated, but on the amount of Secured Power assigned to each plant, which is fixed in volume, determined by the Concession Authority and written into each concession contract. Any shortfalls between power generated and Secured Power are covered by the MRE – Energy Reallocation Mechanism. The MRE aims to mitigate hydrological risk. In short, the MRE is a mechanism for reallocating power from those generating above their Secured Power allocations to those generating below. The amount of power actually generated is determined by the ONS (National Electricity System), based on the effective demand for power and the hydrological situation.

Wrongful Consumption – CPFL Energia has a system for managing wrongful or fraudulent consumption, which allows monitoring and detection of changes in energy consumption patterns and targeting of consumers for inspection. When fraudulent or wrongful consumption is identified, the Company collects overdue amounts according to the criteria established by the legislation in force.

Communities – The CPFL Group's distribution companies monitor any accidents involving neighboring communities, electric shocks having been identified as the principal cause. On-going campaigns are employed to remind the public of the risks involved in using electricity and to increase consumer awareness on accident prevention.

information technology security

CPFL Energia has permanent procedures in place for ensuring the security of its technological resources and systems. To mitigate the risks associated with equipment failure, it has built-in redundancy in critical areas. The company's IT management procedures ensure absolute client confidentiality, as well as confidentiality of all information processed by, and stored in, corporate IT systems.

To allay the risks resulting from information processing assets, all IT processes are documented and governed by established internal controls. Efficient and safe use of the Internet and its connections is guaranteed by permanently updated virus detection and protection programs.

GRI

CPFL's distribution companies run year-round publicity campaigns with explanations and guidelines concerning the risks and precautions when using electricity. The concession contracts with Aneel lay down the basic requirements for safeguarding consumer health and safety. *Information for GRI Indicator PR1.*

GRI

Information Technology resources are used to ensure customer confidentiality.

GRI Indicator PR3.

CPFL has no record of receiving any complaints regarding violation of client confidentiality.

GRI Indicator PR11.

regulatory issues

The power distribution and generation concessions are required to adhere to a series of obligations established in the concession contract and by the sector's regulatory framework and are regularly subjected to inspection by Aneel, and by official state agencies.

The mitigation of regulatory risks is one of the CPFL Group's strategic directives. Regulatory risks are rigorously and systematically controlled at each of the concessions, using structured procedures at both the business units and the corporate center, and by support systems, such as SISGERE – Regulatory Management System for monitoring and controlling the entire regulatory process.

GRI

CPFL Energia has never been accused of or investigated for any violation of antitrust or monopoly control legislation. *Information for GRI Indicator SO6.*

The commercialization of electricity occurs mainly in the unregulated market and is not required to follow regulated market rules, except in cases of operations involving related companies, which must have the prior approval of Aneel (a rigorously observed rule).

In view of the corporate structure of the CPFL Energia holding company and the regulatory requirements, effective control of this type of risk requires that the corporate area assume central coordination of the regulatory process. This ensures a full picture of all inter-company relations, especially those of an economic and financial nature, and thus guaranteeing conformity of operations.

occupational health and safety management

CPFL Energia Group companies' Occupational Health and Safety Management Systems are OSHA 18001:99 certified in the spheres of Distribution and Electric Energy Trading, and the Hydraulic Generation of Electricity.

All accidents and occupational illnesses involving time off work or otherwise, are registered, monitored and analyzed in order to identify the causes and implement any corrective measures required for future prevention.

Group companies maintain an Employee Health and Loss Control Register that complies with the requirements of the International Labor Organization's Code of Practice for Recording and Notifying Occupational Accidents and Diseases.

Agreements between the CPFL Energia Group's companies and the labor unions have also led to the formation of Joint Health and Safety Commissions, replete with rules on functioning, records, monitoring and decision-making. In addition, the companies possess an Integrated Management System Committee that represents all employees, as well as a structure of Internal Accident Prevention Commissions – CIPAs, in line with the level of risk and type of activity at each company.

GRI

The information concerning Occupational Safety is for the following *GRI Indicators: LA5, LA6, LA8, LA13, LA14 and LA15.*

(see definitions of the performance indicators in the GRI Reference Index at the end of this Report).

Group companies CPFL Paulista, CPFL Piratininga, CPFL Geração and CPFL Centrais Elétricas are signatories of the São Paulo State Electricity Sector Collective Occupational Health and Safety Convention. This is a tripartite agreement (between companies, employees and the state government) that aims to improve employee occupational health and safety conditions.

Information on safety is made available to all employees, who receive training on OHSAS 18001, standardized Personal Protection Equipment (EPIs) and other norms, plus technical advice on occupational safety. One of the available channels is DSS – Weekly Safety Dialog, with another being communication by intranet, which facilitates contact with the safety area for Labor and Occupational Health. In addition to this, other information

**Occupational Health and Safety procedures are
OHSAS 18001 certified**



Man tenance in live line

sources for employees are: Occupational Safety professionals, CIPAs, and company surveys. As part of its drive to effect permanent improvements to its employees' health and quality of life, CPFL Energia runs awareness campaigns on subjects such as healthy eating, women's health, smoking, active lifestyles, AIDS, STDs, anti-fluenza vaccinations, dengue fever, hypertension, RSI (Repetitive Strain Injury), among others.

GRI

Information concerning Occupational Health and Safety is for *GRI Indicator LA14*, on evidence of compliance with ILO guidelines.

GRI

Occupational Health and Safety – Information for the GRI Indicator LA7.

CPFL Energia

	2005	2004	2003	2002
Accidents involving employees				
Degree of gravity	711	885	2.492*	985*
Frequency rate (FR)	3.21	3.54	4.26*	4.07*
FR of accidents not involving time off work	8.77	8.17*	17.16*	7.05*
Number of accidents				
Non-fatal	137	128*	173*	100
Fatal	1	1	3	1
Total	138	129*	176*	101
Accidents involving time off work	36	38	32	36
Accidents with Contractors				
Accidents involving time off work	87	63	34	31
Accidents not involving time off work	118	39	10	11
Fatal accidents	2	2	3	0
Total	207	104	47	42
Accidents involving third parties (communities**)				
Fatal accidents	27	26	17	14*
Serious accidents	33	34	41	25*
Minor accidents	13	20	17	0*
Total	73	80	75	39*

*RGE has revised its figures, which has affected the marked indicators

**CPFL monitors accidents involving the community and has identified electric shocks as the principal cause. CPFL understands the need to raise consumer awareness as to the risks involved in using electricity.

intellectual property bank

During 2005, CPFL Energia made steady progress in identifying and expanding the assets in its intellectual property bank, a store of intellectual resources that has proven to be a driver of sustainable and strategically consistent growth.

Since 2004, CPFL has been implementing specific procedures for estimating the value of its intangible assets, by establishing correlations between incremental economic gains for the business and the degree of usage of a range of these assets. From this year on, the challenge is to document and adopt a systematic approach to this issue.

The strength and tradition of the CPFL brand, its client base and the skills and competences of its employees are among the Company's most valuable assets

Intangible assets can be classified according to a set of characteristics, the most important of which are: the possibility of clear identification, legal existence, intellectual property rights, the ability to determine a useful life and transferability. The following CPFL intangible assets were identified:

market related intangible assets

The strength and tradition of the CPFL Energia brand and the Group companies' client base: an extensive data base on consumption habits and consumer information on over 5 million customers representing 15 million individual consumers served by CPFL every month. This asset was the foundation for the development of the company's CRM system (marketing program for customer relationship management).

human resources-related intangible assets

The use of Human Resources programs for training and developing key competences and aligned to the organizational strategy, helps raise levels of employee skills and competences.

CPFL Energia employs a number of schemes for managing and cultivating intellectual capital, among which are:

- Strategic Competences Development Program, aimed at all employees.
- Programs for developing and updating management style and practice, focused on the Company's strategic objectives.
- Technical Training Programs.

Intellectual capital is registered and retained through the establishment of norms, procedures, work instructions, organizational policies, information systems and the structuring of the property bank as an in-house library.

intangible assets related to the geographical location of the electricity distribution concessions

The electricity distribution concession rights in the upcountry regions and part of the coastal region of São Paulo state and the north and northeast of Rio Grande do Sul state, which are among the fastest growing regions in Brazil, are among the major factors driving growth and prosperity of Group activities.

On the other hand, certain intangible factors or influences can be seen to exist. Despite lacking the above defining characteristics of intangible assets, they nonetheless influence their value and deserve to be mentioned:

- a) a 12.4% share in the total Brazilian electricity distribution market, offering opportunities for economies of scale, and synergies of cost and operations among the Group's companies;

- b) the business portfolio, with a presence in three stages of the electricity value chain – Distribution, Generation and Commercialization – enabling the companies to draw maximum business benefit from clients and suppliers;
- c) high levels of productivity and employee motivation that have been identified in surveys and benchmarking exercises and confirmed by the awards received every year;
- d) quality of CPFL Energia’s controlling shareholders and their commitment to the development of the country for decades past, making the Company a strategic partner of the government for economic development.

CPFL intends to use the recognition of its intangible assets and their direct correlation with value creation to further refine its criteria for allocating capital expenditures, recognizing the importance of each one as a competitive advantage and a source of additional business value.

action for socioeconomic change

CPFL Energia seeks to engage its employees’ skills and abilities in local educational, cultural, environmental, social and revenue-generating projects,

which are developed jointly with communities in the Company’s concession areas and focused on specific community needs. This action occurs through innovative projects aimed at disseminating knowledge as an agent of change and growth in citizenship.

The projects themselves may be of an educational, cultural, artistic, health-related or environmental nature, and are directed at neighboring communities as well as suppliers or clients. The Social Responsibility Management and Corporate Ethics Committee is responsible for examining and approving each one in accordance with corporate guidance principles and the Company’s commitments to its various stakeholders.

community initiatives

CPFL Cultural Center – Disseminating knowledge from various fields and equipping people to take on the challenges of the 21st century – these were the objectives of the CPFL Cultural Center’s program in Campinas, entitled “New Identities – Life in Transformation: Knowledge, Wisdom, Happiness”. The program included lectures by specialists and intellectuals and was open to the general public. Over the year, around 75,000 people took part. Since the Cultural Center opened in 2002, over 160,000 have participated in its programs, which are also recorded by TV stations and broadcast round the country.

CPFL Corporate Responsibility and Sustainability policy

“On a permanent basis, to include issues of social responsibility and sustainability in the administration of the businesses, by managing the economic, social and environmental impacts of the Company’s activities in alignment with society’s legitimate interests and in compliance with the applicable legislation”

A total of 75,000 people took part in the CPFL Cultural Center's 2005 program which addressed the challenges of the 21st Century in different fields of knowledge



GRI

In 2005, R\$ 350,000 was invested in the maintenance of the Cultural Center. Internal remodelling and renovation are carried out annually, as new programs are implemented. Information for *GRI Indicator EC12*.

CPFL Volunteer Work Program – Launched in 2004, this program was created with the goal of promoting and recognizing the potential for effecting change through volunteer work by coordinating employee initiatives so as to impact society in the most positive way possible. As such, the Program seeks to formalize projects in the areas of sustainability and social change at individual and institutional levels. The Program prioritizes educational, cultural and social initiatives involving local communities. More than 25% of CPFL's employees are involved in some sort of voluntary work.

The CPFL Goes to School Project – This project aims to encourage safe and responsible use of electricity, reduce electricity wastage and raise awareness of environmental preservation. The program has already reached more than 3 million children and teenagers from public and private schools via two projects: the Kids against Energy Wastage Program (in partnership with the Mauricio de Souza Institute) and Procel at School, which promotes learning through experiments and games. Both are part of the Procal Energy Efficiency Program and have been supported by CPFL Group distributors since 1996.

The Aprender (Learning) Project – The aim of this project is to help adolescents from the ages of 16 to 18 from low-income families prepare themselves for the

labor market. The program has an enrollment of 108 teenagers, selected using criteria that prioritize diversity. The selected adolescents work a 6-hour shift at CPFL Energia as administrative assistants and then for two hours every day take part in activities to improve their employability and sense of citizenship.

CPFL Program for Modernizing the “Santas Casas” and Philanthropic Hospitals – Since 1997, CPFL has supported the “Santas Casas” – charity hospitals originally run by religious foundations - and Philanthropic Hospitals in the municipalities where its companies operate. In 2005, this support was expanded with CPFL’s launch of an innovative project offering management assistance to these institutions. For this purpose, the Company established a partnership with the Augusto Leopoldo Ayrosa Galvão Study Institute – Cealag, the Federation of Santas Casas and Philanthropic Hospitals of São Paulo state, the Health Secretariat and the São Paulo state government. The Program aims to help implement hospital management techniques and to offer staff training to improve administrative performance and the quality of service offered by the institutions. A pilot project for the 2005 – 2006 period is currently underway in 19 hospitals in the cities of Franca and Piracicaba (São Paulo state) with CPFL Energia funding. In addition to offering courses and specialized assistance, the Program is setting up centers for technical support and is forming a volunteer group of CPFL employees and their families to help with the various aspects to the action plan.

RodacineRGE – This is a cultural inclusion program executed by RGE, which takes the movies on tour to the furthest reaches of Rio Grande do Sul state, free of charge. Since its formation in 2001, 259 municipalities have benefited from this program, attracting an audience of 240,000.

GRI

Donations to communities, civil society or other groups. *Information for Indicator GRI EC10*

Donations (tax advantaged or not) to projects for improving the quality of life and bringing culture to Brazil’s communities is CPFL’s way of contributing private social investment to the fields of culture, health, art and education, in keeping with its own vocation and with the legitimate aspirations of society. In 2005, cultural investments, support and sponsorships by CPFL Energia and its subsidiaries totaled R\$ 11,398,955.00, distributed as follows:

- Culture: The CPFL Group’s consolidated investment was the eighth largest under the Rouanet Law cultural incentives scheme, totaling R\$ 7,234,680.02.
- Education: R\$ 935,000.00
- Community Health and Sanitation: R\$ 239,000.00, including investments made in the modernization of the Santas Casas
- Independent institutions acting to disseminate Corporate Responsibility practice: R\$ 741,300.00
- Project Sponsorship and Social Events: R\$ 758,900.00
- Municipal Child and Adolescent Rights Councils – CMDCA: R\$ 1.49 million (read more in the Citizenship section).

economic and social leadership initiatives

Global Compact and Millennium Development Goals

– CPFL Energia is leader and participant in sustainable development initiatives encompassing both the corporate and civil society spheres. It has been a signatory of the Global Compact since 2004 and in 2005, joined the Brazilian Committee for this global agreement. The Global Compact was launched by the UN – United Nations, and aims to get companies to agree to 10 principles concerning human rights, working conditions, the environment and the fight against corruption (further information on the Global Compact principles and CPFL actions resulting from them at the end of this Report).

As a result of its commitment to these principles, CPFL Energia supports dissemination of the Millennium Development Goals established by the UN (more information on the following pages). This prompted it to launch the Regional Citizens’ Rights and Solidarity Forum in 2004, which has to date attracted 40 companies from the Campinas metropolitan region (São Paulo state). In August 2005 during the 2nd National Citizenship and Solidarity Week, the Forum hosted a series of events in the Campinas region, which called for numerous segments of society and local government to spread the eight Millennium Development Goals.

Value Network – Since 2002, CPFL has held annual supplier conventions to spread corporate social responsibility principles along the business chain (read more in the section on Management of Economic Impacts).

Community Kitchen Gardens – These are located on CPFL Energia property for the benefit of 35 low income families in the town of Americana and 16 in the city of Sorocaba (both in São Paulo state).

Citizenship – Since 2001, CPFL Energia has donated the equivalent of 1% of its income tax payments to Municipal Child and Adolescent Rights Councils – CMDCA’s, in regions where it operates.

Commitments – CPFL is partnered with the Abrinq Foundation and with the Ethos Institute for Corporate Social Responsibility. In 2006, a partnership with the Akatu Institute for the promotion of responsible energy consumption is due to be formalized.

Sponsorship – The CPFL Energia Sponsorship Committee which is made up of Corporate Communications and Institutional Relations specialists, examines projects for sponsorship.

Global Reporting Initiative – Since 2003, CPFL Energia has published its Annual Report (its first for the 2002 fiscal year) in line with the Global Reporting Initiative - GRI, international reporting guidelines.

government-partnered society initiatives

Light for All Program – This is a social inclusion project co-coordinated by the Ministry of Mines and Energy - MME, supported by state governments and strategic partnerships with electricity concessionaires. It is aimed mainly at lower income families with single phase hookups to the power distribution network, living in rural areas with monthly consumption of less than 80kWh. The elements of the Program, which is underpinned by government funding, are extension of the electricity distribution network at no charge to the new consumer, installation of equipment and placing three bulb sockets and two plug points in each home.

Contractual objectives were met with 4,167 rural consumers connected in CPFL Paulista’s concession area and 1,530 in CPFL Piratininga’s area of operations. Total investment was in the region of R\$ 13.04 million and R\$ 3.24 million respectively. RGE completed 3,363 connections in 2005 which benefited 16,815 people in 189 municipalities. Since the start of the Program in 2004, the company has installed more than 4,700 connections.

RGE, UNICEF and You – This project raised more than R\$ 1.1 million in funds for Rio Grande do Sul state He-



Movimento Nacional pela Cidadania e Solidariedade

alth Department's A Better Early Childhood Program. These funds were raised from consumers' donating R\$ 1.00 through their electricity bills - also paying for the training of journalists for writing on themes related to childhood in 102 municipalities in Brazil as well as the printing of a thousand copies of the Stronger Brazilian Family kit. The kit comprises five albums, used by community health officials throughout Brazil for providing advice to families on raising and caring for children from birth to six years of age.

RGE-Rio Grande do Sul Government Cinema Award

– This joint RGE and Rio Grande do Sul state government initiative seeks to nurture the creativity and potential of filmmakers in Rio Grande do Sul, at the same time, developing the state's film industry. Investment in the regional production of films creates jobs, attracts domestic capital, drives the distribution sector and has a direct impact on the state's GDP. Research into the impact of the Award and the state culture incentive law showed that every R\$ 1.00 invested led to an increase of R\$ 1.47 in GDP. In 2005, the winners of the third year of the Award were: "Fuga em ré menor para Kraunus e Pletskaia" by Otto Guerra, "Insônia" by Beto Souza and "Quase um Tango Argentino" by Sérgio Silva. Each of these projects will receive R\$ 1.5 million through the RS state culture incentive law and the federal audiovisual law. The RGE/State Government Award is the largest incentive granted in the history of the Brazilian audiovisual sector.

Iberê Camargo Museum – RGE signed a partnership agreement with the Iberê Camargo Foundation for the construction of the museum, which will house the works of this celebrated local painter. The Iberê Camargo Museum, currently in construction on the banks of the Guaíba River in Porto Alegre, will be of major cultural and architectural significance to Brazil.

Gramado Film Festival and Christmas Lights Pageant

– RGE is one of the major sponsors of the Gramado Film

Festival and the Gramado Christmas Lights Pageant, two of the most significant public events in Rio Grande do Sul state and in Brazil.

environmental education

Among the many initiatives in 2005, the following stand out:

The School Ship: In 2005, CPFL Centrais Elétricas continued its sponsorship of The School Ship of Nature Association's environmental education project, with more than 14,000 visitors. Begun in 2002, the partnership between the Company and the Association disseminates information on water resources in the Piracicaba River basin, and more specifically, the Americana reservoir. Among the company's aims for 2006, is the broadening of the scope of this partnership through sponsorship of the Young Citizen project targeted at adolescents.




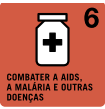


Environmental Exhibition Center – Semesa furthered environmental awareness by setting up this Center in the upper Tocantins River area in Goiás state, and by sponsoring a seminar on sustainable development in the upper Tocantins basin.

Environmental Education for Teachers – Ceran – Companhia Energética Rio das Antas implemented its environmental education program, focused on teachers, students, plant workers and the general community. More than 3,700 people participated in the project, which addressed themes relating to environmental programs currently being implemented.

Historical, Cultural, Landscape and Archeological Heritage Preservation

– During the construction of projects in which CPFL Geração has an equity participation, the recording of local history and culture is promoted via the Historical, Cultural, Landscape and Archeological Heritage Preservation Program in numerous Cultural Centers located in municipalities where areas are impacted by the Company's activities.



Millennium Development Goals	Type of Action
 <p>1. Eradicate extreme poverty and hunger</p>	<p>Support for job and income creation</p> <p>Support for school meals</p> <p>Action to reduce hunger in rural areas</p> <p>Nutritional educational programs</p> <p>Volunteer work programs</p> <p>Programs for greater inclusion of Afro-Brazilians, disabled people and other groups suffering discrimination</p> <p>Hiring of apprentices</p>
 <p>2. Achieve universal basic education</p>	<p>Action against child labor</p> <p>Support for and investment in schools and NGOs engaged in educational programs</p> <p>Promotion of education for employees and dependents</p> <p>Supplementary educational projects</p> <p>Contributions to Municipal Child and Adolescent Funds</p>
 <p>3. Promote equality of the sexes and independence for women</p>	<p>Programs promoting the value of diversity, focusing on gender and race</p> <p>Income generation programs for single mothers</p>
 <p>4. Reduce infant mortality</p>	<p>Improve access to cheap and reliable medicines</p> <p>Improve access to clean drinking water</p> <p>Support and awards for exemplary projects</p>
 <p>5. Improve maternal health</p>	<p>Improve women's working and occupational health conditions</p> <p>Support NGOs working on this issue</p>
 <p>6. Fight HIV/AIDS, malaria and other diseases</p>	<p>Make available reliable and cheap medicines</p> <p>Support for education, prevention and treatment programs</p> <p>Support for other health projects</p>
 <p>7. Guarantee environmental sustainability</p>	<p>Environmental Impact Management</p> <p>Education and training in the sustainable use of environmental resources</p> <p>Waste treatment programs</p>
 <p>8. Promote the World Partnership for Development</p>	<p>Promote decent working conditions for adolescents</p> <p>Implementation of partnerships for sustainable development</p>

CPFL Group Activities

- Volunteer Work Program
- Respect for Diversity Program
- Community Kitchen Gardens
- The Aprender (Learning) Project

- Compliance with SA 8000 standards
- Inclusion of clauses prohibiting child labor in supplier contracts
- The Aprender (Learning) Project
- Partnership with Abrinq Foundation
- The School Ship Project
- The CPFL goes to School Program
- CPFL Cultural Center Program
- Improvements to the public education system in regions affected by new hydroelectric projects
- Donations to Municipal Child and Adolescent Rights Councils

- The Respect for Diversity Program
- Support for the Center for Research and Assistance for Socially Excluded Women – CEPROMM

- Donations to Municipal Child and Adolescent Rights Councils
- RGE, Unicef and You Program
- Adjustments and improvements to the provision of healthcare services in regions affected by new hydroelectric projects

- Donations to Municipal Child and Adolescent Rights Councils

- Internal AIDS and other disease prevention campaigns
- Influenza vaccination campaign for employees
- Internal blood donation campaigns
- "Santas Casas" Modernization Program

- Environmental Management System, programs for offsetting and mitigating social and environmental impacts
- Environmental Programs in the distribution companies' concession areas, near small hydroelectric power plants and in new hydroelectric facilities currently in construction

- Regional Citizens' Rights and Solidarity Forum
- Commitment to the Global Compact and the Eight Millennium Development Goals
- The Aprender (Learning) Project

management of economic impacts

CPFL Energia places great weight on tracking consumer opinion for continually improving the quality of its service and customer relations. Consumer needs are identified through surveys, participation in local committees and commissions, and socially-oriented community projects, and through regular meetings with commercial and industrial associations (see key results, including those on Universal Service Coverage, in the chapter on Operating Performance).

The CPFL Group's companies use this information to provide superior services and increase customer satisfaction and loyalty by investing in constant improvements to customer relations' channels, customer service and existing information, not to mention other initiatives such as educational campaigns on the safe and efficient use of electricity.

The CPFL Energia Group's companies also conduct surveys to measure service satisfaction with the Call Center (quarterly since December 2004) and the Ombudsman's Offices (annually since 2005). The work of the Ombudsman's Offices helps to improve internal procedures and increase efficiency of customer service.

Since 2003, surveys have been carried out among customers of the commercialization company CPFL Brasil. Additionally in 2005, research to calculate the financial value of the CPFL brand was undertaken and the results have validated the actions taken by the Company's senior management and executives to generate sustainable shareholder value.

CPFL companies regularly work with Brazil's consumer protection organizations - the Procons - in order to find fast and effective solutions to service quality issues raised by customers.

The three electric energy distribution companies, CPFL Paulista, CPFL Piratininga and RGE, all have Consumer Councils composed of representatives from all segments involved, for the purpose of continually monitoring service quality.

Additionally, press articles appearing in publications from the main cities where the CPFL Group operates are analyzed daily and used by Corporate Communications to compile the monthly media favorability report, a practice carried out since early 2002. This analysis also leads to a daily clippings page and a monthly favorability index, calculated by rating articles as positive, neutral or negative.

GRI

Information on surveys and evaluations are in line with GRI requirements on policies to manage the impacts on communities in areas affected by company activities.

Regular client satisfaction surveys analyze all aspects of the electricity distribution companies' services. Information for *GRI Indicator PR8*.

The CPFL companies permanently monitor favorability indices of press coverage received in the cities in which they operate and have a policy of actively communicating with local communities. This information is for *GRI Indicator SO1*.

GRI

The CPFL Group companies all have Ombudsman's offices, with specific goals and performance criteria, for handling suggestions, criticisms and complaints from consumers, or regulators. The Ombudsman's offices are at liberty to interact with all areas within the company and to propose changes in internal working practices. This information refers to *GRI Indicator SO1*.

connections in poorer communities

The Community Network Program aims to regularize the situation of illegal consumers in CPFL Paulista and CPFL Piratininga's concession areas. Its main objective is to eradicate the risks associated with clandestine connections and to educate the public on the efficient use of electricity.

Created in 1998, this Program operates through direct contact with end-users. The Company designs and builds a distribution network and then finances the purchase of the installations in up to 24 installments. Customers are also offered courses on the proper use of electricity and other related subjects. These initiatives are subsidized by Aneel, to which periodic progress reports are provided.

In 2005 the Community Network Program made 5,853 connections in the concession areas of the two companies, 24.5% more than the goal of 4,700 connections.

GRI

Subsidies Received* – R\$ thousand

	2005	2004	2003
CPFL Energia	21,329	46,785	31,872

*Official subsidies for serving (proven) low-income groups at special tariffs

Note: Pursuant Resolution 89 of October 25 2004, Anel adopted new assessment methodology for the Low Income Subsidy which has been applied monthly since May 2002 and impacted 2004 results.

Information for GRI Indicator EC9.

Community Network Program – Target Connections and Connections Made			
	2005 Target	Connections Made in 2005	2006 Target
CPFL Paulista	3,200	3,470	10,000
CPFL Piratininga	1,500	2,383	6,000

supplier relations

Among initiatives designed to add value to its relations with stakeholders, CPFL Energia has held annual meetings with suppliers since 2002 with the purpose of sharing and disseminating knowledge on Social Responsibility and Corporate Sustainability. Following the III Supplier Convention in 2004, the Company achieved its objective of creating a new, specific initiative by constituting the Value Network, initially with five suppliers prepared to take part in monthly discussion sessions on the subject and to organize annual meetings.

The five companies, in addition to CPFL, have since responded positively to the challenge

of establishing a Social Responsibility project and then sharing their experiences with other companies.

As a result, the Network held the VI Supplier Convention in 2005 with 70 suppliers of materials and services, creating an environment propitious for the exchange of experiences of exemplary Corporate Responsibility practice. Participants were able appreciate that this responsibility is not a parallel activity, but an initiative that incorporates the interests of society as a whole. Thanks to growing interest and involvement among suppliers, the Value Network currently boasts 22 participating companies.

The Value Network, a CPFL creation for the exchange of exemplary Corporate Responsibility practice, is made up of 22 suppliers

In 2005, CPFL also structured a project for implementing Corporate Social Responsibility at its micro, small and medium-sized customers. The project will be rolled out in 2006 in partnership with the Ethos Institute for Corporate Social Responsibility and the Inter-American Development Bank.

GRI

The supplier selection and approval process is based on the company's Integrated Management System, and requires suppliers to comply with minimum standards for management of quality, the environment, occupational health and safety and social responsibility, all of which can be found on the Internet or in the CPFL Code of Ethics and Conduct. This practice is for *GRI EN33*.

E-Procurement

In order to make the price quoting process for the purchase of goods and services more efficient and transparent, since 2005, the CPFL Group is offering a set of e-business tools for the conduct of business over the internet. Known as e-Procurement, the system simplifies the whole process, from supplier registration to the purchase of goods or equipment or the contracting of works or services and allowing users to accompany the whole process.

E-Procurement can be found in the CPFL Energia portal and aims to standardize the receipt of price quotes through uniformity of proposals. In eight months of operation, the system handled

2,000 quotes and issued 4,000 purchase orders. Over this period almost 1,500 suppliers accessed the system.

Since 2002, CPFL Energia has carried out random supplier checks prior to official approval. On approving new suppliers, CPFL companies check for compliance with technical criteria and Integrated Management System standards, and involving everything from qualification through to respect for environmental preservation, occupational health and safety and social responsibility. Commitment to evaluation criteria is enshrined in contractual clauses. Suppliers are encouraged to answer the Ethos Institute for Corporate Social Responsibility questionnaire.

GRI

Information on corporate responsibility projects with CPFL's suppliers and micro, small and middle market clients is for *GRI Indicator E 13* on the organization's indirect economic impacts.

Total Suppliers – CPFL Energia

	Total	Middle Market and Large
2005	17,870	2,988*
2004	14,071	4,385

*The change reflects the result of analysis considering only suppliers which actually took part in the purchase process (quote or actual purchase) in the previous 18 months.

In 2005, 155 suppliers accounted for 80% of the total value of contracts, against 137 in 2004. Among the CPFL Group energy suppliers are Cesp, Furnas, Itaipu, AES Tietê, Duke, Tractebel, Petrobrás, Queiroz Galvão, Santa Clara, Copel, Chesf, Guaraniãna, in addition to CPFL Geração.

Among the Procurement department objectives for 2006, the creation of a specialized Contact Center had already been completed by March. This service center aims to answer supplier doubts on the processes of registration and purchase of goods and services via e-Procurement. Two main areas of activity are planned for implementation: the running of two further workshops on how to use e-Procurement, as occurred in 2006 with 600 participants, and the holding of the V Supplier Convention.

GRI

Information on key suppliers is for *GRI EC11*.

GRI

100% of contracts with suppliers were paid in accordance with agreed terms, including agreements on fines. *Information for GRI Indicator EC4.*

management of environmental impacts

The CPFL Group Environmental Management System benchmarks, standardizes and promotes control of the activities through a range of studies and procedures that identify, minimize and avoid environmental impacts, ranging from the planning and implementation stages through to the operating stages of projects and services.

CPFL Group distribution companies were the first in the sector in Brazil to receive environmental certification in line with ISO 14001:2004 standards. Urban tree planting processes have been certified since 2003 under ISO 14001:96 throughout CPFL Paulista and CPFL Piratininga's concession areas, for "Harmony between Urban Electricity Distribution Networks and the Environment". "Hydraulic Electricity Generation" for CPFL Centrais Elétricas was also certified by ISO 14001:2004.

CPFL Geração is installing the Environmental Management System at Barra Grande hydro facility and at the Ceran Complex, completion being scheduled for 2007.

Through the Environmental Management System and standardized procedures, CPFL Group companies maintain ongoing objectives and activities for the ecosystems, duly adjusted according to the particular needs of each site, and in line with the Group's electricity distribution and generation operations.

GRI

Information on certifications is for *GRI Indicators EN27 and PR6.*

GRI

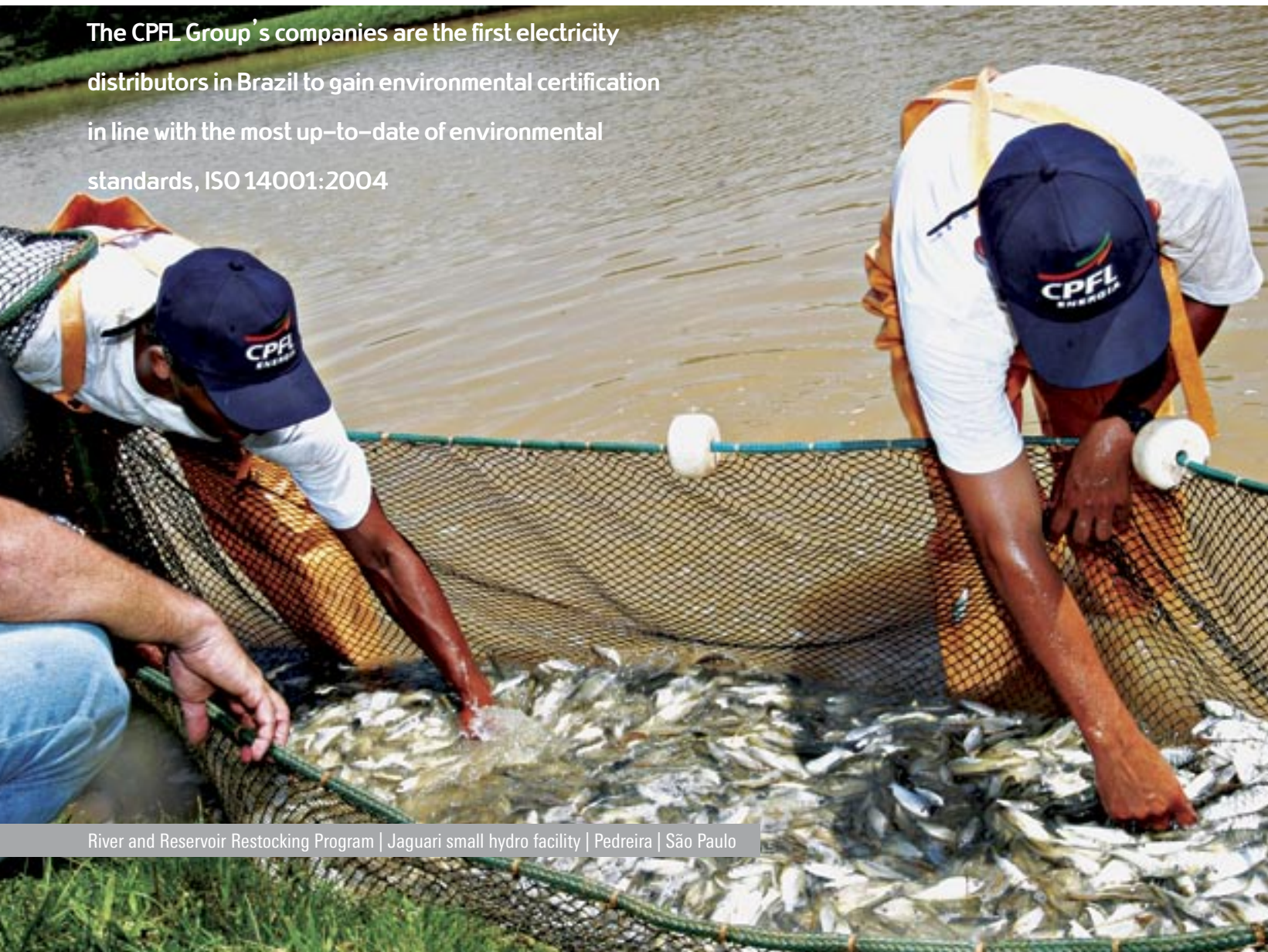
Environmental Investments – R\$ thousand

CPFL Energia – Consolidated	2005	2004	2003
Investments relating to operations	24,342	56,229	27,504
Investments on external programs or projects	1,257	1,013	670
Total	25,598	57,242	28,174

This information meets GRI Indicator EN35 – Total environmental expenditure by type.

2004 values were revised following their publication in the 2004 Annual Report and are presented above duly corrected and in line with the 2005 Social Report published on March 10 2006.

The CPFL Group's companies are the first electricity distributors in Brazil to gain environmental certification in line with the most up-to-date of environmental standards, ISO 14001:2004



River and Reservoir Restocking Program | Jaguari small hydro facility | Pedreira | São Paulo

ecosystem protection and restoration programs

Fisheries Conservation Program

The objective of this Program is to protect and preserve the fish population in the hydrographic basins where the small hydro facilities (PCHs) are located. The following initiatives are being implemented:

Restocking of rivers and reservoirs – A fish farming station located at the Jaguari plant in Pedreira municipality produces native fish spawn. In 2005, the Program released 390,000 fish spawn into the hydrographic basins of the Mogi-Guaçu, Piracicaba, Sapucaí/Grande and Tietê/Jacaré rivers. This Program has been operational since 1997.

Maintenance of Fish Migration Mechanisms – At some of its plants, CPFL has installed fish ladders. These “ladders”, which must be kept in perfect structural condition, connect the downstream water level with that of the reservoir. The ladders are formed by a succession of interconnected tanks so that water flows down in a series of small falls up which the fish jump to reach the reservoir, thus providing continuity to their reproductive cycle.

Reforestation Program – CPFL Geração has carried out reforestation projects and maintenance work using native tree species in the municipalities of Jaboticabal, Guará, Americana and São Carlos, planting a total of almost 115,000 seedlings. All these reforestation projects reached environmental sustainability during 2005 and were assessed and accepted by the State Department for the Protection of Natural Resources – DEPRN. The Company also maintains two reforestation projects of native species, located in Santos and Cubatão municipalities in areas of typical dense swampy woodland and coastal sandbank

scrub vegetation, respectively. An ongoing aim of CPFL Group companies is to prioritize reforestation programs in areas of land surrounding reservoirs and river tributary preservation areas, always interspersed with the planting of fruit-bearing trees from the regional flora, given the importance of the tree fruits in supporting fish stocks. Out of a total of 115,000 seedlings planted, 106,500 were used for restoration of waterside forest cover.

GRI

The information and targets for CPFL Energia's programs and activities for protecting and restoring ecosystems and native species comply with *GRI Indicator EN27*.

Environmental Education and Awareness – Thousands of students of different ages visit CPFL facilities to receive instruction on a range of environmental issues, including those related to the conservation of the fish population. At the Americana plant, CPFL sponsors the School Ship of Nature Association projects (read more in the section on Community Projects). In 2005, CPFL units were visited by 3,409 students from nearby schools.

Urban Tree Planting Program – One of the objectives of the Urban Tree Planting Program, which promotes a series of interlinking activities, is to produce seedlings suitable for planting in the vicinity of electricity power lines and other urban infrastructure for donation to municipalities within CPFL companies' concession areas. These seedlings are used for encouraging urban tree planting programs, in partnership with city governments, NGOs and neighborhood associations. To this end, the Company runs two nurseries, situated in the municipalities of Pedreira and São Joaquim da



Barra (São Paulo state), producing 135,000 seedlings a year. In 2005, over 120,000 seedlings were donated. The main objective for 2006 is to install a further nursery to serve municipalities in the west of São Paulo state, thus extending the benefits of the program to all municipalities in the concession areas of the two CPFL distributors in the area.

GRI

Information on dissemination of the Urban Tree-Planting Program is for GRI Indicator EN27.

In 2005, CPFL launched the manual entitled "Roadside Urban Tree-Planting: Aspects of Planning, Execution and Management", which offers help on planning, planting, pruning and maintenance of roadside tree-planting. It also broaches the subjects of occupational safety, the use of instruments for cutting, and relevant legislation. The publication emphasizes the importance of trees to the urban environment and has been widely distributed to those of the general public interested in the subject.

Wood of Certified Origin – CPFL Energia companies try to ensure that all native wood used in the installing the power distribution infrastructure, such as cross arms, comes from sustainable forestry projects. As a result, it requires approved suppliers to provide an Exploration Authority, a Sustainable Forestry Stewardship Plan – PMFS issued by IBAMA (the Federal Environmental Protection Agency), a Wood Purchase Contract, a Pollution Potential Activity Registration Certificate and Forestry Products Transportation Authorization – ATPF. These documents must not have expired and must cover the whole production chain.

Environmental programs at the new projects

CPFL Energia has implemented various environmental actions and programs at the power generation projects for environmental conservation purposes and to comply with environmental licensing requirements. Some examples are:

- Recovery and preservation of biodiversity in Areas of Permanent Preservation surrounding plant reservoirs, involving seed collection, cultivation of seedlings and the execution and maintenance of reforestation programs.
- Execution of the Environmental Conservation and Use Plan for preserving the areas along reservoir margins.
- Monitoring and preservation of flora and fauna in areas affected by the projects so as to maintain diversity and genetic variation through the recovery and storage of germoplasma in situ and ex situ, with the reproduction and eventual reintroduction of rare, endemic or threatened species.
- Investment of funds in the creation and consolidation of conservation units for compensating those significant impacts of plant construction and operations on the environment and on quality of life that cannot be completely avoided.

Support for Research & Development Projects

In 2005, CPFL Centrais Elétricas continued its program of removing aquatic plants from the Americana hydro plant reservoir, helping to improve its environmental quality. This program is the fruit of results of two R&D research projects begun in 2003, known as "System for Collection, Shredding and Final Disposal of Aquatic Plants at Americana Hydroelectric Plant"; and "Model for Integrated Monitoring and Management of Aquatic Plants in Hydroelectric Plant Reservoirs".

The company is aiming for the approval and execution of two new projects in 2006, both of which aim to increase knowledge of hydrographic basin management. The first project is designed for developing an assessment system model for environmental control of hydrographic basins which feed reservoirs. This will enable the Company to act objectively alongside water resource management bodies and social entities with interests in the basin before environmental degradation undermines the multiple uses of the reservoir, not to mention the operations and power generation of the small and medium-sized hydroelectric facilities themselves.

The second project is called “Energy Transmission Networks and Vegetation” and will look at the diversity of plant life in CPFL’s concession areas, ranging from Atlantic Rainforest to the Cerrado (savanna grasslands), to identify which plant species can be grown under energy transmission lines while at the same time contributing to an improvement of the ecosystem in each municipality, both in urban and also rural areas.

Since 2001, both CPFL Paulista and CPFL Piratininga have included environmental projects in their annual R&D programs with a view to opening up possibilities in the future for the preservation of ecosystems and the conservation of natural resources.

The following projects implemented in 2005 are worthy of particular note: the upgrading of processes for the decontamination of solid insulating power transformer systems; electricity generation from biomass waste for reducing atmospheric emissions; installation of distributed generation systems in the distribution network; and development of a transformer with longer working life and reduced environmental impact using vegetable oil as an insulator.



Environmental Precautions in Power Transmission and Distribution Activities

Electricity distribution essentially uses public highways for the installation of its electrical infrastructure (poles and lines) and does not interfere in biodiversity-rich habitats.

When electric energy transmission lines are installed using rights-of-way, at the design and planning stages, efforts are made to identify routes that avoid crossing areas of native vegetation and minimize the need for clearance.

Among the areas where the Company operates in São Paulo state, the Serra do Mar State Reserve has been declared an "area rich in biodiversity". Out of a total of 315,000 hectares, the Cubatão core area accounts for 115,000 hectares, the reserve also encompassing fifteen municipalities in the São Paulo metropolitan region as well as part of the Santos lowlands, the latter being CPFL Piratininga's area of operation.

Although some transmission lines cross the reserve – the Pedro Taques line (Cubatão – Praia Gran-

GRI

Information on Energy Distribution and Transmission activities are for *GRI Indicator ENV6*, on biodiversity-rich habitats.

de), the Praia Grande branch and the Baixada Santista – Capuava line – their environmental impact is of modest significance. A CPFL Piratininga study in 2005 for its Company Transmission Line Rights-of-Way Vegetation Assessment showed that only 23.32 hectares of rights-of-way are actually in the Reserve. There are in addition lines that cross areas of mangrove swamps in the Serra do Mar region, but nonetheless outside the State Reserve area, with rights of way taking up a further 12.4 hectares.

CPFL complies with the Environmental Legislation in force. Authorizations for cutting over virgin vegetation and for crossing Areas of Permanent Preservation – APP are issued regularly by environmental agencies and generate reforestation commitments as an environmental recuperation measure. The companies have directed their reforestation activities in areas that interlink natural habitats by joining fragments of forest and encouraging gene flows among native flora and fauna.

CPFL identifies possible changes to ecosystems resulting from the installation and operation of its assets in the following ways:

- a) Removal of vegetation during the building or maintenance of assets, including tree pruning and when necessary, felling. These actions can affect fauna, flora and even soil conservation, depending on their severity.
- b) Use of forestry products – the main consumption of wood occurs in the acquisition of products for the installation of cross arms.

Power Transmission Lines | Serra do Mar | São Paulo



However, the Environmental Management System, based on ISO 14001, permits the management and control of these activities through use of technical procedures which avoid and minimize their potential impact.

GRI

Information on the environmental impacts of distribution and transmission activities on biodiversity and on sensitive or protected areas is for *GRI Indicators EN7 and EN25* respectively.

Information on the identification and control of environmental impacts is also for *GRI Indicators EN14 and EN7*.

GRI

The information on environmental actions with respect to Power Generation projects comply with *GRI Indicator EN 14* on the significant environmental impacts of the principal services; and with *GRI Indicator EN7* relative to impacts on the biodiversity.

The area flooded for reservoirs in the case of small hydro power plants (PCHs) is relatively small and the impact on local biodiversity is insignificant.

Among the Environmental Programs operated in power generation projects in which CPFL Energia has an interest, worthy of particular note are the flora and fauna monitoring and conservation programs, reforestation programs for areas along reservoir margins and investments in the planning and implementation of Conservation Units. We highlight the following:

Environmental Precautions in Electric Energy Generation

The construction and operation of electric energy generation projects which interfere in habitats rich in biodiversity adhere to the relevant legal requirements. Environmental initiatives seek to mitigate and adequately compensate for the resulting impacts.

These environmental initiatives are grouped into programs and together make up the Basic Environmental Project for each plant, with procedures monitored by official bodies during the environmental licensing process (read more in the chapter on Operating Performance). These initiatives minimize any changes in the physical, biological and socioeconomic environments of the region that can occur in the construction of large projects, the result of building dams across water courses and flooding land for reservoir formation.

- At the Ceran Complex, 18.10 hectares have been reforested with the planting of 34,028 native seedlings in the Area of Permanent Preservation of the Monte Claro hydroelectric facility reservoir. A further 61.56 hectares of degraded land, necessary for plant construction were also recuperated. Environmental Programs oriented toward biodiversity have received investments totaling R\$ 2.156 million to date.
- At Barra Grande power plant, the Flora Monitoring and Rescue Program has led to the collection of 20 million seeds, the production of more than 680,000 seedlings and around 70 native forest species, plus the recovery and relocation of species of special interest to conservation. The Waterside Vegetation Recovery Program has already

been responsible for planting 160,000 seedlings of native species. The planting of a permanent forest nursery at Barra Grande is planned for 2006. Around R\$ 10 million is invested annually in environmental programs for the protection and conservation of biodiversity.

- At Campos Novos power plant, 206,000 native seedlings were planted in the Areas of Permanent Preservation, including threatened species such as the Paraná Pine (*Araucária*) as well as the constituting the Legal Reserve Area of some 540 hectares. The implementation of Environmental Programs furthering biodiversity received investments of R\$ 8.883 million in 2005.
- At Serra da Mesa hydroelectric facility, funds for environmental compensation have been used to establish two State Reserves, Terra Ronca and Pirineus. Up to December 2005, R\$ 10.273 million was invested in the Reserves.

GRI

Information on environmental initiatives for projects in construction are for *GRI Indicator EN26*.

Energy generation projects using hydro power are by nature constructed in Areas of Permanent Preservation (APP). They do not however affect Conservation Units, be they federal, state-level or municipal. *Information for GRI Indicator EN29.*

Preservation of Native Species

In 2005, CPFL Geração made further progress with the improvement of its database for environmental management. Monitoring of threatened species found in areas affected by its projects has begun (*see box on the following page*).

GRI

Areas of primary or secondary (at advanced or medium-stage regeneration) vegetation affected by the flooding of land for reservoirs at each project:

	UHE Barra Grande	UHE Campos Novos	UHE Monte Claro	UHE 14 de Julho	UHE Castro Alves
Flooded area (ha)	8,322.91	2,556.54	72.40	281.49	311.10
Area of primary vegetation (ha)	2,077.45	—	—	—	—
Area with secondary vegetation at medium or advanced-stage regeneration (ha)	4,573.89	989.01	12.70	5.20	233.13

Information for GRI Indicator EN6, on the location and size of lands owned by the organization in biodiversity-rich habitats.

Threatened Species		
Project	Fauna	Flora
UHE Campos Novos (1)	6 mammals (3 families) 1 bird (1 family)	2 species (2 families)
UHE Barra Grande	13 mammals (9 families) 1 amphibian (1 family) 2 reptiles (1 family) 15 birds (9 families)	
CERAN Complex	3 mammals (2 families) 2 birds (2 families)	6 species (4 families)

(1) Fauna and flora species found on the Official List of Brazilian Species Threatened with Extinction (IBAMA, 1992, 2003).

GRI
Information on threatened species is for GRI Indicator EN28.

CPFL Energia contributes technically and financially to the conservation and preservation of Brazilian species of flora and fauna:

- At the Ceran Complex seedling nursery, part of the Araucária State Program, Paraná Pine (*Araucária angustifoliae* – a threatened species) seedlings are produced. Studies are also being conducted on the distribution and reproductive pattern of three endemic species of flora: *Callisthene inundata*, *Lafoensia nummularifolia* and *Dickia* sp.
- Also at the Ceran Complex the Fauna Monitoring Program studies the distribution and natural occurrence of the bird species *Serpophaga nigrigans* (Sooty Tyrannulet)

- In line with Barra Grande hydroelectric facility’s operating license conditions, the Reophyte (*Dyckia distachya*) Relocation and Monitoring Program is underway in association with EM-BRAPA/CENARGEN, with areas for the relocation and classification of rescued species already selected.

Carbon Credits

The Upgrading and Automation Program for small hydroelectric power plants – PCHs, which specifically involves the renovation or installation of new turbines, ancillary equipment and automated systems, increases electricity generation capacity without additional environmental side effects (read more in the chapter on Operating Performance). Studies have shown that energy output will increase by 130,318 MWh/year when the new capacity of the PCHs already upgraded since 2001 is added to further capacity once modernization of the remaining PCHs is completed. If this additional energy, gained without environmental impact, is

compared with the equivalent amount generated by a thermoelectric plant, the result is a reduction in the emission of 921,000 tons equivalent of CO₂ over the 2002-2003 period, allowing CPFL to apply for carbon credits. These credits, with an estimated international market value of US\$ 5.00/t, will produce a forecasted revenue of US\$ 4.6 million.

The upgrading of small hydroelectric power plants – PCHs, contributes to a reduction in CO₂ emissions

GRI

Information on the repowering of PCHs is for *GRI Indicator EN17*, on initiatives to increase energy efficiency.

Co-generation

CPFL Brasil offers specialized services for clients that produce electricity from primary energy sources (natural gas or biomass) - technical and economic viability studies; design, construction and operation; technical training; and studies on alternative energy sources.





Energy Consumption

The power distribution networks supply electricity to the CPFL Group companies to meet their daily requirements. As the National Grid System is integrated, the Energy Matrix (see below) should be used

to determine the primary sources for producing electric energy to satisfy internal Company needs. The Matrix highlights hydroelectric energy as the leading primary source of energy consumed (76.3% of the total).

GRI

Direct energy use – electricity (Joules) – Information for GRI Indicator EN3.

Energy (J)	2005	2004	2003
CPFL Energia	89,029,342,800,000	87,512,994,000,000	89,421,708,973,569

Brazilian Energy Matrix

Type	%
Hydroelectric Energy	76.30
Thermoelectric Energy	21.53
Others	2.17
Total	100

Emissions

CPFL Energia's companies and their regional facilities are located at various urban sites in cities in the upcountry and coastal regions of São Paulo and Rio Grande do Sul states. Only vehicles and air conditioning units produce emissions, and these are dispersed across the entire company operation. For this reason, the environmental impact is insignificant.

GRI

The CPFL Group's companies do not produce significant emissions of NOx or SOx.
Information for *GRI Indicator EN10*.

GRI

Information on gas emissions is for *GRI Indicators EN8, EN9, EN34 and EN30*.

Waste Management

The Waste Management Program identifies and classifies the main types of waste resulting from the operating processes of CPFL Group companies. For each type of waste, norms have been established for storage, transportation and the best method for disposal, according to the legislation in force.

GRI

Fuel consumption* (in KJoules) – Information for GRI Indicator EN3.

CPFL Energia

	Gasoline	Diesel	Ethanol
2005	58,871,707,440	97,288,619,350	6,158,611,960
2004	61,577,265,382	92,514,359,154	6,603,150,454
2003	56,814,570,036	86,823,993,344	8,685,173,097
2002	53,155,504,080	81,922,848,150	14,817,754,640

(*)These figures refer to the Company's own fleet – operating vehicles and management cars.

Amounts in liters were converted into calorific power equivalents using the following ratios:

Gasoline: 1 liter of fuel is equal to 34,860 kJ

Diesel: 1 liter of fuel is equal to 38,350 kJ

Ethanol: 1 liter of fuel is equal to 22,520 kJ

Waste storage areas are frequently inspected, while CPFL employees monitor disposal procedures regularly. Each year, employees in the operating areas have the opportunity to review concepts and standards relating to the storage and disposal of waste in the Environmental Management System training sessions.

Among the procedures analyzed in the Waste Management Program are the following:

Storage and Disposal of Public Lighting Bulbs:

Used bulbs containing sodium and mercury vapors are collected at each of the Company's regional head offices and sent for decontamination and subsequent recycling (mercury, aluminum and glass) by an Ibama-licensed outsourced company in Paraná state. This reduces the risk of contaminating landfills and avoids use of new raw materials.

GRI

Information on the disposal and total volume of waste by type is for *GRI Indicator EN11*.

Disposal of Public Lighting Bulbs

CPFL Energia	Bulbs Substituted	Bulbs Decontaminated	% decontaminated
2005	178,801	150,825	84
2004	186,897	147,270	79
2003	141,771	91,857	65
2002	261,476	165,101	63
2001	96,282	48,141	50
2000	194,798	77,912	40
1999	118,887	17,833	15

Disposal of Equipment with PCB - Incineration					
Material	Unit	CPFL Energia			
		2005	2004	2003	2002
Capacitors with PCB oil	Ton	10.95	–	–	22.1

Total Equipment with PCB						
Year	CPFL Paulista			CPFL Piratinga		
	Total Equipment (units)	Equipment with PCB (units)	%	Total Equipment (units)	Equipment with PCB (units)	%
2005	114,848	882	0.76	38,637	793	2.05
2004	111,186	915	0.82	37,964	844	2.22
2003	109,000	1,090	1.00	37,464	895	2.40
	Total Volume of Oil (liters)	Volume of PCB (liters)	%	Total Volume of Oil (liters)	Volume of PCB (liters)	%
2005	18,428,742	6,588	0.04	6,446,221	4,758	0.07
2004	18,106,311	6,786	0.04	6,346,481	5,064	0.08
2003	17,620,344	8,110	0.05	6,256,706	5,370	0.09

Replacement, Storage and Disposal of Equipment with PCB (polychlorinated biphenyls):

CPFL has leased storage space for holding dangerous waste in which both contaminated items with oil and equipment containing PCB (insulating oil) are stored. Disposal is thus centralized, reducing operating costs. All equipment with PCB subject to replacement is properly packaged and sent for incineration with licensed companies.

Selective Garbage Collection Program: This program selects, stores and dispatches recyclable garbage. The Program has been in operation at CPFL's head office since 2002 and has led to a reduction in amounts disposed in landfills. It also includes an agreement between CPFL, the Campinas municipal authorities and the Dom Bosco scavengers' cooperative, the latter organized with the help of the authorities and the local business community. This has resulted in an increase

in income for the cooperative members. Every year, more Group companies are implementing selective garbage programs.

Reverse Supply Chain

CPFL Energia also operates a Reverse Supply Chain, which consists of sorting through the material removed from distribution or transmission installations and recycling some of the materials examined, reducing costs and the consumption of natural resources. This process includes materials replaced due to wear and tear or because of improvements or expansion work.

The works area at all the Company's sites is charged with reclassifying material and appropriate disposal. The correct disposal of waste material is particularly scrutinized when closing down or decommissioning an installation. The Company's processing system can also trace recuperated material when necessary.

Examples of material that can be recovered or recycled are: tools (pole climbing belts, couplings), insulators, single phase switch gear and distribution transformers, all of which must conform to CPFL's technical specifications. In 2005, as in 2004, 50% of all distribution transformers examined were recuperated.

GRI

The information on the Reverse Supply Chain is for *GRI Indicator EN 2*.

Non-recyclable Material Sold as Scrap – Recycling of Materials

Material	Unit	CPFL Paulista				CPFL Piratininga			
		2005	2004	2003	2002	2005	2004	2003	2002
Ferrous and non-ferrous metals	Ton	523	488	679	630	510	303	343	321
Distribution transformers	Un	938	1,069	1,744	2,117	352	363	264	306
Reflectors	Un	25,930	13,357	22,388	7,399	5,980	11,091	24,943	3,581
Cross arms	Un	14,800	18,846	22,424	29,869	13,723	7,773	6,789	3,794
Wooden and concrete poles	Un	9,558	10,438	12,740	18,516	4,596	2,862	4,926	2,86
Iron poles	M	43	495	692	726	112	0	3	17
Ladders	Un	142	160	805	248	111	55	34	287

Breakdown of Materials Used (except water) by Category* – Information for GRI Environmental Indicator EN1

Material category	Unit	CPFL Paulista				CPFL Piratininga			
		2005	2004	2003	2002	2005	2004	2003	2002
Distribution transformers	Un	5,885	3,949	3,970	4,607	2,134	2,170	1,922	787
Concrete poles	Un	35,152	22,444	20,222	25,682	12,709	10,622	7,170	2,588
Cables	M	3,492,738	2,705,843	837,313	630,238	2,153,223	1,814,429	1,201,824	590,338
Cables	Kg	358,407	350,124	631,557	837,112	170,552	221,138	149,682	81,081
Meters	Un	191,974	175,004	163,450	146,370	97,738	86,854	78,330	30,402
Public lighting units**	Un	778,468	678,728	337,513	526,315	267,780	181,942	136,535	69,034

Notes:

* The above table contains the principal items of inventory purchased by the Company representing 80% of total consumed by value. The materials shown are used in the maintenance and expansion of the electricity distribution system.

** Bulbs, relays, reactors and reflectors

Leakage of Mineral Insulating Oil

In January 2005, an incident involving an autotransformer at the CPFL Paulista substation in Piracicaba (São Paulo state), with a capacity of 24,000 liters of naphthenic mineral insulating oil, caused a fire and the spillage of 10,000 liters of the oil. This affected both the surrounding land and a lake adjoining the facility. Immediate measures were taken to minimize the impacts, notably through containing the spillage and cleaning up contaminated soil and water. The quality of the ground water has since been moni-

red on a six-monthly basis. The leakage in question is the equivalent of 0.05% of the total 18,428,742 liters of oil present in CPFL Paulista's equipment currently in operation.

GRI

Information on the spillage is for *GRI Indicator EN13*.

GRI

Fines and Legal Actions

Year	Company/Location	Reference	Severity	Municipality
2005	CPFL Paulista	Notice of Infraction Number 6,742 – Oil Leakage	High	Piracicaba
		AIIPM Number 21000470 – Oil Leakage*	High	Piracicaba
2004	–	–	–	–
2003	CPFL Paulista	AIA Number 143798/03 – Tree trimming without prior authorization	Low	Piracicaba
	CPFL Piratininga	Complaint Number 532/2003 – Felling of native tree	Low	Sorocaba

Information for *GRI Environmental Indicator EN16, on incidents and fines*.

* Appeal sub judice.

Water Consumption

The only uses of water at the CPFL Group's energy distribution companies and at the Group Head Office are to supply the basic requirements of employee hygiene, office cleaning and air conditioning.

However, water is the main material used in the hydroelectric generation process. Nonetheless, this process involves no consumption of water but only storage for harnessing energy potential for

power generation. None of CPFL Energia's facilities are located in wetlands listed by the Ramsar convention.

GRI

Information on water discharges is for *GRI Indicator EN32*.

Water Recycling and Reusage

CPFL reuses 56m³ of water in the closed circuit cooling tower running the air-conditioning system at its head office in Campinas (São Paulo state).

the Campinas head office) and do not cause any material impact. In practice, all the Company's effluent is delivered to the public water and waste management systems with no discharge into rivers or lakes.

Water Discharges

All water consumed by the Company is returned after use to the sewage systems of the municipalities where its operations are based. Losses are considered insignificant (irrigation of gardens or to complete water levels in the cooling towers for the air conditioning system at

GRI

Information on water discharges is for *GRI Indicator EN32*.

GRI

Total amount of land owned for production activities – Information for GRI Indicator EN23.

Companies	Total land area (m ²)	PCH reservoirs total flooded area (m ²)	Rights-of-way (m ²)	Constructed area (m ²)	Constructed area (%)
CPFL Centrais Elétricas	23,863,591.17	18,570,000	–	39,305.19	0.17%
CPFL Paulista	3,742,095.24	–	183,629,219	142,637.02	3.81%
CPFL Piratininga	6,015,156.10	–	12,071,324	44,298.08	0.74%
Total	14,870,842.51	–	195,700,543	226,240.29	1.52%

Amount of impermeable surface – Information for GRI Indicator EN 24.

Plant	Total land area (ha)	Flooded Area (ha)	Constructed area (ha)	Constructed Area / Total Area (%)
UHE Campos Novos	5,051.16	2,556.54	15.00	0.30%
UHE Barra Grande	12,577.37	8,322.91	18.00	0.14%
UHE Monte Claro	489.40	72.40	8.90	1.82%
UHE 14 de Julho	950.80	281.50	design stage	–
UHE Castro Alves	1,079.90	311.10	design stage	–
UHE Serra da Mesa	175,506.96	175,476.26	30.70	0.02%

management of social impacts

employees

For the fourth year running, the employees ratified their professional pride and satisfaction with the Company's policies and practices in people management by ranking CPFL Energia as one of the best companies to work for in Brazil in a survey organized by Exame and Você S.A. magazines and based on Great Place to Work® Institute criteria. Employees from CPFL Energia and its subsidiaries CPFL Paulista, CPFL Piratininga, CPFL Geração and CPFL Brasil took part in the survey.

GRI

Information on training and other professional development programs are for GRI Indicator LA17.

In order to continue executing its organizational strategy of value creation based on the pillars of Corporate Governance, Operating Efficiency, Synergistic Growth, Financial Discipline and Corpora-

te Responsibility and Sustainability, CPFL Energia maintained its investments in professional and organizational development programs. These programs were largely in the form of technical courses, seminars, workshops and specialized activity sessions, which provided each employee with an average of 111 hours of training, including workplace training as well as remote learning via the Internet.

A highlight of these activities was the II CPFL Growth Seminar, organized by CPFL Energia with the aim of encouraging the exchange of information and technical experiences among the professionals who are employed by the Group's companies. This initiative allowed electricians, technicians and engineers to share knowledge and evaluate innovative proposals with the potential for adoption and dissemination.

In 2005, a far-reaching review of the Human Resources Management Model was begun. The starting point was the identification of competences (technical and management) and performance levels required for strategies and plans to be transformed into effective results in the context of challenging social, political, economic and regulatory environments.

GRI

Average annual hours of training per employees and by type
Information for GRI Indicator LA9.

Programs	2005	2004	2003	2002
Development Skills Training	62.85*	63.40	47.37	85.07
Professional Retraining	48.35*	89.37	62.01	26.57

* Includes RGE

The design of the new Human Resources Management Model marked the beginning of the process that aims to align practice and policy in the areas of compensation, professional development, succession and career development. Additionally, market surveys will be conducted to ensure adoption of best practice in planning, executing and retaining strategic human resources.

hours used for professional training at the Company. On completion of their secondary education as well as on-the job professional training, the Company hopes to increase the employability of these people in a sustainable manner. The Company also encourages its suppliers to adopt similar practices.

GRI

CPFL Energia has prepared a pre-retirement program plus a post-career management program implemented in the second half of 2005 with the initial participation of 35 employees. Information for *GRI Indicator LA16*.

GRI

Information on the Respect for Diversity Program is for GRI Indicator LA10.

There is one woman among CPFL Energia's 19 Board Directors. Information for GRI Indicator LA11.

Respect for Diversity

CPFL strives constantly to be recognized for the respectful and dignified way it treats people. This was the major driving force behind its adoption of a series of measures designed to emphasize, promote and manage issues relating to diversity in the work place, going beyond mere compliance with the law.

Two initiatives from the Respect for Diversity Program deserve particular mention:

a) The CPFL Opportunities Program exists to promote the inclusion of the disabled and correct the internal imbalance in line with the requirements of the Disabled People Quota Law. In 2005, the Group reported a total of 50 disabled employees: 40 at CPFL Paulista and 10 at CPFL Piratininga. The working day lasts eight hours, of which four are taken up by secondary level education in partnership with Unicamp – Campinas State University, and the remaining four

b) Diversity Objectives – 2005/2009: A series of objectives has been established which aim to increase the representation of Afro-Brazilians, women and the disabled among Company employees.

GRI

The Code of Ethics, in compliance with SA 8000 standards and Corporate Responsibility and Sustainability Policy, contains all the necessary points of information for the assessment of impacts and the procedures for dealing with human rights issues in the organization's operations, as well as monitoring results of these procedures, and support for action to eliminate child labor and procedures for handling internal complaints. Information for *GRI Indicator HR1 to HR10*.

GRI

Net job creation and average employee turnover

Information for GRI Indicator LA2.

CPFL Energia

	2005	2004	2003	2002
Hired	548	436	216	381
Released	292	324	328	458
Turnover	7.3%	6.8%	5.1%	7.6%

Employee Profile

The CPFL Energia Group ended 2005 with 5,838 direct employees, 5,736 allocated to subsidiary companies CPFL Energia, CPFL Paulista, CPFL Piratininga, CPFL Geração, CPFL Centrais Elétricas, CPFL Comercialização Brasil and RGE – Rio Grande Energia. The remaining 102 employees are part of Ceran, Enercan and Baesa, companies in which

CPFL maintains an interest and which pursue their own human resource management policies. Plant projects currently under construction at these companies together are responsible for creating about 10,000 indirect jobs.

In 2005, the staff turnover rate for the CPFL Group was 7.32%, maintaining a balance between retention and the hiring of new professionals.



GRI

Employee Numbers

Information for GRI Indicator LA1: breakdown of workforce by employment type and contract

Company	N° contract termination date				With contract termination date			
	2005	2004	2003	2002	2005	2004	2003	2002
CPFL Paulista	2,993	2,908	2,948	3,006	0	1	3	7
CPFL Piratininga	1,127	1,055	1,012	1,139	0	0	0	0
CPFL Geração	6	9	97	110	0	0	0	0
CPFL Centrais Elétricas	112	105	0	0	0	0	0	0
CPFL Brasil	54	33	0	0	0	0	0	0
RGE	1,444	1,407	1,318	–	0	0	0	–
Total	5,736	5,517	4,057	4,255	0	1	3	7

Company	Outsourced workers				Interns			
	2005	2004	2003	2002	2005	2004	2003	2002
CPFL Paulista	87	160	101	115	56	72	35	34
CPFL Piratininga	37	12	23	9	17	15	3	0
CPFL Geração	0	0	17	0	3	3	0	1
CPFL Centrais Elétricas	11	0	0	0	4	1	0	0
CPFL Brasil	28	0	0	0	3	3	0	0
RGE	196	223	0	–	44	41	41	37
Total	359	395	141	124	127	135	79	72

GRI

Employees represented by independent Labor Unions

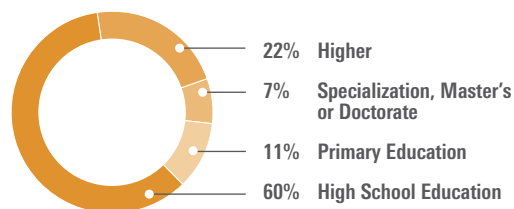
Information for GRI LA3

2005	Employee numbers	Numbers of labor union members	% union members
CPFL Energia	5,736	3,387	59%
	2004	2003	2002
% of Unionized Labor at CPFL Energia	64%	70%	66%

The employee profile at CPFL Energia is as follows:

- Average length of service: 10.4 years
- Average age: 37 years

Academic Background



Employee Benefits

In addition to those provided under the standard labor legislation, all CPFL Group employees enjoy the following benefits: private pension plan; medical/hospital/dental assistance; workplace restaurant; food vouchers; personal loans; group life assurance; assistance with pharmaceutical drug purchases; assistance for the disabled, and others, in line with prevailing market conditions.

Head office employees and those at the Ribeirão Preto and Bauru (São Paulo state) regional offices also have at their disposal fitness centers open 14 hours a day and sports centers for volleyball and indoor soccer. At other locations, arrangements are made for employees to frequent local fitness centers.

GRI

Information on Benefits is for *GRI Indicator LA12*.

Quality of Life

The Company runs projects to develop the six Quality of Life pillars: physical, environmental, emotional, social, financial and spiritual. In 2005, the Talk to Me Program was launched and offers psycho-social help to employees and their families via a toll-free number (0800) 24 hours daily. Its aim is to contribute to the emotional balance of employees, to improve the organizational climate and also to offer help to managers on internal conflicts.

Employee Participation in Company Management

Senior management is deeply committed to management transparency. All plans for organizational restructuring are negotiated beforehand with the labor unions representing the professional categories found among CPFL Group employees.

GRI

Information on the commitment of managers to transparency and on negotiations with labor unions is for *GRI Indicator LA4*, on policies and procedures involving organizational changes.

At the subsidiaries CPFL Paulista, CPFL Piratininga, CPFL Geração, CPFL Centrais Elétricas and CPFL Brasil, employees have an Employees Representative Council with representatives elected directly by them, as well as an Informal Employee Group – GIC, which in conjunction with senior management, monitors the implementation of the action plans in the light of the results of the Organizational Climate Survey.

CPFL Paulista, CPFL Piratininga and CPFL Geração corporate bylaws establish that the Employees Representative Council shall also be a member of the Board of Directors, with full participation and voting rights. Employees are also represented on the Board of Trustees of Fundação Cesp, which manages employee benefits at CPFL Paulista, CPFL Piratininga, CPFL Geração de Energia, Centrais Elétricas and CPFL Brasil, including the Supplementary Private Pension Plan.

GRI

Information on formal representation for employees is for GRI Indicator LA13.

Employees also have a representative for SA8000 international standard-related issues and freely elected union representatives organized by place of work, in line with agreements with unions representing the various professional categories at the companies.

Occupational Health

The companies run annual education and guidance campaigns for the prevention of HIV/AIDS, which are extensive to employee families and to outsourced workers. Communication is through leaflets, direct mail shots, in-house bulletins, CPFL & Você house magazine, Expresso, the intranet – and promotional activity in the workplace. In 2005, these information and awareness objectives were achieved through monthly health messages,

GRI

Information on Policies or programs related to HIV/AIDS comply with *GRI Indicator LA8*.

which were collected by employees in a folder designed specially for this purpose.

GRI

Information on the management of social impacts for new projects is for *GRI Indicator S01*.

management of social impacts on power generation projects

The social impacts resulting from the construction of new generation projects have to be adequately mitigated or compensated for by appropriate actions. These actions are monitored by the relevant bodies and are grouped in programs, which together form the Basic Environmental Project (PBA) of each project. The programs developed in the light of the projects' socio-economic impacts are presented below.



Social Project in the electricity generation projects | Campos Novos hydroelectric facility | Santa Ana church

Serra da Mesa hydroelectric power facility

In 2005, Semesa continued with its social and environmental programs at the Serra da Mesa hydroelectric facility, in particular: Management of the Indigenous Question; Public Health – Control of Rabies and Malaria; Environmental Compensation – Conservation Units. In addition to the social programs - a condition of the project license -, Semesa ran a number of environmental education initiatives, such as the Environmental Exhibition Center and sponsorship of the “Sustainable Development in the Upper Tocantins Basin” seminar.

Barra Grande hydroelectric power facility

A total of 430 families, identified as small rural property/non-property owners who were living off land-related activities, were resettled within the project’s area of influence. The families either purchased their own homes using Baesa funding or were transferred by the company to rural resettlement cooperatives. In both cases, socio-economic conditions improved compared with the situation prior to project construction.

- In addition to relocation - part of the plant’s PBA, Baesa gave institutional and financial aid to 127 local families in the project’s indirect area of influence through the donation of houses or land.
- The company compiled a register of the region’s historical and cultural heritage.

Campos Novos hydroelectric power plant

The company received the Fritz Muller award from Santa Catarina state for implementing the activities under the plant’s PBA, notably:

- Resettlement of 297 families, identified as small rural property/non-property owners making a living from land-related activities. The families either purchased their own homes using Enercan funding or were transferred by the company to rural resettlement cooperatives
- Launch of the FDR – Rural Development Fund, financing being received from the Brazilian Micro and Small Business Support Service - Sebrae(SC), for the purpose of creating added value to small properties. The fund will help more than 300 families in the region.

The Ceran Complex

Of note in the area affected by the Ceran Complex plants is the Environmental Education Program, which targets teachers, pupils, plant employees and the community in general and has reached more than 3,700 people. It addresses themes arising from the environmental programs being implanted at the Complex.

Indigenous Rights

The Serra da Mesa hydroelectric facility in the Upper Tocantins basin, Goiás state, received the first authorization from Congress to build a plant in an indigenous reserve. Management of the Indigenous Question is one of the 17 programs comprising the facility's Basic Environmental Project. The underlying purpose is to compensate the Avá-Canoeiro indians for the construction of the Serra da Mesa hydro plant in part of the indigenous reserve, which occupies 38,000 hectares on the upper reaches of the Tocantins River. Furnas is the concession owner and also operates the plant.

The Avá-Canoeiro community currently consists of six indians. Activities to protect, support and provide assistance to this community were established in an agreement signed in 1992 between Furnas and the Brazilian National Indian Agency - FUNAI. One of the elements of the agreement known as the Avá-Canoeiro of Tocantins Program, comprises eight subprograms for assisting and protecting the indigenous community, the objective being to maintain the socio-cultural stability of the group.

In addition to these resources, Furnas and SEMESA pay royalties, as determined by Legislative Decree 103 of October 24 1996, in which Congress authorized Furnas to construct the Serra da Mesa hydroelectric facility. The companies credit FUNAI monthly with the equivalent of 2% of the sum paid as royalties to the municipalities flooded by the plant reservoir. Over the period from 2003 to 2005, SEMESA and Furnas, joint partners in the venture, transferred around R\$ 680,000 to FUNAI.

In the case of Foz do Chapecó hydro plant, a project in which CPFL Geração retains an interest, in 2005, the Foz do Chapecó Energy Consortium paid R\$ 2 million to FUNAI for the credit of the Indigenous Heritage Fund. This payment complies with the Terms of Conduct for the Indigenous Component in the Areas Affected by Plant Construction, responsible for monitoring the financial obligations of the project entrepreneur in the context of the environmental and socio-economic programs.

Program	Objectives
Health	Guarantee the physical health of the Avá-Canoeiro indians
Land Demarcation and Regularization	Promote legislation and ensure the indians the exclusive use of their traditional territory
Education	Safeguard mother tongue through bilingual schooling
Self-Sustainability	Improve the subsistence conditions of the indians
Environment, Protection and Monitoring of Avá-Canoeiro Indigenous Territory	Guarantee safety of the territory and its regional ecological balance
Documentation and Heritage	Safeguard the heritage of the Avá-Canoeiro tribe by gathering historical and cultural documentation
Unification of the Avá-Canoeiro Tribe and Population Growth	Recommend alternatives for the survival of the indians
Works and Equipment	Maintenance of the necessary infrastructure for the protection of the indians

GRI

Information on the management of indigenous questions is for *GRI Indicators HR12, HR13 e HR14*.

This agreement was signed between FUNAI and Aneel and was an integral part of the Auction Notice for

the Foz do Chapecó Hydroelectric Development Scheme in which the winner of the tender bid agreed to implement the conditions under the Terms of Conduct. Among the commitments was the undertaking to prepare the Environmental Diagnosis of the Area for Establishing the Condá Indigenous Reserve and to purchase 1,500 of the 2,300 hectares of Reserve area. By the end of 2005, 724 hectares had been acquired for the Reserve to be used preferentially for the resettlement of 64 families of the Kaingang community, totaling 212 people.



principal awards received for economic, social, ethical and environmental performance

GRI

Information on awards and recognition is for *GRI Indicator SO4 and GRI Indicator PR6*.

cpfl energia

social report award

Best Annual Report of São Paulo state in 2005 for the 2004 Annual Report; and Distinction in 2004 for the 2003 Annual Report. The Award is presented by the following institutions: Aberje – Brazilian Association of Corporate Communication, Apimec – Capital Markets Analysts and Investment Professionals Association, Ethos Institute for Corporate Social Responsibility, Fides – Corporate and Social Development Institute Foundation and Ibase – Brazilian Social and Economic Research Institute.

abrasca award – best annual report in 2005

Third place for the 2004 Annual Report in the Brazilian Association of Listed Companies award

guide to good corporate citizenship

Produced by Exame magazine, the CPFL Group has been included in this annual guide since 2002

100 best companies to work for

Annual Exame magazine guide in which CPFL has been included annually from 2002 to 2005

ir magazine awards brasil

Honorary mention for CPFL Energia in the Best Investor Relations for an Initial Public Offering category at the IR Magazine Awards Brasil in 2005

best meeting – apimec-sp

Quality Award in 2005 received from Apimec – Capital Markets Analysts and Investment Professionals Association

seal of diligence

Awarded in 2005 by Apimec – Capital Markets Analysts and Investment Professionals Association



institutional investor

- 1st place in Corporate Governance – Latin America Electricity Utilities Institutional Investor, 2005
- 2nd place in Investor Relations – Latin America Electricity – Sell Side Institutional Investor, 2005
- 2nd place in Investor Relations – Latin America Electricity – Buy Side Institutional Investor, 2005

istoé dinheiro magazine

Best electric power and gas company in Brazil – IstoÉ Dinheiro Magazine Awards, 2004

fiesp state award

State Award for Conservation and Rational Use of Energy, granted by FIESP – Federation of Industries of the State of São Paulo, in 2004

b2b magazine

B2B Quality Standard Award in Public Utilities category – Private Concessionaires, awarded by B2B magazine in 2004

IX national quality of life award

Awarded by ABQV – Brazilian Quality of Life Association for the CPFL “More Quality of Life in your Life. More Respect for you” Program in 2004

latin american deal of the year, equity category

Awarded by Euromoney magazine in 2004

best listed company

Awarded by Abamec – Brazilian Association of Capital Market Analysts in 2004



cpfl paulista

national quality award

Awarded by FNQ – National Quality Foundation in 2005

management quality award for são paulo state – state governor's trophy

Awarded by IPEG – São Paulo State Institute for Management Excellence in 2005

national quality award finalist

As granted by FNQ – National Quality Foundation in 2004

best social responsibility management

Awarded by Abradee – Brazilian Association of Electricity Distributors in 2002, 2003, 2004 and 2005

best operational management

Awarded by Abradee – Brazilian Association of Electricity Distributors in 2001, 2003 and 2005

best management quality

Awarded by Abradee – Brazilian Association of Electricity Distributors in 2005

best energy distributor in brazil

Awarded by Eletricidade Moderna magazine annually from 2001 to 2005

top occupational health and safety management

Silver Category Award from ABS – Brazilian Safety Agency in 2005

cpfl piratininga

best economic-financial management

Awarded by Abradee – Brazilian Association of Electricity Distributors in 2004

top occupational health and safety management

Silver Category Award from ABS – Brazilian Safety Agency in 2005

rge – rio grande energia

best company in the south region

IASC-Aneel Award in “Distributors with over 400 thousand clients” category in 2005

social responsibility award

Awarded by the Legislative Assembly of Rio Grande do Sul state in 2005

best domestic company in commercial performance

Awarded by Eletricidade Moderna magazine in 2005

top 10 ibest award

Awarded by Ibest for the RGE website which was ranked among the 10 best in the Mines and Energy category in 2005

ecology award

Awarded by Expressão magazine for RGE’s Reverse Logistics and Forestry Stewardship in 2005

best distributor of the south region

Awarded by Abradee – Brazilian Association of Electricity Distributors in 2003 and 2004

best client assessment

Awarded by Abradee – Brazilian Association of Electricity Distributors in 2004

top consumer award

Awarded by Consumidor magazine in 2004

cpfl geração

occupational health and safety management

Awarded by ABS – Brazilian Safety Agency in 2004

eloy chaves medal – distinction for occupational safety and hygiene

Awarded by ABCE – Brazilian Association of Electricity Concessionaires in 2004

CPFL Energia S.A.						
1 - Basis for Calculation	2005 value (R\$ 000)			2004 value (R\$ 000)		
Net Revenues (NR)	7,738,912			6,736,253		
Operating Result (OR)	1,240,350			584,244		
Gross Payroll (GP)	298,145			259,427		
2 - Internal Social Indicators	Value (000)	% of GP	% of NR	Value (000)	% of GP	% of NR
Food	22,813	7.65%	0.29%	19,466	7.50%	0.29%
Mandatory payroll taxes	82,914	27.81%	1.07%	72,549	27.97%	1.08%
Private pension plan	19,367	6.50%	0.25%	17,241	6.65%	0.26%
Health	15,814	5.30%	0.20%	13,924	5.37%	0.21%
Occupational safety and health	1,229	0.41%	0.02%	781	0.30%	0.01%
Education	1,003	0.34%	0.01%	1,049	0.40%	0.02%
Culture	0	0.00%	0.00%	0	0.00%	0.00%
Training and professional development	5,885	1.97%	0.08%	4,392	1.69%	0.07%
Day-care/ allowance	477	0.16%	0.01%	330	0.13%	0.00%
Profit/results sharing	20,252	6.79%	0.26%	19,019	7.33%	0.28%
Others	2,877	0.96%	0.04%	1,660	0.64%	0.02%
Total – Internal social indicators	172,631	57.90%	2.23%	150,412	57.98%	2.23%
3 - External Social Indicators	Value (000)	% of GP	% of NR	Valor (000)	% of GP	% of NR
Education	935	0.08%	0.01%	1,396	0.24%	0.02%
Culture	7,883	0.64%	0.10%	3,669	0.63%	0.05%
Health and sanitation	239	0.02%	0.00%	400	0.07%	0.01%
Sport	0	0.00%	0.00%	0	0.00%	0.00%
Combating hunger and malnutrition	0	0.00%	0.00%	0	0.00%	0.00%
Others	5,016	0.40%	0.06%	5,589	0.96%	0.08%
Total Contributions to Society	14,073	1.13%	0.18%	11,053	1.89%	0.16%
Taxes (excluding payroll taxes)	3,839,965	309.59%	49.62%	3,064,446	524.51%	45.49%
Total – External Social Indicators	3,854,038	310.72%	49.80%	3,075,500	526.41%	45.66%
4 - Environmental Indicators	Value (000)	% of GP	% of NR	Valor (000)	% of GP	% of NR
Investments related to Company production /operations	24,342	1.96%	0.31%	56,229	9.62%	0.83%
Investment in external projects/ programs	1,257	0.10%	0.02%	1,013	0.17%	0.02%
Total Environmental Investment	25,598	2.06%	0.33%	57,242	9.80%	0.85%

Regarding annual targets for reducing waste,

consumption in general in production/operation and increasing efficiency in the use of natural resources, the Company:

() has no targets	() fulfilled 51 to 75%	() has no targets	() fulfilled 51 to 75%
() fulfilled 0 to 50%	(X) fulfilled 76 to 100%	() fulfilled 0 to 50%	(X) fulfilled 76 to 100%

* Ibase Model: Brazilian Social and Economic Research Institute

5 - Staff Indicators							2005	2004
Employees at end of period							5,838	5,580
Employees hired during period							595	479
Outsourced employees							4,376	4,435
Interns							130	139
Employees over 45							1,213	1,089
Women working at the company							1,022	945
% management positions occupied by women							9.95%	10.84%
Afro-Brazilian employees working at the company							488	491
% management positions occupied by Afro-Brazilian employees							1.59%	0.00%
Employees with disabilities or special needs							159	95
6 - Information on Business Responsibility							2005	Targets 2006
Ratio of highest to lowest compensation at the Company							73.04	73.04
Total number of work-related accidents							116	63
Company-sponsored social and environmental projects were decided upon by:	<input type="radio"/> executive officers	<input checked="" type="radio"/> executive officers and managers	<input type="radio"/> all employees	<input type="radio"/> executive officers	<input checked="" type="radio"/> executive officers and managers	<input type="radio"/> all employees		
Health and safety standards in the workplace were set by:	<input type="radio"/> executive officers and managers	<input type="radio"/> all employees	<input checked="" type="radio"/> all + Cipa	<input type="radio"/> executive officers and managers	<input type="radio"/> all employees	<input checked="" type="radio"/> all + Cipa		
With respect to labor union freedom, the right to collective bargaining and the internal employee representation, the Company:	<input type="radio"/> does not become involved	<input type="radio"/> adheres to ILO standards	<input checked="" type="radio"/> encourages and adheres to ILO standards	<input type="radio"/> does not become involved	<input type="radio"/> adheres to ILO standards	<input checked="" type="radio"/> encourages and adheres to ILO standards		
Company pension plan covers:	<input type="radio"/> executive officers	<input type="radio"/> executive officers and managers	<input checked="" type="radio"/> all employees	<input type="radio"/> executive officers	<input type="radio"/> executive officers and managers	<input checked="" type="radio"/> all employees		
Profit/results sharing program covers:	<input type="radio"/> executive officers	<input type="radio"/> executive officers and managers	<input checked="" type="radio"/> all employees	<input type="radio"/> executive officers	<input type="radio"/> executive officers and managers	<input checked="" type="radio"/> all employees		
In the selection of suppliers, the same ethical and social/environmental responsibility standards adopted by the Company are:	<input type="radio"/> not considered	<input type="radio"/> suggested	<input checked="" type="radio"/> required	<input type="radio"/> not considered	<input type="radio"/> suggested	<input checked="" type="radio"/> required		
In relation to volunteer work by employees, the Company:	<input type="radio"/> does not get involved	<input checked="" type="radio"/> supports it	<input type="radio"/> organizes and encourages it	<input type="radio"/> will not get involved	<input checked="" type="radio"/> will support it	<input type="radio"/> will organize and encourage it		
Total number of customer complaints/criticisms:	to the Company 666,199	to Procon 1,929	to the law courts 6,089	to the Company 631,510	to Procon 921	to the law courts 721		
Total number of complaints/criticisms:	to the Company 100%	to Procon 100%	to the law courts 12.53%	to the Company 100%	to Procon 100%	to the law courts 30%		
% total value-added to be distributed (R\$ 000s):							In 2005: 6,048,115	In 2004: 4,885,166
							64.54% government	6.40% employees
							15.18% shareholders	12.17% third parties
							1.71% retained	5.42% acionistas
							64.51% government	9.08% employees
							20.70% third parties	0.29% retained
7 - Other Information								

1. Basis of calculation: the gross 2005/2004 payroll item was altered, with benefits and profit/results sharing being excluded

2. Internal social indicators: the mandatory 2005/2004 payroll taxes item has been altered due to the exclusion of vacation and 13th month bonus payments

3. Consolidated information: in financial items percentages of corporate stakes have been used. In such cases as the number of employees and legal suits, the relevant data has been supplied in whole numbers.

Responsible for information: Antônio Carlos Bassalo, tel.: +55 19 3756.8018, bassalo@cpfl.com.br

This company does not use child labor or forced labor.

the 10 principles of the global compact

Human Rights

- 1 Principle 1:** Companies should support and respect the protection of internationally proclaimed human rights
- 2 Principle 2:** ensure that their own corporations are not complicit in human rights abuses

Labor

- 3 Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- 4 Principle 4:** the elimination of all forms of forced and compulsory labor
- 5 Principle 5:** the effective abolition of child labor
- 6 Principle 6:** the elimination of discrimination in respect of employment and occupation

Environment

- 7 Principle 7:** Businesses should support a precautionary approach to environmental challenges
- 8 Principle 8:** undertake initiatives to promote greater environmental responsibility
- 9 Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

Corruption

- 10 Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery

The GRI indicators with CPFL Energia information relating to compliance with the Principles of the Global Compact are marked in their respective colors.

GRI reference index

<p>1.1 Statement of the organisation's vision and strategy regarding its contribution to sustainable development 9</p>	<p>8 a 12, 28 a 31, 70, 71</p>	<p>2.15 Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations, and other situations that can significantly affect comparability from period to period and/or between reporting organisations</p>	<p>flyleaf, 18, 19, CD</p>
<p>1.2 Statement from the CEO (or equivalent senior manager) describing key elements of the report</p>	<p>flyleaf, 10 a 12</p>	<p>2.16 Explanation of the nature and effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)</p>	<p>flyleaf, 18, 19, 34, 35, CD</p>
<p>2.1 Name of reporting organisation</p>	<p>3, 18, 19, 134, 135, 136, 137</p>	<p>2.17 Decisions not to apply GRI principles or protocols in the preparation of the report</p>	<p>127 a 132</p>
<p>2.2 Major products and/or services, including brands if appropriate</p>	<p>3, 40 a 43, 50, 58</p>	<p>2.18 Criteria/definitions used in any accounting for economic, environmental, and social costs and benefits</p>	<p>flyleaf, 34, 35, CD</p>
<p>2.3 Operational structure of the organisation</p>	<p>3, 18, 19, 40 a 43, 50, 58</p>	<p>2.19 Significant changes from previous years in the measurement methods applied to key economic, environmental, and social information</p>	<p>flyleaf, 34, 35, 79, 110, 113, CD</p>
<p>2.4 Description of major divisions, operating companies, subsidiaries, and joint ventures</p>	<p>18, 19, 40 a 43, 50, 58</p>	<p>2.20 Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability that can be placed on the sustainability report</p>	<p>20, 21, 34, 35, CD</p>
<p>2.5 Countries in which the organisation's operations are located</p>	<p>3, 40 a 43, 50, 58</p>	<p>2.21 Policy and current practice with regard to providing independent assurance for the full report</p>	<p>14, 15, 120 a 125</p>
<p>2.6 Nature of ownership; legal form</p>	<p>18, 19, 134, 135</p>	<p>2.22 Means by which report users can obtain additional information and reports about economic, environmental, and social aspects of the organisation's activities, including facility-specific information (if available)</p>	<p>133, 136, 137</p>
<p>2.7 Nature of markets served</p>	<p>3, 40 a 43, 50, 58</p>	<p>3.1 Governance structure of the organisation, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organisation</p>	<p>20, 21</p>
<p>2.8 Scale of the reporting organization</p>	<p>flyleaf, 3, 18, 19</p>	<p>3.2 Percentage of the board of directors that are independent, non-executive directors</p>	<p>not applicable.</p>
<p>2.9 List of stakeholders, key attributes of each, and relationship to the reporting organization</p>	<p>8 a 12, 22, 23, 70, 71 a 119</p>	<p>3.3 Process for determining the expertise board members need to guide the strategic direction of the organisation, including issues related to environmental and social risks and opportunities</p>	<p>20, 21</p>
<p>2.10 Contact person(s) for the report, including e-mail and web addresses</p>	<p>133, 133, 137</p>		
<p>2.11 Reporting period (e.g., fiscal/calendar year) for information provided</p>	<p>cover, 8 a 12</p>		
<p>2.12 Date of most recent previous report (if any)</p>	<p>flyleaf, 70</p>		
<p>2.13 Boundaries of report (countries/regions, products/services, divisions/facilities/joint ventures/subsidiaries) and any specific limitations on the scope</p>	<p>flyleaf, 3, 18, 19, 40 a 43, 50, 58</p>		
<p>2.14 Significant changes in size, structure, ownership, or products/services that have occurred since the previous report</p>	<p>flyleaf, 18, 19, 34, 35</p>		

3.4	Board-level processes for overseeing the organisation's identification and management of economic, environmental, and social risks and opportunities	20, 21	3.17	Reporting organisation's approach to managing indirect economic, environmental, and social impacts resulting from its activities	70 a 119
3.5	Linkage between executive compensation and achievement of the organisation's financial and non-financial goals (e.g., environmental performance, labour practices)	21	3.18	Major decisions during the reporting period regarding the location of, or changes in, operations	18, 19
3.6	Organisational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies	20, 21	3.19	Programmes and procedures pertaining to economic, environmental, and social performance	34 a 67, 70 a 119
3.7	Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental, and social performance and the status of implementation	70 a 119	3.20	Status of certification pertaining to economic, environmental, and social management systems	14, 15, 72, 73
3.8	Mechanisms for shareholders to provide recommendations or direction to the board of directors	20 a 25	Economic		
3.9	Basis for identification and selection of major stakeholders	28, 29, 36, 37, 40 a 43, 50, 58, 71	Customers		
3.10	Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group	22 a 25, 46, 47, 90 a 93, 120 a 123	EC1.	Net sales	62
3.11	Type of information generated by stakeholder consultations. Include a list of key issues and concerns raised by stakeholders and identify any indicators specifically developed as a result of stakeholder consultation	70 a 119	EC2.	Geographic breakdown of markets	18
3.12	Use of information resulting from stakeholder engagements	70 a 119	Suppliers		
3.13	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	73 a 79	EC3.	Cost of all goods, materials, and services purchased	63
3.14	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives to which the organisation subscribes or which it endorses	flyleaf, 8 a 12, 88, 89, 70 a 119, 126	EC4.	Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements	93
3.15	Principal memberships in industry and business associations, and/or national/international advocacy organisations	85 a 89, 118, 126	EC11.	Supplier breakdown by organisation and country	93
3.16	Policies and/or systems for managing upstream and downstream impacts	70 a 119	Employees		
			EC5.	Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region	64
			Providers of Capital		
			EC6.	Distributions to providers of capital broken down by interest on debt and borrowings, and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed	66
			EC7.	Increase/decrease in retained earnings at end of period	65
			Public Sector		
			EC8.	Total sum of taxes of all types paid broken down by country	36
			EC9.	Subsidies received broken down by country or region	91

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

84

EC12. Total spent on non-core business infrastructure development

83

Indirect Economic Impacts

EC13. The organisation's indirect economic impacts

92, 112

environmental

Materials

EN1. Total materials use other than water, by type

8 107

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

107

Energy

EN3. Direct energy use segmented by primary source

8 104, 105

EN4. Indirect energy use

not applicable.

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

53, 102

EN18. Energy consumption footprint (i.e., annualized lifetime energy requirements) of major products

not applicable.

EN19. Other indirect (upstream/downstream) energy use and implications, such as organisational travel, product lifecycle management, and use of energy-intensive materials

not applicable.

Water

EN5. Total water use

8 108

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

108

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

108

EN22. Total recycling and reuse of water

108, 09

Biodiversity

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

98, 100

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

98 a 102

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

109

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

109

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

98 a 100

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

100

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

93, 95, 96

EN28. Number of IUCN Red List species with habitats in areas affected by operations

101

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

100

Emissions, Effluents, and Waste

EN8. Greenhouse gas emissions

8 104

EN9. Use and emissions of ozone-depleting substances

8 104

EN10. NOx, SOx, and other significant air emissions by type

8 104

EN11. Total amount of waste by type and destination

8 105

EN12. Significant discharges to water by type

8 109

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

108

EN30. Other relevant indirect greenhouse gas emissions 104

EN31. All production, transport, import, or export of any waste deemed "hazardous" under the terms of the Basel Convention Annex I, II, III, and VIII
not applicable.

EN32. Water sources and related ecosystems/habitats significantly affected by discharges of water and runoff 109

Suppliers

EN33. Performance of suppliers relative to environmental components of programmes and procedures described in response to Governance Structure and Management Systems section (Section 3.16) 92

Products and Services

EN14. Significant environmental impacts of principal products and services 8 99

EN15. Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed 8 107

Compliance

EN16. Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues 108

Transport

EN34. Significant environmental impacts of transportation used for logistical purposes 104

Overall

EN35. Total environmental expenditures by type 94

social

Labour Practices and Decent Work

Employment

LA1. Breakdown of workforce, where possible, by region/country, status (employee/non-employee), employment type (full time/part time), and by employment contract (indefinite or permanent/fixed term or temporary) 113

LA2. Net employment creation and average turnover segmented by region/country 112

LA12. Employee benefits beyond those legally mandated 114

Labour/Management Relations

LA3. Percentage of employees represented by independent trade union organisations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken down by region/country 113

LA4. Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organisation's operations (e.g., restructuring) 114

LA13. Provision for formal worker representation in decision-making or management, including corporate governance 20, 21, 77, 115

Health and Safety

LA5. Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases 77

LA6. Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees 77

LA7. Standard injury, lost day, and absentee rates and number of work-related fatalities (including subcontracted workers) 79

LA8. Description of policies or programmes (for the workplace and beyond) on HIV/AIDS 77, 115

LA14. Evidence of substantial compliance with the ILO (Guidelines for Occupational Health Management Systems) 77, 79

LA15. Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work and proportion of the workforce covered by any such agreements 77

Training and Education

LA9. Average hours of training per year per employee by category of employee 110

LA16. Description of programmes to support the continued employability of employees and to manage career endings 111

LA17. Specific policies and programmes for skills management or for lifelong learning 110

Diversity and Opportunity

- LA10.** Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring **6** 111
- LA11.** Composition of senior management and corporate governance bodies (including the board of directors), including female/male ratio and other indicators of diversity as culturally appropriate **6** 111

Human Rights

Strategy and Management

- HR1.** Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results **1** 111
- HR2.** Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors **1** **2** 111
- HR3.** Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring **1** **2** 111
- HR8.** Employee training on policies and practices concerning all aspects of human rights relevant to operations 111

Non-discrimination

- HR4.** Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue **1** **6** 111

Liberdade de Associação e Negociação Coletiva

- HR5.** Descrição da política de liberdade de associação e a extensão pela qual essa política é universalmente aplicada, independentemente das leis locais, bem como descrição de procedimentos ou programas para tratar do assunto **3** 111

Child Labour

- HR6.** Description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring **5** 111

Forced and Compulsory Labour

- HR7.** Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring **4** 111

Disciplinary Practices

- HR9.** Description of appeal practices, including, but not limited to, human rights issues 111
- HR10.** Description of non-retaliation policy and effective, confidential employee grievance system (including, but not limited to, its impact on human rights) 111

Security Practices

- HR11.** Human rights training for security personnel
All employees performing activities with respect to the integrity of installations and people receive 120 hours' training, which includes ethical issues involving the Brazilian penal code and discipline, among other topics.

Indigenous Rights

- HR12.** Description of policies, guidelines, and procedures to address the needs of indigenous people 118, 119
- HR13.** Description of jointly managed community grievance mechanisms/authority 118, 119

- HR14.** Share of operating revenues from the area of operations that are redistributed to local communities 118, 119

Society

Community

- S01.** Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring 72, 73, 90, 115
- S04.** Awards received relevant to social, ethical, and environmental performance 14, 15, 72, 120

Bribery and Corruption

S02. Description of the policy, procedures/management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption

70

Political Contributions

S03. Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions

70

S05. Amount of money paid to political parties and institutions whose prime function is to fund political parties or their candidates

70

Competition and Pricing

S06. Court decisions regarding cases pertaining to anti-trust and monopoly regulations

77

S07. Description of policy, procedures/management systems, and compliance mechanisms for preventing anti-competitive behaviour

70

Product Responsibility

Customer Health and Safety

PR1. Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring

73

PR4. Number and type of instances of non-compliance with regulations concerning customer health and safety, including the penalties and fines assessed for these breaches

In 2004 13 legal suits were filed against the Group involving incidents of electric shock: ten against CPFL Paulista and three against CPFL Piratininga. These actions are being analyzed.

PR5. Number of complaints upheld by regulatory or similar official bodies to oversee or regulate the health and safety of products and services

In 2005, no complaints of this nature were filed against Group companies.

PR6. Voluntary code compliance, product labels or awards with respect to social and/or environmental responsibility that the reporter is qualified to use or has received

72, 93, 120

Products and Services

PR2. Description of policy, procedures/management systems, and compliance mechanisms related to product information and labelling

not applicable.

PR7. Number and type of instances of non-compliance with regulations concerning product information and labelling, including any penalties or fines assessed for these breaches

not applicable.

PR8. Description of policy, procedures/management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction

90

Advertising

PR9. Description of policies, procedures/management systems, and compliance mechanisms for adherence to standards and voluntary codes related to advertising

72

PR10. Number and types of breaches of advertising and marketing regulations

72

Respect for Privacy

PR3. Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy

73

PR11. Number of substantiated complaints regarding breaches of consumer privacy

73

team responsible for preparing the global reporting initiative – gri indicators

	Telephone	E-mail
Coordination: Antônio Cesar Ariede	55 - 19 - 3756-8413	cesariede@cpfl.com.br
Coordination and Calculation of Indicators: Felipe de Paula Nestrovsky	55 - 19 - 3756-6021	felipedepaula@cpfl.com.br
Calculation of Indicators: Milena Brandt Piovesan	55 - 19 - 3756-8316	milena@cpfl.com.br
Text production: Ana Maria Lombardi	55 - 11 - 3812-6031	aml@uol.com.br

Financial Indicators

Colaboradores Responsáveis	Telephone	E-mail
Ana Paula Peressim	55 - 19 - 3756-8198	anaperessim@piratininga.net
Carlos Alberto Cuccati	55 - 19 - 3756-8803	cuccati@cpfl.com.br
Débora Leão Soares Tortelly	55 - 19 - 3756-8927	debora@cpfl.com.br
Lidia Tachibana Hiraide	55 - 19 - 3756-8198	hiraide@cpfl.com.br
Luís Mecatti de Carvalho	55 - 19 - 3756-6037	mecatti@cpfl.com.br
Milena Brandt Piovesan	55 - 19 - 3756-8316	milena @cpfl.com.br

Environmental Indicators

Employees Responsible	Telephone	E-mail
Adriano Jorge Martins Corrêa	55 - 19 - 3756-8230	adrianocorrea@cpfl.com.br
Ana Zanaga Zeitlin	55 - 19 - 3756-8230	zeitlin@cpfl.com.br
Andréa Machado C. Nosralla	55 - 19 - 3756-8055	andrea@cpfl.com.br
Fernando C. Sedeh Padilha	55 - 19 - 3756-8896	padilha@cpfl.com.br
Francisco Carlos Martins	55 - 19 - 3756-8959	fmartins@cpfl.com.br
Nilson Reche	55 - 19 - 3756-8958	nreche@cpfl.com.br
Tarcisio Borin Jr.	55 - 19 - 3756-8318	tarcisioborin@cpfl.com.br

Social Indicators

Employees Responsible	Telephone	E-mail
Ciro Ribeiro Coutinho	55 - 19 - 3756-6021	cirocoutinho@cpfl.com.br
Cristina Helena Perrone Aydar	55 - 19 - 3756-8032	cristinah@cpfl.com.br
José Santoro Neto	55 - 19 - 3756-8207	josesantoro@cpfl.com.br
Paulo R Hoffmann	55 - 19 - 3756-8836	hoffmann@cpfl.com.br
Renato Fessel Bertani	55 - 19 - 3756-8406	renatob@cpfl.com.br
Roberto Cardoso Brandão	55 - 19 - 3756-8780	brandao@cpfl.com.br
Wagner Celeste Pereira	55 - 19 - 3756-8709	wagnerpereira@cpfl.com.br

corporate information on CPFL energia and its subsidiaries and affiliates

holding company

Corporate Name: CPFL Energia – CPFL Energia S.A.

Address: Rua Gomes de Carvalho, 1510 – 14º andar
– conjunto 02 – Edifício Atrium VI – Vila Olímpia – São Paulo / SP
CEP: 04547-005
CNPJ: 02.429.144/0001-93
IE: Exempt
Telephone: 55 (11) 3841-8507
Fax: 55 (11) 3841-8516 / 8515
Website: www.cpfl.com.br

electricity distribution

Corporate Name: CPFL Paulista – Companhia Paulista de Força e Luz

Address: Rodovia Campinas/Mogi Mirim, Km 2,5
– Jardim Santana – Campinas / SP
CEP: 13088-900
CNPJ: 33.050.196/0001-88
IE: 244.163.955.115
Telephone: 55 (19) 3756-8844
Fax: 55 (19) 3756-8040
Website: www.cpfl.com.br

Corporate Name: CPFL Piratininga – Companhia Piratininga de Força e Luz

Address: Rodovia Campinas/Mogi Mirim, Km 2,5
– parte – Jardim Santana – Campinas / SP
CEP: 13088-900
CNPJ: 04.172.213/0001-51
IE: 244.946.329.113
Telephone: 55 (19) 3756-8844
Fax: 55 (19) 3756-8040
Website: www.cpfl.com.br

Corporate Name: RGE – Rio Grande Energia S.A.

Address: Rua São Luiz, 77 – 8º andar – Porto Alegre / RS
CEP: 90620-170
CNPJ: 02.016.439/0001-38
IE: 096/2636193
Telephone: 55 (51) 3218-3303
Fax: 55 (51) 3218-3233
Website: www.rge-rs.com.br

electricity generation

Corporate Name: CPFL Geração – CPFL Geração de Energia S.A.

Address: Rodovia Campinas/Mogi Mirim, Km 2,5
– parte – Jardim Santana – Campinas / SP
CEP: 13088-900
CNPJ: 03.953.509/0001-47
IE: 244.858.020.116
Telephone: 55 (19) 3756-8844
Fax: 55 (19) 3756-8040
Website: www.cpfl.com.br

Corporate Name: CPFL Centrais Elétricas – CPFL Centrais Elétricas S.A.

Address: Rodovia Campinas/Mogi Mirim, Km 2,5
– parte – Jardim Santana – Campinas / SP
CEP: 13088-900
CNPJ: 03.435.172/0001-86
IE: 244.919.688.110
Telephone: 55 (19) 3756-8844
Fax: 55 (19) 3756-8040
Website: www.cpfl.com.br

Corporate Name: Semesa – Semesa S.A.

Address: Rodovia Campinas/Mogi Mirim, Km 2,5
– parte – Jardim Santana – Campinas / SP
CEP: 13088-900
CNPJ: 04.354.636/0001-92
IE: Exempt
Telephone: 55 (19) 3756-8844
Fax: 55 (19) 3756-8040
Website: www.cpfl.com.br

Corporate Name: Ceran – Companhia Energética Rio das Antas

Address: Rua Osório Tuyuty de Oliveira Freitas, 259
– Três Figueiras – Porto Alegre / RS
CEP: 91330-090
CNPJ: 04.237.975/0001-99
IE: 096/2854360
Telephone: 55 (51) 3025-6706
Website: www.cpfl.com.br

Corporate Name: Baesa – Energética Barra Grande S.A.

Address: Rua Tabapuã, 1105 – 12o andar – Itaim Bibi
– São Paulo / SP
CEP: 04533-014
CNPJ: 04.781.143/0001-39
IE: Exempt
Telephone: 55 (19) 3756-8844
Fax: 55 (19) 3756-8040
Website: www.cpfl.com.br

Corporate Name: Enercan – Campos Novos Energia S.A.

Address: Rua Tenente Silveira, 225 – 10o andar – Edifício Hércules – Centro – Florianópolis / SC
CEP: 88010-300
CNPJ: 03.356.967/0001-07
IE: 253.966.078
Telephone: 55 (48) 224-5076
Website: www.cpfl.com.br

Corporate Name: Foz do Chapecó – Foz do Chapecó Energia S.A.

Address: Rua Tenente Silveira, 94 – 7º andar – Florianópolis / SC
CEP: 88010-300
CNPJ: 04.591.168/0001-70
IE: Exempt
Telephone: 55 (19) 3756-8844
Fax: 55 (19) 3756-8040
Website: www.cpfl.com.br

Corporate Name: CPFL Sul Centrais Elétricas – CPFL Sul Centrais Elétricas Ltda

Address: Rodovia Campinas/Mogi Mirim, Km 2,5
– parte – Jardim Santana – Campinas / SP
CEP: 13.088-900
CNPJ: 05.441.551/0001-04
IE: Exempt
Telephone: 55 (19)3756-8440
Fax: 55 (19)3756 8408
Website: www.cpfl.com.br

electricity commercialization

Corporate Name: CPFL Brasil – CPFL Comercialização Brasil S.A.

Address: Rodovia Campinas/Mogi Mirim, Km 2,5
– parte – Jardim Santana – Campinas / SP
CEP: 13088-900
CNPJ: 04.973.790/0001-42
IE: 244.925.244.119
Telephone: 55 (19) 3756-8844
Fax: 55 (19) 3756-8040
Website: www.cpfl.com.br

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Overall Coordination

Augusto Rodrigues
Corporate Communications and Institutional Relations

Editorial Coordination

Antonio Cesar Ariede
Corporate Communications and Institutional Relations

Editorial Team

Adriana Waltrick Sobrinho
Strategy and Regulation

Alex de Araújo Germer
Energy Generation

Cristina Meneguetti
Corporate Communications and Institutional Relations

Heider Alexandre de Araújo
Operations

Hélio Puttini Júnior
Strategy and Regulation

Marco da C. A. Lopez Soligo
Corporate Governance Advisor

Roberto Castro
Energy Management

Rubens Brunceck Ferreira
Operations

Rubens José Della Volpe
Financial and Investor Relations

Sérgio Luiz Felice
Financial and Investor Relations

Vera Lúcia Souza Cruz
Corporate Communications and Institutional Relations

Vitor Fagá de Almeida
Financial and Investor Relations

Wagner Celeste Pereira
Human Resources and Infrastructure

GRI Indicators

Team of CPFL Energia professionals (page 133)

Text

Chapters 1 to 5: theglobalconsultinggroup | CorpGroup

Chapters 1, 6 and GRI Indicators: Ana Maria Lombardi – Mundial Press Comunicações

Translation

Paul Anthony Harold Steele

Editorial Support

Felipe de Paula Nestrovsky

Corporate Communications and Institutional Relations

Luis Mecatti de Carvalho

Corporate Communications and Institutional Relations

Graphic Design

GAD' Design

Hugo Kovadloff

Creative Director

Casemiro Moraes

Art Director

Cristiane Saad

Design

Fernando Franco

Commercial Director

Karina Linares

Account Manager

João Ricardo Albertini

Graphic Producer

Photography

Andréx Photo | Cássio Vasconcellos | Mathias Kramer | Aldo Toniazzo | Eduardo Barcellos | Giancarlo Giannelli

Special Thanks

CPFL would like to extend special thanks to all those employees who participated in the preparation of this Report.

For additional information on this Report, please contact:

Corporate Communications and Investor Relations Office | e-mail: cpfl@cpfl.com.br | Telephone: +55 19 3756-8701

On CD

Annual Report 2003 and 2004 (pdf – English and Portuguese)

CPFL Energia Financial Statements 2003, 2004 and 2005 (pdf – English and Portuguese)

Corporate Governance Guidelines (pdf – English and Portuguese)

Reader Opinion Survey

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**Business Communication and
Institutional Relations Management**

Rodovia Campinas Mogi-Mirim, km 2,5
CEP 13088.900 | Campinas | SP
cpfl@cpfl.com.br www.cpfl.com.br