

Operator:

Good afternoon, welcome to 1Q06 conference call. We have today Mr. Wilson Ferreira Jr., CEO, José Antônio de Almeida Filippo, vice-president of finances and Investor Relations, Miguel Abdala, Antônio Bassalo, Director of accounting, Vitor de Almeida, Director of IR and Silvia Emanoele, coordinator of IR.

We would like to inform you that this is being recorded and all participants will be listening to the webcast and then we will have a Q&A. If any of you need help during this presentation, please ask for instructions.

This presentation will be transmitted over the internet at <http://ri.cpfl.com.br> you will find the presentation. The replay of this event will be available after its close.

Before we go on any further, I would like to inform that some statements made during this conference call that concerns CPFL business perspectives, projections and financial and operational goals have its bases in believes and premises of the company directors, and in information of the present. Future considerations are not guarantees of a good performance. This considerations involves risks, uncertainty and premises, because refers to futures events that depends on circumstances that may or may not occur.

Investors should understand that economic conditions can affect the performance of CPFL and can lead to results that might differ from the presented.

Now we would like to ask Mr. Wilson Ferreira Jr., president of CPFL to take the floor, he will start the presentation. Thank you. Wilson Ferreira Jr. you have the floor.

Wilson Ferreira Junior:

Thank you very much. I would like to greet you all, say good afternoon and I would like to thank the presence of analysts and investors in our conference and tell you that we have a presentation of about 30 slides which cover the comparative results of the 1Q of this year 2006 and the last quarter of 2005. We will have our presentation and then I and my team will be available for questions to clarify your doubts.

First of all, let's go to page two then, according to our agenda for this event and we would like to talk about the highlights and the main points of this quarter and then we will tell you about the initiative that the company has carried out to create value and deliver greater value to the share holders.

So, on pages three and four, we have the highlights of this quarter. Starting on page three we have the four main elements, which are the gross revenue, which is R\$ 2,789 million and gross, regarding last year's quarter of 11.6%.

We can evaluate the effects which led to this growth, but it is very important to mention at the moment a growth of 29.1% on the operating profits, measured by

EBITDA, R\$ 654 million and on the last line an 85% of net income, a total of R\$ 306 million. This shows then financial and operating effectiveness and a record profit of R\$ 306 million. All this, obviously, due to an important movement, or change, in this quarter of increase sales of the regulations market through the distributors and in the free market through the commercializing entity and a growth of sales of 7.5%, 10 thousand GW/h as can be shown.

On page four, we would like to continue with the highlights of this quarter, showing you sales in the distributive concession area, of 4.1% our sales connected to end consumers including tariffs on the use of the distribution system, it is important to mention a very intensive growth of the sales of energy to the free market when compared to 1Q05. So, a growth of about 66% a total of 2,419 GW/h, in other words, $\frac{1}{4}$ of the total sales of the group in this particular field, modality.

Also in April, a tariff adjustment of two of our three distributors, the CPFL Paulista 10.8% readjustment and RGE 10.2% and these are very close because it indicates and sustain this adjustment, employing the parametric formula are almost the same.

We would also like to say that the question of unbundling process of Piratininga has finished – I am going to further detail on this subject – and also the question of debentures of the company, R\$ 400 million, this was successful and is a market benchmark, in other words, the cost of 104% of CDI. And, the highlight of yesterday, we are announcing this today, which is the acquisition of all the assets of PSEG in Brasil, involving two of its holdings, IP and PSEG Brasil, besides two operating assets of these holdings and the participation of PSEG held in RGE of 32%, and , with this, the group CPFL holds 99.76% of the company and also of PSGE Trader, commerce organization of the group which will soon have operations in Brazil in an amount that I will further detail on later.. Therefore, a very important acquisition and we will have other points on this later on.

Now, immediately go to page 5 and telling you more with detail this question of the unbundling process. On the left-hand side we can see the format of our ownership structure. CPFL Energia had distribution through CPFL Paulista and now here we have integralization of all the minority of all the minority shareholders and Paulista would remain as a shareholder of Piratininga and the ownership of RGE.

As you all know, this movement happened because of the laws which regulated the electrical field. In other words, the participation of CPFL in the activities of distribution have to be carried out directly. So, we have established a calendar, submitted to ANEEL and the first step is, exactly, the spreading out of CPFL Piratininga actives and the ownership of CPFL Paulista had in companies of the sector and non sector, in other words, more than 3% in Comgas ownership and about 0.05% in the ownership of Energias do Brasil, depending from the participation CPFL had in Enersul. So, this conversion brought up in this amount of resources, 0.05%

As you can see in the following overheads, transparency 6, where we already detail this passage, this transferal of Piratininga to CPFL Energia and also Comgas and Energias do Brasil, and this can be shown on balance on page 7. On

page 7, on the balance sheet, we have here the process which was carried out, the company reduction of 413 million in the investment account which Paulista held in the three ownerships, Piratininga, Comgas and Energias do Brasil. As you can see, already on page 8, this change in including the CPFL Energia without altering the capital. So, CPFL Energia has a reduction in its investment account and CPFL Paulista assets in the same amount where it has an increase of investment in Piratininga, Energias do Brasil and Comgas.

So, this whole movement as reduction of R\$ 413.3 million to Paulista and an increase of the same amount in the three other assets mentioning, particularly Piratininga. For now, we will see that this is totally transparent, according to ANEEL's requirements and exactly in the schedule established by that regulatory agency. This will now be added to, or complemented, during 2006, beginning of 2007 with the capital reduction of the Paulista on the RGE ownership, or asset. And the direct participation of the CPFL Energia in this. And, at the end of this acquisition operation, practically 100% of this asset. So, this operation in greater detail according to the requirements of the of the regulations of the sector and followed up by ANEEL according to the schedule lay down by this agency and the company.

On page 9, we have the corporate structure up to date where we have the Paulista and Piratininga already connected directly to Energia, to get on with the commercialization and generation activities as can be seen. And, making mention of the free float of the company of 17.75% in the market.

Right, so let's now go on to page 10, where we will go to greater detail about the operating activities of the companies, which make up CPFL Energia, mentioning total energy sales growing 7.5% and a mention of the sales to the free market, comparing the quarters a growth of 66% and in the area of concession of the three distributors we have 9,423 GW/h, in other words, a growth of 4.1%.

As you can see on the slide on the right-hand side, the movement of the captive clients from 7800 to 7543, a drop of 3.5% which is exactly the activity of free clients.

On page 11 we start to go into greater detail about this growth of the total energy sales in 7.5%. This suffered the impact by the growth of the free market of 65.9% and sales to free consumers and here it is important to mention that we are comparing two quarters, the 1Q05 when the company held about 50 free consumers and the 1Q06 when the company has 86 free consumers. So, this great change in movement is due to this change in terms of clients served, which became clients during the year of 2005, totalizing 86 of them.

Now 2006, so this is a wonderful result of the company and it is important to mention the growth of the captive market in the residential, commercial and rural sectors. These activities are activities which, besides being in the captive market, the consumers have low voltage, so the larger tariffs for the company come from here and each one of them show considerable growth. If we take, particularly the history of the growth of energy sales, so these are records in growth terms and, obviously, assign significant value to the distributors of the CPFL Energia group.

On page 12, we have greater detail, exactly of the impact of the sales group in the concession area. As I have said, with the captive consumers in a growth of 3.3%, which is all set with a growth of sales of the so called TSUD – the use tariff over distribution system – which grows 41%. For total sales involving captive clients and free clients in the area of concession determines a growth of 4.1%.

And here we start, on page 13, the greater detail of the results of CPFL Energia in this first quarter. The first of them, the growth of the EBITDA, operating profit of the company measured by EBITDA, growth of 29%. This growth stands from the increase of net revenues, we have early mentioned, in all the market segments, particularly distribution and commercialization, but it grew to R\$ 260 million, which was offset by an additional cost of energy, particularly transmission tariffs, reducing this advantage a little bit by 52 million and operational costs and expenses grew R\$ 61 million.

Here we must also mention the following: we had, in this first quarter, results of the program which we had been developing, which was ongoing together with our human resources, a voluntary dismissal program specifically to people with an older age. Here we have managed to replace 135 employees and be able to access programs to complement their pensions, and this was an incentive which cost us R\$ 17 million. And the pay back in the company is of 18 months, so in a year and a half time we will have a return on these investments which will be about a cost reduction of, approximately, R\$ 10 million a year.

So, this is a very important operation for the company within a program of commanded respect to our employees. This dismissal program will be done in a way that will give us more breathing space.

Also mention the operation opening of Barra Grande, and of the CPFL Sul, a company which we created in the South which has an increase of real expense in our operation of about R\$ 3 millions. So the difference of the two of 20 to 61 corresponds, exactly, to the increase of salaries which we had last year and, important, we had more growth last year because of the PCA rates which are followed by the company and because they increase costs which have to do, particularly, with the compliance sectors of the company to comply with Sarbanes-Oxley an additional cost of R\$ 61 million. So, all this movement you can see on this chart has determined an increase of the EBITDA 1Q to R\$ 654 million, an increase, therefore, of 29%, as you can see.

On page 14 we have the reflection of this recent increase of the EBITDA on the bottom line. So here we are presenting a growth of the profit on the same basis as a comparison of 85%, achieving 306 million, starting from 166 million. This is the most relevant aspect of all and it is added here by the operating profit, the EBITDA of 147 million, and also has a contribution, although smaller, of 37 million from the financial income. And this is due, first of all, because of the increase of the financial revenue, the company has a very strong cash generation and result of our at the CDI rate in the market and the CDI is still quite appreciated, amounts around 15% to 16%, but benefits from the strategy of financial leverage and, particularly, the choice of the indexes at a concentration that will be verified on

TJLP and IGP-M further. We benefit from this and we have had a reduction of financial expenses of 8.4%.

The counterpoint of this is the payment of taxes, income tax, which shows in these results. Nevertheless, it is a very significant amount, a total of R\$ 306 million and a growth of 85%.

The next three pages, 15, 16 and 17, we will go into further detail about each one of the different businesses in which the company is involved and the valuating its impact in terms of global result.

Starting with distribution, this is about 70% of our results and we have a growth of the revenue of 10.3% and surpassing R\$ 2 billion and this is due, particularly, to the increase of sales which as we had mentioned, in the area of concession, involving also the growth of the TUSD and with 62% and 41% in energy volume and the revenue 62%. Exactly because we are right in the middle of a period of tariff realignment for the tariff applied to the industrial sector is higher. So, this 62% of growth is to an increase of 59 million. And, when we compare quarters it is important to mention that throughout the 2Q, 3Q and 4Q of last year we had important increases in our distributors, and 17.7% in Paulista, almost 22% in the RGE and 1.54% in Piratininga. So, the mix of volume and tariffs is what gives us this increase of 10.3% of our gross income.

On the other hand, the EBITDA of the company grows 18.6% vis-à-vis the same quarter of last year, R\$ 70 million, and this is due, particularly, for our gross income, without the corresponding increase, in percentage terms, of the cost of energy. Here the low point of the increase of CCC and CDE of 47.4%, these are real increases in both of this charges that are also giving assistance to an universalizing of energy in the country, but it has a full pass through on our tariffs and when they are registered on the balance sheet.

As I have just said, the program of voluntary dismissal program, which had an impact on the distributors Paulista and Piratininga in the amount of R\$ 16 million. R\$ 1 million was for the generation activity, determining, therefore an increase of 20% operation cost and, practically half of that here is the voluntary dismissal program. And, finally, on the last line, an increase of the net income of the company, 67.2% in the distribution activity, an increase of R\$ 82 million, a total of R\$ 203 million In the quarter. This comes from the EBITDA, in the operational growth and also an additional benefit of the reduction of our financial expenses of 32.9% and also here, obviously, the benefit the debentures in IGP-M, at a time when IGP-M is, practically at a negative level.

Page 16, the results o commercialization. An increase of the gross income of 52%, a total of R\$ 450 million, pointing out the total growth of sales of 44% and to the sales of 66% to the free market and free end consumers. And, also an important growth in the sales of products and services, practically doubling vis-à-vis last year's rates in the same quarter.

This growth of R\$ 154 million of growth revenue added here to the growth of the cost of energy to support these sales, which was lower in percentage terms of

46,3%, has given us a great growth of EBITDA of 75%. So, there is an increase of the margin, as you buy additional energy to supply the market, but the whole sale in smaller average values, about 5% lower, because of the favorable hidro conditions in the country.

And, finally, an operational cost growth of 30% to support the sales growth of products and services. This percentage is very low and has a lot to do with the service activity. And, finally, 75.8% of growth in net income, a total of R\$ 68 million this quarter and this is due to the operating growth, once again a smaller financial advantage and due to the operational activities of CPFL Brasil.

And, finally, on page 17 the results of generation activity and here we will see that there has been a smaller growth in percentage terms of the gross income of 6.7%, but this can be explained, regarding the third bullet here, that the company starts using the PIS/COFINS rate, in a cumulative accrual system, that has been adopted by the majority of the generators in decisions taken after the "MP of good".

So, in the comparison of the quarters, last year's quarter with non-cumulative system for the PIS/COFINS, were about 9% and now, with cumulative accrual system, PIS/COFINS is about 3%. This justifies, therefore, the slight percentage increase.

On the other hand we have to point out the entrance of Barra Grande. We will talk about Barra Grande later on, but this CPFL take corresponds to a revenue of more than R\$ 100 million and it already incorporates R\$ 16 million in this 1Q. The machines 2 and 3 came in the 2Q.

And we have an increase of 35.5% of EBITDA, a growth of R\$ 29 million, R\$ 111 million total in the quarter and this is due, not only for the growth revenue increase, but here the reversal of the PIS/COFINS, the incorporation of PIS/COFINS credits by the payment of higher rates in the past, a total of R\$ 31 million. And here we can also find strange an increase of 70% in operating costs and expenses growth, but reminding you that R\$ 6 million, half of this, due to the operation of the Barra Grande/CPFL Sul and the R\$ 1 million for the activities of the voluntary dismissal.. Therefore the absolute value for this increase is smaller.

And, finally the net income increase for generation a growth of 86%, obviously leveraged by the operating increase of the EBITDA of 35% and an increase of 11.3% in net financial expenses reduction and this because of the reduction of the TGLP, the main currency of the CPFL generation activities.

On page 18 we have, once again, those charts where we have in an annualized form the company's accumulated EBITDA of the end of each quarter. So, here, in the 1Q05, we had closed the last 12 months with an EBITDA of R\$ 1.767 billion and we are now closing the 1Q06 with an EBITDA annualized of R\$ 2.369 billion, a growth of 34%. So, activities continue to be strong and focused on our mission of sustained growth of our operations, a growth of 34%.

With the benefits role of financial control, in the bottom line this result is even more expressive. We closed the 1Q05 with accumulated profits at the time for the 12

former months of R\$ 457 million, and we are now closing the 1Q06 with a net result of R\$ 1.162 billion, which corresponds, and this can be seen on the chart, with a growth of 155%. Therefore, completely in line with what was expected and planned by CPFL according to what the market has been expecting.

On page 19, the repercussion. First of all the appreciation on the last 12 months of the of the shares. Our shares varying about 80%, almost the double of the IBovespa surpassing the main index of the sector, the IEE, and the others.

Also an increase of company's daily volume, going from R\$ 5 million, at the end of the last quarter of 2005, continuously to R\$ 12.5 million, which was the result that we had this quarter. This is very much in balance between the position in Brazil and New York.

In the 1Q, which is a quarter which is atypical, because of the important depreciation of shares like Cesp and, also, due to the possible privatization, we performed below the IEE in Brazil, in balance with Bovespa. We continue to have a very important position in New York, performing above the 20 ADRs of greater volume on the New York stock exchange, achieving 21%.

And, now, let's go on to page 21, and continue with our agenda of value creation. This is supported by five initiatives, which are important for the group: synergic group, differentiated governance, operating efficiency, sustainability and corporate responsibility and, finally, financial discipline. So, on top of each one these pillars we have based the strategy of CPFL Energia and the main movement which we have presented in this quarter, has to do, exactly, with the acquisition of the assets of PGE, in Brazil, and the main one, the participation of 32.69%, which the group held in the RGE... I will tell you a little bit more in greater details about that.

But, just so that you might have an idea of the importance of this acquisition we have talked in the comparison of the main indicators of 2005, a company which has 7% of the net revenue which will be added too, because of these new assets, R\$ 722 million, R\$ 100 million of EBITDA and R\$ 37 billion of net profit and the company has just recorded a growth of net profit of about 50%.

A company which holds almost half of the area of the concession of the state of Rio Grande do Sul, serving more than 1.1 million consumers and with a very robust infra-structure. So, this is a very important acquisition which will allow us, without shadow of doubt, to have growth and a sharing of best practices in such a way to add significant value.

On page 23, we can see the main characteristics of this acquisition and making special mention of the fact that it surrounds exactly into the line of synergic growth of the company, with no surprises. This is a company which will we held 67% of, so, it will allow for sure a greater synergy, an increase of our operation and below the concentration level. With it, the company should get closer to a 13% in concentration levels in the regulated area. But, we must mention how much we paid for this activity and I will show this in greater detail further on. But it is important to say that we bought for US\$ 585 million the equivalent in an operation already determined in dollars of R\$ 383 million – not only the participation in RGE

but also in the group PSEG and Ipe Energia, a controlled energy, PSGE Brasil, also a holding, the PSEG Trader, a commercializer and also 32.69% of RGE.

The PSEG Trader is a company which had, last year, a net result of R\$ 10 million in the bottom line, an EBITDA of R\$ 25 million, so an operating activity; and the other two companies, Ipe and PSEG Brasil together we are acquiring these companies with fiscal credits of about R\$ 150 million and fiscal credits which will be used according to the fiscal plan of the company throughout the next three years, but this is also very important assets which becomes part of this operation.

And I can tell you that in the evaluation that we carried out we have had a return... Well, these purchases in keeping with all our principles of minimum return, about 15% on top of our acquisition, and this has already been submitted to ANEEL and CADE, and we imagine that in no more than 60 days this operation will be concluded.

On page 24, we have here some elements that will allow us the addition of value that these buying will bring. So, in the comparison of the EV/EBITDA of 2005, we here are talking of a purchase of 5.3 times when CPFL Energia is 8.7 times. So, the value incorporation was immediate, because the asset was already part, 2/3 of it were already part of CPFL Energia.

And, when we compare the equity/EBITDA, how many EBITDAs are necessary to perform the equity which we have just acquired in the CPFL at 6.3 times. This acquisition is, practically, half of this amount, or 3.3 times. So, these are very significant figures, which show us that the strategic decision that we took was right. When we have the comparison with some financial indicators of 2005, the comparison price/earnings, of 13.2%, or times, in CPFL Energia and 9x in RGE and we look at the price per enterprise value of 2.8 times with CPFL Energia and 0.9%(times) for RGE. In each one of the financial indicators used, it is possible to notice the large potential of value creation that these acquisitions will bring.

And, to continue, on page 25 it is important to say, first of all, that we are in the time of economic stabilization and recovery. The market is growing very well, as compared to last year, 5% above the average of connections and continuous work on recovery and to reduce commercial losses you will see in the mains figures here of Paulista and Piratininga, this is good news, and not too good numbers for RGE, but let's see now, here, what potential to create value is, that the group will have. So, we have 3% of the company that has more commercial loses at the moment, but, as it has greater losses, it will be the greatest potential to redux, to reduce this.

So, in this 1Q we put into the cash of the companies more than R\$ 33 million, because of the reductions that I have mentioned. And also, delinquency ratio on the same line, the lowest level of the history of Piratininga and Paulista of values of 1.3 and 1.4 and a reduction of 10% in RGE, a total of 4.15, which gives us also this idea of potential of value creation due to the reduction of delinquency.

On page 26, an idea of Barra Grande power plant and as you already know, it came in the 1st of November with 54% of total assured energy in November 2005,

in February 100% of total ensured energy and now in May the last operation of the last operational unit, so the power plant is finished and this power plant, at the moment, increases the revenue of CPFL generation in more than R\$ 100 million, due to the adding of 172 MW or 95.2 MW average or medium and this energy is totally bought from companies of the group.

On page 27 we, something to do with the reservoir ceiling of the Campos Novos. We started this ceiling at the end of last year and at the moment we have the reservoir which is almost 90% full, 152 m, there still 14 m to go, to have the minimum operating level, but we have two tunnels, one of them already finished, the concrete work is done, and the second tunnel we have a slight leak in one of the locks which lead into this tunnel. So, at the moment, we are executing these repair to protect the structure, so we can control this leak and finish the concrete work. So, we hope that when all this is done we will be able to come in, come on operation with this company by July, 2006.

It is also important to mention that, obviously, in one hand we don't have the execution of the revenues, but neither we have any expenses, particularly, the funding or financing expenses, even because we have six months shortage from the commercial period. So the revenues does not start, but neither we have expenses so we do not have any greater onus. The repair and the expenses here of this repair work are covered by insurance, so all repair will be covered by insurance.

And here it is also important to mention that VPL of this delay, we are talking something about R\$ 30 million, talking about an operation of a value of more than R\$ 2 billion, but it is combined with R\$ 25 million economy, already occurred in the investment so, we will have no alteration of the rate of return on this project. So, the value was below that which was expected, but, because of this delay, we have had a variation of R\$ 31 million in the VPL.

On page 28, estimates for the operation to get to 1501 with the entrance of Campos Novos, the first turbine is 91% of assured energy so, July we should be coming close to this mount of 755 MW, 1500 of total energy. All the projects, once again, already contracted from companies of the group, so than again, no commercial risks.

Page 29, a detail of the expansion of another 1% of the market share of CPFL Brasil in the commercialization activity and today the free market accounts for 20% of the market in Brazil and 28% of this is CPFL Brasil.

And, here, a little bit more about these flows of the retention of potentially free costumers in the distributors or in CPFL Brasil, here we have the greater details of this situation and also the bring in of outside clients, expanding 35% our sales in this market.

And, finally, on page 30, just following up the financial question and financial debt of R\$ 5.118 billion, important reconciliations and a non-bank debt of 20 million... debt you are familiar with and the company registering R\$ 1.3 billion cash

availability and then the rebate of the, so called, regulatory debt with BNDES, which has to do with the rationing activity.

So, we have a debt of R\$ 3.4 million and, as one can see, by one more quarter vis-à-vis the EBITDA of the company, it just has been well reduced and at the moment is 1.5 times at the moment. And also mention the reduction of the nominal cost of the debt of, a little bit, more than 15% to 13.8% and the comparison with the CDI of 17.2% for the company is financed, or funded less than 75% of the CDI. And, at the bottom, we have the breakdown of the indexes of the debt with special mention to the IGP and TGLP, approximately 70% and 28% of CDI.

And, finally, on page 31, just the efforts which have been carried out for corporate governance, showing all the way from the IPO and the growth of the float of the company over 18 months, of a little bit more than 13% to almost 18% at this present moment and, with the percentage growth, the growth of the appreciation of the shares, we are now talking of going from R\$ 1.16 billion to R\$ 2.3 billion, in other words, more than US\$ 1 billion, US\$ 1.2 billion, this is the private float of the electric sector. So, part of this is due, also, to a practice which has to do with dividends. Better than the policy, which was innovative so, the law established 25% and we have distributed in the last two years 95% of the net results of the company. In 2005, R\$ 900 million making up, then, this total.

So, we conclude this presentation. This has been a very positive quarter, with prospects because of the acquisition that we have made, which are even more challenging for the futures.

This is what I had to say to you, together with my team I am at your disposal for questions. Thank you.

Eduardo Haiama, Pactual:

Good afternoon, I basically have three questions. The first has to do with the question of RGE which you have mentioned vis-à-vis the economy of scale, synergy, just to give an idea of how much a year do you think you will be saving with the integration of Paulista and Piratininga in relation with the CAPEX? And if there will be a possibility of a cost reduction.

And, another question has to do with the Paulista transmission. How do you consider this process which is ongoing at the moment and which is being purposely delayed. Do you believe that there will be a privatization or not yet? And, therefore, when?

Ant he third question is the commercialization EBITDA. What kind... Well, it seems the results were being very strong the 1Q, what do you think for the rest of the year?

Wilson Ferreira Jr.:

Let me begin with the last question, related to commercialization, Eduardo. We should never forget that the comparison that we are making here, with the 1Q of

last year, and by the way just for educational purposes of the brokers, these comparison used 86 against 50 consumers on the other hand. But, I can tell you is that this comparative value is going to decrease over time. I am confident on that. Our expectation is to have something around 20%-25% at CPFL. We expect that in the comparison of the same volume 2006 and 2005, it will be around 24%, because, the market has already reached its saturation point.

We imagine that the volume of sales in the free market, which today is around 20% is moving to 25% and is going to be stable, so this is our major feature. So, I would say that the strong result is not so fair considering that the market in 2005 grew a lot and we gained our share in the market, increasing share, and when you compare both, it is as if we forgot three different quarters, which is not fair.

As to synergies with RGE, well, I would not like to risk any values now. We would like to conclude the operation with ANEEL and, together with company, we are going to conduct an assessment and take it to the market, just as we do with all our plans. We have identified that we do have potential, we have heard of purchases or purchases over imported pieces of equipment like transformers, cables at the company, but, given the volume of the operation, costs are around 4%-5% higher than ours. That meets that basic principle of scale.

Well, you have to think about the volume. It has to be incorporated and the same goes for phone tariffs, so, phone rates. Think about the call center operation in São Paulo for 14-15 million calls, and in Rio Grande 3 million. So, obviously, we can benefit from that. The total has not been calculated yet for the business, but I am very optimistic and I believe that we, on sharing best practices and system and services and centrals we can come to a good a result and you will be informed.

As to CETP, I would say that the privatization schedule, right now, well, we still expect this asset to be put in the bidding process. We know the efforts by the government of São Paulo and yesterday we had the birthday of our secretary of energy and he was in Brasília working for that purpose. So, we know the professional and we hope he will be able to work on the privatization, and there is intense negotiation between ANEEL and the federal government.

So, we are extremely motivated, we are advisers in the activity and we hope that this is going to be subject to privatization, specially because, as you know, it is part of a CESP finance strategy and, although there is a deadline for the government, I believe November would be the dead line, I believe that they should have it done before that term.

Eduardo Haiama:

Thank you.

Hector Pereira, Banco Espírito Santo:

Good afternoon, as to the purchase, or acquisition, of RGE. Could we considered that the purchase of PSEG can incorporate the premium and have some benefits on that?

Antônio Bassalo:

Yes, we can consider that.

Hector Pereira:

Thank you.

Antônio Bassalo:

We have to conduct a good assessment in order not to put at risk the business of the company so, the objective answer is “yes”, but that takes deep analysis in order to be sure that this can be done safely.

Hector Pereira:

Thank you.

Oswaldo Teles, Bank Boston:

Good afternoon. Actually, I have two questions, but they have already been discussed. I would just like to go back to free commercialization. This 24% that you mentioned, is that the expected growth or market share?

Wilson Ferreira Jr.:

This is the expected growth.

Oswaldo Teles:

For volume?

Wilson Ferreira Jr.:

We have than 24% market share, we have 28% actually and we believe that the market as a whole, we move from 20% to 25% over the year and we already have that market share so, I believe we are going to expand our volumes in something around 24%.

Oswaldo Teles:

And what about the future. What is the outlook for this type of market. Do you believe it is going to be stable or it will n longer grow or do you think it still grows?

Wilson Ferreira Jr.:

It depends. It is hard to come to any forecast. It has to do with the market and the market is being analyzed on a long term basis and the model of the factor makes us have a five-year horizon hiring program. So, the main driver for the growth of

the market is availability or, at least, perception of availability of more energy or additional energy in the long term. Think about the effective construction of plants, for instance. So, perhaps this market could continue to grow. It is currently stable because we have auctions that have just been made so, some buildings, or construction works have just started. And if you think about 2010 with ongoing construction and auction prices going down, then you are going to see people taking more risk.

Nowadays, well, if you consider that excess is coming to an end and you have the yellow sign with the gas business. I would not say that this is ideal, but you can see in our slide, our slide on our potentially free consumers. Virtually 60% of them, in terms of volume, renewed agreement with the distributor, so there is higher risk, however, 40% went to the market. So, this movement, if you thought about it one year ago, 80% would be to the market and 20% only would stay or be more conservative, sticking to the distributor. This trend is about to continue, until excess is over and will only change from the moment an abundant supply sign in the future.

Oswaldo Teles:

Another question has to do with RGE. You have already mentioned about tax issues, tax gains in operation, but what about CAPEX? I believe that loss and delinquency rate have a deficiency related to the rest of the group. Do you see any additional need for CAPEX in order to be more incorporated, or included, in the results for the rest of the group?

Wilson Ferreira Jr.:

Initially yes. But I could not tell you any figures. And, there is one advantage, this additional CAPEX, by the way, could be totally sent to the basis of the company in the next tariff review in 2008; we had already had a reinforcement that was communicated to the market last year and we have been assessing this possibility to RGE, specially because RGE also has some challenges that can have a positive repercussion in its assets for the net basis in the next review. We will be doing that as soon as we have the conclusion of the purchase operation.

Oswaldo Teles:

Thank you.

Gustavo Gattass, UBS:

Good afternoon, Wilson. Good afternoon, everyone. I have some questions here. The first one has to do with operations for the quarter. There is a series of increases this quarter, related to COFINS. I would just like to have a better understand in the net result, is there anything that is positive or negative, and outstanding or extraordinary results of the company.

Wilson Ferreira Jr.:

Just a question. This is going to be addressed by the financial colleagues.

CPFL Financeiro:

The net effect was R\$ 8 million

Gustavo Gattass:

R\$ 8 million positive or minus?

CPFL Financeiro:

Positive.

Gustavo Gattass:

So, this is the combination of everybody in the medium right? Distributors, generation, that was listed as 31 in the presentation?

CPFL Financeiro:

I think that virtually everything comes from generation.

Gustavo Gattass:

Great. My second question is the following. It has to do with Campos Novos. What about the schedule for Campos Novos today. If you think about 91% in July. July, so you mean early July or late July?

Wilson Ferreira Jr.:

Early July.

Gustavo Gattass:

Great. And what about changes in the rate for the pension funds. Was there any other rational or only that background in the history of the pension funds, that is why you decided to go for a better rate?

Wilson Ferreira Jr.:

This has to do with actuarial result. Last year, well, we decided to change the table, as you remember and the changes in the assets, considering our liability has led us to this review, basically this is it.

Gustavo Gattass:

My last question, is there any additional result apart from the R\$ 8 million that you mentioned? Well, looking at the R\$ 16 million of the voluntary dismissal program, any other outstanding issue?

Wilson Ferreira Jr.:

No.

Gustavo Gattass:

Ok, thank you.

Subojit Daripa, Santander:

Good afternoon. Two brief questions. What is the gain after taxes that you expect for this acquisition? And when you would have this gain? In the 3Q after the transaction?

Wilson Ferreira Jr.:

Actually, the gain is immediately the value of the investment, considering the profitability of the investment over time.

Subojit Daripa:

No, my question has to do with accounting issues. Did you pay, well, you paid on 0.09 times the equities so I would like to know if it has to do with PL in late 2005 or what is the base of the net equity that you are using in order to record gains or losses, related to the investment?

Wilson Ferreira Jr.:

Well, the value of the equity is related to moment you close the deal, you close the operation, then you are going to be a premium or not so, in this case if you do not have premium you do not have any gains. That is not reassessed or reappreciated.

Subojit Daripa:

So, you paid 0.09 times so, if I calculated, considering the history, then you would have a gain, on top of that equity, something around 10%, or close to R\$ 120 million. So that is my question you see?

Wilson Ferreira Jr.:

You should not forget that there is another share that comes from Paulista and there is a premium attached to it. So you always have an offset, both things should be together from the moment you close this spreading out profits. So, on those lines, we do not expect any gain immediately recorded.

Subojit Daripa:

Perhaps we could go into details...

Wilson Ferreira Jr.:

But I need a better understanding of what you are asking.

Subojit Daripa:

Well, my second question has to do with what Gattass asked about pension plans and some changes because you considered some cost related to R\$ 22-23 million for pension plans. What about for the future, could we expect to have a decrease in these expenses? And what is the level that should be expected?

CPFL:

Well the actuarial plan, conducted in December, projected a cost for the year, of R\$ 10 million. So, the starting point CVM was 371 in 2001 with a forecast of R\$ 12 million. So if I already have R\$ 12 million and my real cost was R\$ 10 million, so you have this reversal. Basically you have a low IGP-M that corrects liabilities. So, the pension plan is corrected by IGP-M. Elderly people only have IGP-M. Our debt with the foundation is IGP-M+6; and real profitability of the assets is R\$ 16 million. That generates gain, the trend is to keep on having that we keep to the same inflation levels that we have right now. This year it is still in the same level.

Subojit Daripa:

In other words, better profitability in the plan assets, with liability maintenance, yes, you have a surplus exactly. So this reduces the need of contributions of sponsors, for instance, and, consequently, you have a reduction in the expenses that go through the same results, right? I understand that there has been a readjustment, an adjustment in the 1Q and I also understand that, considering this new actuarial assumptions, we are going to have a lower contribution of the sponsor with a reduction of pension plan expenses. Is that so?

Wilson Ferreira Jr.:

Not necessarily. Imagine that this trend is going to remain, but not necessarily. We need an annual review and if the assumptions remain the same, then we are going to repeat the scenario. But if we have a stronger interest reduction or IGP-M is going up, then we have to reassess it. What I am saying is that we cannot tell it for sure.

Subojit Daripa:

Perfect. And just one last detail. I would just like to understand what Wilson said before related to trading, or negotiation, between the federal government and ANEEL in the CETEP issue. What is the most important point and why is the federal government interfering in CETEP's privatization. I am asking you this, because every knows the problem has to do with the extension of the hiring agreement. So I would like to know the level of autonomy of the federal government in this issue or is this simply a policy that is being conducted?

Wilson Ferreira Jr.:

Well, who would be in charge of the expansion of concessions? Well, the granting power, the federal government in this case, that is why I mentioned the federal government, but the agency, or the body, that is in charge is ANEEL. I have no doubt that both bodies, the ministry and ANEEL are talking on the topic, in order to have a clear image of their responsibilities. I would have said that this is that evident, but it is up to the federal government, or the granting power, to provide the extension and there is also questioning from the public prosecutors office. So, they have been communicating in order to have a better image of which body, which agency, should be in charge of the expanded concession.

And, by the way, when you asked about RGE, I do not know how clear I was, but we are buying these assets, we are buying it based on their results from January 1st. So, if we conclude the operation until June and then we are going to launch the results of the 1Q, involving this interest, will be launched in addition with our results. So, this is still possible and I forgot to mention that.

Subojit Daripa:

Well, that is all thank you.

Eduardo Haiama, Banco Pactual:

I have a question related to... well a question to Gustavo. In terms of PDV, correct me if I am wrong, those R\$ 17 million that you mentioned as an impact and that would be generating a R\$ 10 million savings per year, is that correct?

Wilson Ferreira Jr.:

Correct.

Eduardo Haiama:

No additional cost for PDV?

Wilson Ferreira Jr.:

No, actually you know that we have a diversity program and we have professionals that are over 45 in a higher percentage that we expected, or wanted, to have. On the other hand we have a preparation program for retirees. So, in this program we included the voluntary dismissal program, offering this to our employees that were over 45, with this opportunity to have this additional retirement complement that would have this opportunity to access the additional value with an especial indemnity, only to this kind of professional. Obviously, these professionals are being replaced by new employees of the company, therefore, with lower salaries. The cost difference between what these old professionals cost us and the new ones is virtually 50%. So, when we fill all the positions we would have to pay 50% of what we used to pay before. So that is this 18 months payback, R\$ 17 million

with the operation and we are going to have a cost reduction in the group around R\$ 10 million per year.

Eduardo Haiama:

Another question. Could you just comment on the tariff review process? Have there been any new updates? What are the expectations?

Wilson Ferreira Jr.:

No updates so far. There has been an interaction involving the agency and several associations, in this case, abroad. The regulation group, led by Helio Puccini is speaking on behalf of CPFL. I would say that discussions are important, specially in terms of the asset remuneration base, structure. And we also have discussions, related to the referential, the so called reference company, based on elements that are not considered today. Take, for instance, PLR, which is the program of participation on interest. This is not acknowledged by ANEEL and this is being discussed.

As to the base, another item is the purchasing power. We have to create an incentive to buy for a lower cost, for a lower price. If you pay less and you have a pricing on your whole base, there is no incentive. So, we have to improve these criteria. Have a good chance that over the second half of the year, we are going to have the most important elements to conclude the assessment, but this involves interactions and several major players with ANEEL and we believe that we are going to have important definitions in the second half of the year. I think we are moving to a positive path in order to strengthen incentives to efficiency and also the activities of the product and also, at the same time, enhancing the productivity of the companies and having an immediate benefit to consumers.

Eduardo Haiama:

Thank you.

Gustavo Gattass, UBS:

Good afternoon. I am back. I would just like to address three points not so related to the past, but more towards the future. Could you give us an idea of Foz do Chapecó? You mentioned that you want to have it up and running by 2010. I just do not know how this is going to fit with an agreement with actions. Could you clarify?

Wilson Ferreira Jr.:

I will ask Miguel to answer that, but first of all, it is important to highlight that C3E still hold 20% of the company and it send a letter to CPFL and to vale do Rio Doce, or CVRD, mentioning the possibility of selling their stake. We are still considering this, we have one month to consider this and we are considering a 51% interest, therefore becoming the majority controller of the operation.

The idea is to be involved in this auction, in the next auction that will be held in September or October, then we will have full conditions to do that and it would be placed our position of 11% just as [Inaudible] is going to show their share as well. So, the schedule is aligned with our perspective, taking that into account, that we close the interactions with the BNDES in this 1Q, so that in the next auction we can also include our additional part and the entrance, or stake, of our future partner.

Gustavo Gattass:

So, this is only for 2011 or will part of it be in 2010?

Wilson Ferreira Jr.:

It will have to be 2011, because in 2010 all the energy had already been bought. So, it is for 2011.

Gustavo Gattass:

So, for early operations, we would be including in the trader right?

Wilson Ferreira Jr.:

Exactly.

Gustavo Gattass:

Great. So the original plan was for each year?

Wilson Ferreira Jr.:

2009.

Gustavo Gattass:

And what is your agreement position now, related to distributors, are they covered for this energy or not?

Wilson Ferreira Jr.:

They are covered, because, due to the delay we also had to make other purchases to meet the demand in previous auctions, so we are closed for 2009 and 2010, we bought this energy in previous auctions.

Gustavo Gattass:

My second question has to do with a previous question asked by Edu and has to do with your guidance for the Trader margin. I would just like to understand it better. This quarter, our EBITDA in Trader was fabulous. If we divided by the

amount of energy sold for the final consumer, alone, we are going to have R\$ 43 as margin.

I believe we have a reasonable margin in the group agreement. I would just like to clarify, I have always thought that the margin for the final consumer would never reach R\$ 15. Has there been any improvement in the margin of the final consumer over this quarter?

Wilson Ferreira Jr.:

This margin is not checked directly with our group, unfortunately. Actually, what you are saying is that first you had an atypical event which is a growth in services sales and we have another activity related to accounts collection that compared to that same quarter, which is atypical. And there was another period in which some groups had some seasonal challenges, something proposed by the generating companies. So, this is atypical, considering that you prepared a budget for the year for seasonal effect, but this is authorized by ANEEL in early January and, of course, you have a difficult situation for some groups and those who have larger portfolios can offer energy with better conditions. That is what happened to us but it should not be considered a guidance for the future, because it is atypical.

Gustavo Gattass:

And could you tell us the atypical figures for this quarter or you do not want to disclose it?

Wilson Ferreira Jr.:

We do not want to disclose it.

Gustavo Gattass:

Ok. My third question. Well, just revisiting this issue. Is there anything for CPFL generation that is not as you originally planned? I must confess that I was a little bit disappointed with the EBITDA growth for the month if you consider that R\$ 8 million are really outstanding. Is everything as planned?

Wilson Ferreira Jr.:

Well, what we still miss is the component from Campos Novos, which is our highest take.

Gustavo Gattass:

So that is only that?

Wilson Ferreira Jr.:

Nothing more than that.

Gustavo Gattass:

Ok, so the expected would be R\$ 100 million in Campos Novos, right?

Wilson Ferreira Jr.:

Yes.

Gustavo Gattass:

Thank you.

Operator:

So now we would like to give the floor to the speakers for their final remarks.

Wilson Ferreira Jr.:

Once again, I would like to thank you all for coming to this conference, the disclosure of our 1Q results. Once again, I would like to highlight the determination of the group, focusing on the strategy and emphasize that the purchase of the assets is an important step in the scenery of consolidation in the industry. It is the third movement in the year added to some members that left, so now we have a moment of consolidation.

As you can see considering our financial scenario and the results of the company we have an important role to play to, absolutely, attentive watching opportunities that have to be considered a very optimistic index and I believe the sector is in a very positive moment considering energy sales. This group, in particular, thanks to its efficiency has benefited a lot and I believe our agenda is going to be very exciting for the next years. I am very optimistic with the sector and in the group's scenario so it can be one of the winners of this case.

So, once again, I would like to thank you all and invite you for our future conferences of the group.

Operator:

Our conference call is concluded. We would like to thank you all and good afternoon.