CPFL Energy INC
Form 20-F/A
December 12, 2011

S&S COMMENTS
December 9, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F/A

Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

for the fiscal year ended December 31, 2010
Commission File Number 1-32297

CPFL ENERGIA S.A.

(Exact name of registrant as specified in its charter)

CPFL ENERGY INCORPORATED	**The Federative Republic of Brazil**
(Translation of registrant's name into English)	(Jurisdiction of incorporation or organization)

Rua Gomes de Carvalho, 1,510, 14th floor - Suite 1402
CEP 04547-005 Vila Olímpia - São Paulo, São Paulo
Federative Republic of Brazil
+55 11 3841-8507
(Address of principal executive offices)

Lorival Nogueira Luz Junior
+55 19 3756 8704 – lorival.luz@cpfl.com.br
Rodovia Campinas Mogi Mirim, km 2,5 – Campinas, São Paulo - 13088 900
Federative Republic of Brazil
(Name, telephone, e-mail and/or facsimile
number and address of company contact person)
Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common Shares, without par value*	**New York Stock Exchange**
American Depositary Shares (as evidenced by American Depositary Receipts), each representing 3 Common Shares	

*Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

As of December 31, 2010, there were 481,137,130 common shares, without par value, outstanding

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes T No £

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.

Yes £ No T

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes T No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes £ No £ N/A T

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer T Accelerated Filer £ Non accelerated Filer £

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP £ IFRS T Other £

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 £ Item 18 £

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b 2 of the Exchange Act).

Yes £ No T

Explanatory Note to Amended 20F of CPFL Energia S.A.

We are amending our Annual Report on Form 20-F for the year ended December 31, 2010 (the "Annual Report") as originally filed with the U.S. Securities and Exchange Commission (the "SEC") on June 6, 2011. This amended Annual Report:

i) includes an auditor's report containing an opinion prepared by our independent registered public accounting firm, KPMG Auditores Independentes, stating that our financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB");

ii) includes in our disclosure in the Note 2.1 to the Financial Statements a statement confirming that our financial statements have been prepared and presented in full conformity with IFRS as issued by the IASB;

iii) includes a more detailed explanation of the material adjustments made to reconcile our statements of cash flows from Brazilian accounting principles to IFRS (Note 5.1.e); and

iv) excludes consolidated earnings per share information (Note 26).

This Form 20-F/A consists of a cover page, this explanatory note, the relevant revised sections of our Annual Report filed on June 6, 2011 and the required certifications of the principal executive officer and principal financial officer.

Other than as set forth above, this Form 20-F/A does not, and does not purport to, amend, update or restate the information in any other item of the Annual Report as originally filed with the SEC. As a result, this Form 20-F/A does not reflect any events that may have occurred after the Annual Report was filed on June 6, 2011.

ITEM 18. CPFL ENERGIA S.A. – FINANCIAL STATEMENTS

Index to Financial Statements

KPMG Auditores Independentes Central Tel 55 (19) 2129-8700
Av. Barão de Itapura, 950 - 6º andar Fax 55 (19) 2129-8728
13020-431 - Campinas, SP - Brasil Internet www.kpmg.com.br
Caixa Postal 737
13012-970 - Campinas, SP – Brasil

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

CPFL Energia S.A.

We have audited the accompanying consolidated balance sheets of CPFL Energia S.A. and subsidiaries (the "Company") as of December 31, 2010, 2009 and January 1, 2009, and the related consolidated statements of income, changes in shareholders' equity, comprehensive income and cash flows for each of the years in the two-year period ended December 31, 2010. We also have audited the Company's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

F - (ii)

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the CPFL Energia S.A. and subsidiaries as of December 31, 2010, 2009 and January 1, 2009, and the results of their operations, cash flows, changes in their shareholders' equity and comprehensive income for each of the years in the two-year period ended December 31, 2010, in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board - IASB. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG Auditores Independentes

São Paulo, Brazil
June 6, 2011

CPFL ENERGIA S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2009 AND JANUARY 1, 2009
(In thousands of Brazilian reais – R$)

ASSETS	Dec 31, 2010	Dec 31, 2009	Jan 01, 2009
CURRENT ASSETS			
Cash and cash equivalents (note 6)	1,562,895	1,487,243	758,454
Consumers, Concessionaires and Licensees (note 7)	1,816,091	1,752,858	1,603,155
Financial Investments (note 8)	42,533	39,253	38,249
Recoverable Taxes (note 9)	193,025	192,278	175,967
Derivatives (note 34)	244	795	36,520
Materials and Supplies	25,234	17,360	23,230
Leases (note 11)	4,754	2,949	1,133
Other credits (note 13)	253,412	156,560	118,397
TOTAL CURRENT ASSETS	**3,898,188**	**3,649,296**	**2,755,105**
NONCURRENT ASSETS			
Consumers, Concessionaires and Licensees (note 7)	195,739	224,887	278,330
Escrow Deposits (note 22)	890,684	794,177	749,974
Financial Investments (note 8)	72,822	79,835	96,786
Recoverable Taxes (note 9)	138,969	113,235	105,167
Derivatives (nota 34)	82	7,881	396,875
Deferred Tax Credits (note 10)	1,183,458	1,286,805	1,594,131
Leases (note 11)	26,314	21,243	5,256
Financial asset of concession (note 12)	934,646	674,029	582,241
Private pension fund (note 19)	5,800	9,725	-
Investment at cost	116,654	116,477	116,249
Other Credits (note 13)	222,106	237,029	288,461
Property, Plant and Equipment (note 14)	5,786,466	5,213,039	4,706,537
Intangible assets (note 15)	6,584,877	6,063,101	6,052,144
TOTAL NONCURRENT ASSETS	**16,158,617**	**14,841,463**	**14,972,151**
TOTAL ASSETS	**20,056,805**	**18,490,759**	**17,727,256**

The accompanying notes are an integral part of these consolidated financial statements.

CPFL ENERGIA S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2009 AND JANUARY 1, 2009
(In thousands of Brazilian reais – R$)

LIABILITIES AND SHAREHOLDERS' EQUITY	Dec 31, 2010	Dec 31, 2009	Jan 01, 2009
CURRENT LIABILITIES			
Suppliers (note 16)	1,047,392	1,021,452	985,904
Accrued Interest on Debts (note 17)	40,519	27,662	30,018
Accrued Interest on Debentures (note 18)	118,066	101,284	102,113
Loans and Financing (note 17)	578,867	728,914	556,205
Debentures (note 18)	1,509,960	499,025	580,076
Private pension fund (note 19)	40,103	44,484	45,257
Regulatory charges (note 20)	123,542	63,750	94,530
Taxes and Social Contributions Payable (note 21)	455,243	498,610	456,672
Dividends and Interest on Equity	23,815	25,284	17,512
Accrued liabilities	58,688	50,898	46,384
Derivatives (note 35)	3,981	7,012	53,443
Charge for the use of public utilities (note 23)	17,287	15,697	15,228
Other accounts payable (note 24)	410,861	338,861	279,688
TOTAL CURRENT LIABILITIES	**4,428,324**	**3,422,933**	**3,263,030**
NONCURRENT LIABILITIES			
Suppliers (note 16)	-	42,655	85,311
Accrued Interest on Debts (note 17)	29,144	62,427	74,104
Loans and Financing (note 17)	4,917,853	3,729,042	4,086,139
Debentures (note 18)	2,212,314	2,751,169	2,026,890
Private pension fund (note 19)	570,878	723,286	801,964
Taxes and Social Contributions Payable (note 21)	959	1,639	2,243
Deferred tax debits (note 10)	277,767	282,010	274,842
Reserve for contingencies (note 22)	291,266	300,644	382,527
Derivatives (note 34)	7,883	5,694	961
Charge for the use of public utilities (note 23)	429,631	405,837	408,887
Other accounts payable (note 24)	141,130	226,644	269,512
TOTAL NONCURRENT LIABILITIES	**8,878,825**	**8,531,047**	**8,413,380**
SHAREHOLDERS' EQUITY (note 25)			
Capital	4,793,424	4,741,175	4,741,175
Capital Reserves	16	16	16
Profit Reserves	418,665	341,751	277,428
Additional dividend proposed	486,040	655,017	606,105
Revaluation Reserve	795,563	765,667	799,870

Retained earnings	-	(234,278)	(631,911)
	6,493,708	6,269,348	5,792,683
Net equity attributable to noncontrolling shareholders	255,948	267,431	258,163
TOTAL SHAREHOLDERS' EQUITY	6,749,656	6,536,779	6,050,846
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**20,056,805**	**18,490,759**	**17,727,256**

The accompanying notes are an integral part of these consolidated financial statements.

CPFL ENERGIA S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009
(In thousands of Brazilian reais – R$, except for share and per share amounts)

	2010	2009
NET OPERATING REVENUE (note 27)	**12,023,729**	**11,358,006**
COST OF ELECTRIC ENERGY SERVICES		
Cost of Electric Energy (note 28)	(6,222,490)	(6,014,509)
Operating Cost (note 29)	(1,067,493)	(1,053,938)
Services Rendered to Third Parties (note 29)	(1,050,980)	(620,944)
GROSS OPERATING INCOME	**3,682,766**	**3,668,615**
Operating expenses (note 29)		
Sales expenses	(300,435)	(255,199)
General and Administrative expenses	(443,212)	(403,390)
Other Operating Expense	(199,804)	(227,343)
	(943,451)	(885,932)
INCOME FROM ELECTRIC ENERGY SERVICE	**2,739,315**	**2,782,683**
FINANCIAL INCOME (EXPENSE) (note 30)		
Income	483,115	351,360
Expense	(837,058)	(661,066)
	(353,943)	**(309,706)**
INCOME BEFORE TAXES	**2,385,372**	**2,472,977**
Social contribution (note 10)	(221,235)	(208,348)
Income tax (note 10)	(604,100)	(575,761)
	(825,335)	**(784,109)**
NET INCOME	**1,560,037**	**1,688,868**
Net income attributable to controlling shareholders	1,538,281	1,657,297
Net income attributable to noncontrolling shareholders	21,756	31,571
WEIGHTED AVERAGE NUMBER OF SHARES	480,747,436	479,910,938
EARNINGS PER SHARE	3.20	3.45

The accompanying notes are an integral part of these consolidated financial statements.

CPFL ENERGIA S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

(In thousands of Brazilian reais – R$, except for share)

					Other Comprehensive Income				
				Additional					**Noncontrollin**
	Capital	**Capital Reserve**	**Legal Reserve**	**Dividend Proposed**	**Deemed, cost**	**Financial instruments**	**Retained earnings**	**Total**	**Shareholders interest**
Balance at January 1, 2009	**4,741,175**	**16**	**277,428**	**606,105**	**661,975**	**137,895**	**(631,911)**	**5,792,683**	**258,16**
Net income for the period							1,657,297	1,657,297	31,57
Prescribed dividend							4,541	4,541	
Additional dividend aproved				(606,105)				(606,105)	(14,24
Changes in Other Other Comprehensive Income:									
- Gain (Loss) in financial instruments						(11,208)		(11,208)	(174
- Tax on financial instruments						3,811		3,811	5
						(702)	702		

- Realization of financial instruments									
- Realization of deemed cost of fixed assets					(39,552)		39,552		
- Tax on deemed cost realization					13,448		(13,448)		
Allocation of income									
-Statutory reserve			64,323				(64,323)		
- Interim dividend							(571,671)	(571,671)	(6,767
- Dividend proposed				655,017			(655,017)		
Other changes in noncontrolling shareholders							-	-	(1,177
Balance at December 31, 2009	**4,741,175**	**16**	**341,751**	**655,017**	**635,871**	**129,796**	**(234,278)**	**6,269,348**	**267,43**
Capital Increase	52,249							52,249	
Net income for the period							1,538,281	1,538,281	21,75
Prescribed dividend							6,406	6,406	
Additional dividend aproved				(655,017)				(655,017)	(10,967
Changes in Other Other Comprehensive Income:									
- Gain (Loss) in financial instruments						86,167		86,167	(3,531
- Tax on financial instruments						(29,297)		(29,297)	1,20

- Realization of financial instruments						(835)	835			
- Realization of deemed cost of fixed assets					(39,605)		39,605			
- Tax on deemed cost realization					13,466		(13,466)			
Allocation of income										
-Statutory reserve			76,914				(76,914)			
- Interim dividend							(774,429)	(774,429)	(6,181)	(780,610)
- Dividend proposed				486,040			(486,040)			
Other changes in noncontrolling shareholders									(13,761)	(13,761)
Balance at December 31, 2010	**4,793,424**	**16**	**418,665**	**486,040**	**609,732**	**185,831**	**-**	**6,493,708**	**255,948**	**6,749,656**

The accompanying notes are an integral part of these consolidated financial statements.

CPFL ENERGIA S.A. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

(In thousands of Brazilian reais – R$)

	2010	2009
OPERATING CASH FLOW		
Income (Loss) for the period, before income tax and social contribution	**2,385,372**	**2,472,977**
ADJUSTMENT TO RECONCILE INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	691,793	673,073
Reserve for contingencies	(29,598)	(13,623)
Interest and monetary restatement	613,946	572,470
Pension plan costs	(80,629)	(3,066)
Equity in subsidiaries	-	-
Losses on the write-off of noncurrent assets	1,142	(686)
Deferred taxes (PIS and COFINS)	2,153	75,649
Other	536	-
REDUCTION (INCREASE) IN OPERATING ASSETS		
Consumers, concessionaires and licensees	(34,085)	(96,260)
Dividend and interest on equity received	-	-
Recoverable taxes	3,146	9,265
Lease	(2,945)	(2,276)
Escrow deposits	(52,109)	948
Intercompany loans with subsidiaries and associated companies	-	-
Other operating assets	(78,202)	1,165
INCREASE (DECREASE) IN OPERATING LIABILITIES		
Suppliers	(16,714)	(7,853)
Taxes and social contributions paid	(705,366)	(524,248)
Other taxes and social contributions	(88,996)	47,212
Other liabilities with employee pension plans	(72,235)	(86,110)
Interest on debts – paid	(573,170)	(546,705)
Regulatory charges	59,792	(30,780)
Other operating liabilities	5,382	(101,891)
CASH FLOWS PROVIDED (USED) BY OPERATIONS	**2,029,213**	**2,439,361**
INVESTMENT ACTIVITIES		
Increase in investments on subsidiaries	(5,752)	(31,922)

Acquisition of property, plant and equipment	(634,931)	(549,045)
Financial investments	17,777	65,527
Energy purchase in advance	(10,077)	(29,972)
Additions to intangible assets	(1,165,609)	(679,054)
Lease	(3,931)	(15,527)
Sale of noncurrent assets	828	1,092
Other	(192)	-
GENERATION (UTILIZATION) OF CASH IN INVESTMENTS	**(1,801,887)**	**(1,238,901)**

CPFL ENERGIA S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(In thousands of Brazilian reais – R$)

FINANCING ACTIVITIES		
Loans, financing and debentures obtained	2,571,002	2,552,433
Payments of Loans, financing and debentures, and derivatives	(1,280,290)	(1,843,792)
Dividend and interest on equity paid	(1,440,094)	(1,178,365)
Sale of treasury stocks	137	-
Other	(2,429)	(1,847)
GENERATION (UTILIZATION) OF CASH IN FINANCING	**(151,674)**	**(471,571)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	75,652	728,789
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	1,487,243	758,454
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**1,562,895**	**1,487,243**

The accompanying notes are an integral part of these consolidated financial statements

CPFL ENERGIA S.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED IN DECEMBER 31, 2010 AND 2009

(In thousands of Brazilian reais – R$)

	2010	**2009**
NET INCOME	**1,560,037**	**1,688,868**
Other comprehensive income		
- Gain / (Loss) in financial instruments	86,167	(11,208)
- Realization of financial instruments	(835)	(702)
- Tax on financial instruments	(29,297)	3,811
Comprehensive income for the year	**1,616,072**	**1,680,769**

CPFL ENERGIA S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED ON DECEMBER 31, 2010 AND 2009

(Amounts stated in thousands of Brazilian reais, except where otherwise indicated)

(1) OPERATIONS

CPFL Energia S.A. ("CPFL Energia" or "Company") is a publicly quoted corporation incorporated for the principal purpose of acting as a holding company, participating in the capital of other companies primarily dedicated to electric energy distribution, generation and sales activities in Brazil.

The Company's headquarters are located at Rua Gomes de Carvalho, 1510 - 14º floor - Cj 2 - Vila Olímpia - São Paulo - SP - Brasil.

The Company has direct and indirect interests in the following operational subsidiaries (information on the concession area, number of consumers, energy production capacity and associated data not examined by the independent auditors):

Energy distribution	**Company Type**	**Equity Interest**	**Location (State)**	**r**
Companhia Paulista de Força e Luz ("CPFL Paulista")	Publicly-quoted corporation	Direct 100%	Interior of S. Paulo	
Companhia Piratininga de Força e Luz ("CPFL Piratininga")	Publicly-quoted corporation	Direct 100%	Interior of S. Paulo	
Rio Grande Energia S.A. ("RGE")	Publicly-quoted corporation	Direct 100%	Interior of Rio Grande do Sul	
Companhia Luz e Força Santa Cruz ("CPFL Santa Cruz")	Private corporation	Direct 100%	Interior of São	

			Paulo and Paraná
Companhia Leste Paulista de Energia ("CPFL Leste Paulista")	Private corporation	Direct 100%	Interior of S. Paulo
Companhia Jaguari de Energia ("CPFL Jaguari")	Private corporation	Direct 100%	Interior of S. Paulo
Companhia Sul Paulista de Energia ("CPFL Sul Paulista")	Private corporation	Direct 100%	Interior of S. Paulo
Companhia Luz e Força de Mococa ("CPFL Mococa")	Private corporation	Direct 100%	Interior of São Paulo and Minas Gerais

Energy generation - operational	**Company Type**	**Equity Interest**	**Location (State)**	**Number of plants / type of energy**	
CPFL Geração de Energia S.A. ("CPFL Geração")	Publicly-quoted corporation	Direct 100%	São Paulo, Goiás and Minas Gerais	1 Hydroelectric, 20 PCHs e 1 Thermal*	8
Foz do Chapecó Energia S.A. ("Foz do Chapecó")	Private corporation	Indirect 51%	Santa Catarina and Rio Grande do Sul	1 Hydroelectric	8
Campos Novos Energia S.A. ("ENERCAN")	Private corporation	Indirect 48,72%	Santa Catarina	1 Hydroelectric	8
CERAN - Companhia Energética Rio das Antas ("CERAN")	Private corporation	Indirect 65%	Rio Grande do Sul	3 Hydroelectric	3
BAESA - Energética Barra Grande S.A. ("BAESA")	Publicly-quoted corporation	Indirect 25,01%	Santa Catarina and Rio Grande do Sul	1 Hydroelectric	6
Centrais Elétricas da Paraíba S.A. ("EPASA")	Private corporation	Indirect 51%	Paraíba	2 Thermals	3
Paulista Lajeado Energia S.A. ("Paulista Lajeado")	Private corporation	Indirect 59,93%**	São Paulo	1 Hydroelectric	9
CPFL Bioenergia S.A. ("CPFL Bioenergia")	Private corporation	Indirect 100%	São Paulo	1 Thermal (Biomass)	
CPFL Sul Centrais Elétricas Ltda. ("CPFL Sul Centrais Elétricas")	Limited company	Indirect 100%	Rio Grande do Sul	4 Small Hydroelectric Plants (RS)	

(*) PCH - Small Hydropower Plant Central Hidrelétrica
(**) Paulista Lajeado has a 7% participation in the installed power of Investco S.A.

Energy generation - under development	Company Type	Equity Interest	Location	Number of plants / type of energy	Scheduled start-up date	Projec insta pow
CPFL Bio Formosa S.A. ("CPFL Bio Formosa")	Private corporation	Indirect 100%	Rio Grande do Norte	1 Thermal (Biomass)	2011	40 M
CPFL Bio Buriti S.A. ("CPFL Bio Buriti")	Private corporation	Indirect 100%	São Paulo	1 Thermal (Biomass)	2011	50 M
CPFL Bio Ipê S.A. ("CPFL Bio Ipê")	Private corporation	Indirect 100%	São Paulo	1 Thermal (Biomass)	2011	25 M
CPFL Bio Pedra S.A. ("CPFL Bio Pedra")	Private corporation	Indirect 100%	São Paulo	1 Thermal (Biomass)	2012	70 M
Santa Clara I Energias Renováveis Ltda. ("Santa Clara I")	Limited Company	Indirect 100%	Rio Grande do Norte	1 Wind power	2012	30 M
Santa Clara II Energias Renováveis Ltda. ("Santa Clara II")	Limited Company	Indirect 100%	Rio Grande do Norte	1 Wind power	2012	30 M
Santa Clara III Energias Renováveis Ltda. ("Santa Clara III")	Limited Company	Indirect 100%	Rio Grande do Norte	1 Wind power	2012	30 M
Santa Clara IV Energias Renováveis Ltda. ("Santa Clara IV")	Limited Company	Indirect 100%	Rio Grande do Norte	1 Wind power	2012	30 M
Santa Clara V Energias Renováveis	Limited Company	Indirect 100%	Rio Grande do Norte	1 Wind power	2012	30 M

Ltda. ("Santa Clara V")						
Santa Clara VI Energias Renováveis Ltda. ("Santa Clara VI")	Limited Company	Indirect 100%	Rio Grande do Norte	1 Wind power	2012	30 M
Eurus VI Energias Renováveis Ltda. ("Eurus VI")	Limited Company	Indirect 100%	Rio Grande do Norte	1 Wind power	2012	30 M
Campo dos Ventos I Energias Renovaveis S.A. ("Campo dos Ventos I")	Private corporation	Indirect 100%	Rio Grande do Norte	1 Wind power	2013	30 M
Campo dos Ventos II Energias Renovaveis S.A. ("Campo dos Ventos II")	Private corporation	Indirect 100%	Rio Grande do Norte	1 Wind power	2013	30 M
Campo dos Ventos III Energias Renovaveis S.A. ("Campo dos Ventos III")	Private corporation	Indirect 100%	Rio Grande do Norte	1 Wind power	2013	30 M
Campo dos Ventos IV Energias Renovaveis S.A. ("Campo dos Ventos IV")	Private corporation	Indirect 100%	Rio Grande do Norte	1 Wind power	2013	30 M
Campo dos Ventos V Energias Renovaveis S.A. ("Campo dos Ventos V")	Private corporation	Indirect 100%	Rio Grande do Norte	1 Wind power	2013	30 M
Eurus V Energias	Private corporation	Indirect 100%	Rio Grande do Norte	1 Wind power	2013	30 M

Renovaveis
S.A.
("Eurus V")
(*) The predicted installed power for the Santa Clara Wind Power complex is 188 MW.
(**) The projected installed power for the Campo dos Ventos Wind Power complex is 160 MW.

Commercialization of Energy and Services	Company Type	Core activity	Equity Interest
CPFL Comercialização Brasil S.A. ("CPFL Brasil")	Private corporation	Energy commercialization, consultancy and advisory services to agents in the energy sector	Direct 100%
Clion Assessoria e Comercialização de Energia Elétrica Ltda. ("CPFL Meridional")	Limited company	Commercialization and provision of energy services	Indirect 100%
CPFL Comercialização Cone Sul S.A. ("CPFL Cone Sul")	Private corporation	Energy commercialization	Indirect 100%
CPFL Planalto Ltda. ("CPFL Planalto")	Limited company	Energy commercialization	Direct 100%
CPFL Serviços, Equipamentos, Industria e Comércio S.A. ("CPFL Serviços")	Private corporation	Manufacturing, commercialization, rental and maintenance of electro-mechanical equipment and service provision	Direct 100%
Chumpitaz Serviços S.A. ("Chumpitaz")	Private corporation	Provision of administrative services	Direct 100%
CPFL Atende Centro de Contatos e Atendimento Ltda. ("CPFL Atende")	Limited company	Provision of telephone answering services	Direct 100%

Other	Company Type	Core activity	Equity Interest
CPFL Jaguariuna S.A. ("CPFL Jaguariuna")	Private corporation	Venture capital company	Direct 100%
Companhia Jaguari de Geração de Energia ("Jaguari Geração")	Private corporation	Venture capital company	Direct 100%
Chapecoense Geração S.A. ("Chapecoense")	Private corporation	Venture capital company	Indirect 51%
CPFL Bio Anicuns S.A. ("Anicuns")	Private corporation	Energy generation studies and projects	Indirect 100%
CPFL Bio Itapaci S.A ("Itapaci")	Private corporation	Energy generation studies and projects	Indirect 100%
Sul Geradora Participações S.A. ("Sul Geradora")	Private corporation	Venture capital company	Indirect 99.95%

Subsidiaries that started its operations in 2010

CPFL Bioenergia S.A.

The main objective of CPFL Bioenergia S.A., which started operations on August 27, 2010, is the thermal and steam generation of electric energy using co-generation plants powered by sugarcane waste and straw.

Centrais Elétricas da Paraíba S.A.

The objective of Epasa is to develop, implement, operate and exploit two thermoelectric plants, “UTE Termoparaíba” and “UTE Termonordeste”, both powered by fuel oil. UTE Termonordeste started its operations on December 24, 2010 and UTE Termoparaíba on January 13, 2011.

Chapecoense Geração S.A.

The objective of the jointly-controlled subsidiary Chapecoense Geração is to build, operate and exploit the Foz do Chapecó Hydropower Plant. Three (3) generator units, with installed power of 213.75 MW each, started operations in 2010, on October 14, November 23 and December 30. The last generator unit is scheduled to start operations by the end of the first quarter of 2011.

(2) PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation

The consolidated financial statements were prepared and are presented in full conformity with the International Financial Reporting Standards – IFRS, as issued by the International Accounting Standards Board - IASB. These are the first consolidated statements prepared in accordance with this international practice.

Note 5 shows the main differences between the accounting practices adopted previously in Brazil and the current and effective standards presented herein.

The consolidated financial statements were authorized for issue by the Board of Directors on June 6, 2011.

2.2 Basis of measurement

The financial statements have been prepared on the historic cost basis except for the following material items recorded in the balance sheets: i) derivative financial instruments measured at fair value, ii) financial instruments at fair value through profit or loss, iii) available-for-sale financial assets measured at fair value, iv) property, plant and equipment adjusted to reflect the "deemed cost" on the transition date, and v) actuarial assets, recognition of which is limited to the present value of the economic benefits available in the form of reimbursements or future reductions in contributions to the plan.

2.3 Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

By definition, the resulting accounting estimates are rarely the same as the actual results. Accordingly, Company Management reviews the estimates and assumptions on an ongoing basis. Adjustments derived from revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimate that are subject to a greater degree of uncertainty and involve the risk of resulting in a material adjustment if these assumptions and estimates suffer significant changes during the next financial year is included in the following notes:

- Note 10 – Deferred tax credits and debits;
- Note 12 – Financial asset of concession;

- Note 15 – Intangible assets;
- Note 19 – Private Pension Fund;
- Note 22 – Provision for contingency, and
- Note 34 – Financial instruments.

2.4 Functional currency and presentation currency

The consolidated financial statements are presented in thousands of Brazilian reais, which is the Company's functional currency.

2.5 Basis of consolidation:

(i) Business combinations

- Acquisitions made after January 1, 2009

In the case of acquisitions made after January 1, 2009, the Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. If the excess is negative, a gain arising from the purchase agreement is recognized immediately in profit or loss for the period.

- Acquisitions prior to January 1, 2009

As part of the transition to the IFRS, the Company opted not to re-present business combinations prior to January 1, 2009. In relation to acquisitions prior to January 1, 2009 the goodwill represents the amount recognized under the accounting practices adopted previously. This goodwill was tested for impairment at the transition date, in accordance with Note 3.6.

(ii) Subsidiaries and jointly-owned entities:

The financial statements of subsidiaries and jointly-owned entities (joint ventures) are included in the consolidated financial statements from the date that total or shared control commences until the date that control ceases.

A jointly controlled operation is a venture directly or indirectly controlled together with other investors, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

The accounting policies of subsidiaries and jointly controlled entities taken into consideration in consolidation are aligned with the Company's accounting policies.

The financial information of subsidiaries and jointly controlled entities and of the associates is accounted for using the equity method.

Intra-group balances and transactions, and any income and expenses derived from these transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Observing the conditions described above, the amount related to non-controlling interests is shown in shareholders' equity after the statement of income for the year in each year presented.

(iii) Acquisition of non-controlling interest

Accounted for as transactions within equity holders and therefore no goodwill is recognized as a result of such transactions.

2.6 Segment information:

An operating segment is a component of the Company (i) that engages in operating activities from which it may earn revenues and incur expenses, (ii) whose operating results are regularly reviewed by Management to make decisions about resources to be allocated and assess the segment's performance, and (iii) for which discrete financial information is available.

Company Management bases strategic decisions on reports, segmenting the business into: (i) electric energy distribution activities (“Distribution”); (ii) electric energy generation activities (“Generation”); (iii) energy commercialization and service provision activities (“Commercialization”); and (iv) other, basically corresponding to corporate services and other activities not listed in the previous items.

Presentation of the operating segments includes items directly attributable to them, such as allocations required, including intangible assets.

2.7 Information on Corporate Interests

The interests directly or indirectly held by the Company in the subsidiaries and jointly-owned entities are described in Note 1. Except for the (i) jointly-owned entities ENERCAN, BAESA, Foz do Chapecó and EPASA, which are consolidated proportionately, and (ii) the investment in Investco recorded at cost by the subsidiary Paulista Lajeado, the other units are fully consolidated.

As of December 31, 2010, the participation of non-controlling interests stated in the consolidated statements refers to the third-party interests in the subsidiaries CERAN and Paulista Lajeado.

2.8 Value added statements:

The Company prepared consolidated value added statements ("DVA") as additional financial information.

(3) SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3.1 Concession agreements:

IFRIC 12 "Concession Agreements" establishes general guidelines for the recognition and measurement of obligations and rights related to concession agreements and applies to situations in which the granting power controls or regulates which services the concessionaire should provide with the infrastructure, to whom the services should be provided and at what price, and controls any significant residual interest in the infrastructure at the end of the concession period.

These definitions having been attended to, the infrastructure of distribution concessionaires is segregated and rollforwarded from the time of construction, complying with the provisions of the IFRSs, so that the financial statements record (i) an intangible asset corresponding to the right to operate the concession and collect from the users of public utilities, and (ii) a financial asset corresponding to the unconditional contractual right to receive cash (compensation) by reversing the assets at the end of the concession.

The value of the concession financial assets is determined at fair value, based on the remuneration of the assets established by the regulatory authority. The financial asset is classified as available-for-sale and is restated and amortized annually in accordance with the adjustment of its fair value, against the revaluation reserve in equity.

The remaining amount is registered in intangible assets and corresponds to the right to charge consumers for electric energy distribution services, amortized in accordance with the consumption pattern that reflects the estimated economic benefit to the end of the concession.

Provision of infrastructure construction services is registered in accordance with IAS 11 – Construction Contracts, against a financial asset corresponding to the amount subject to compensation. Residual amounts are classified as intangible assets and will be amortized over the concession period in accordance with the economic pattern against which the revenue from consumption of electric energy is collected.

Because (i) the tariff model that does not provide for a profit margin for the infrastructure construction activity, (ii) the way in which the subsidiaries manage the building by using a high level of outsourcing, and (iii) there is no provision for gains on construction in the Company's business plans, management is of the opinion that the margins on this operation are irrelevant, and therefore no additional value to the cost is considered in the composition of the revenue. The revenue and construction costs are therefore presented in profit or loss for the year at the same amounts.

3.2 Financial instruments:

- Financial assets:

Financial assets are recognized initially on the date that they are originated or on trade date at which the Company or its subsidiaries become one of the parties to the contractual provisions of the instrument. Derecognition of a financial asset occurs when the contractual rights to the cash flows from the asset expire or when the risks and rewards of ownership of the financial asset are transferred. The Company and its subsidiaries hold the following main financial assets:

i. Classified at fair value through profit or loss: these assets held for trading or designated as such upon initial recognition. The Company and its subsidiaries manage such assets and make purchase and sale decisions based on their fair value in accordance with their documented risk management or investment strategy. These financial assets are measured at fair value, and changes therein are recognized in profit or loss for the year.

The main financial assets classified by the Company and its subsidiaries in this category are: (i) bank balances and financial investments (Note 6), (ii) marketable securities (Note 8) and (iii) derivatives (Note 34.d).

ii. Held-to-maturity: these are assets that the Company and its subsidiaries have the positive intent and ability to hold to maturity. Held-to-maturity financial assets are recognized initially at fair value and subsequent to initial recognition are measured at recognized cost using the effective interest method, less any impairment losses.

The Company and its subsidiaries classify the following financial assets in this category: (i) security receivable from CESP (Note 8) and (ii) receivables of the subsidiary CPFL Paulista from CESP (Note 13).

iii. Loans and receivables: these are assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value and, subsequent to initial recognition, measured at recognized cost using the effective interest method, less any impairment losses.

The main financial assets of the Company and its subsidiaries classified in this category are: (i) consumers, concessionaires and licensees (Note 7),(ii) dividends and Interest on shareholders' equity and (iii) other credits (Note 13).

iv. Available-for-sale: these are non-derivative financial assets that are designated as available-for-sale or that are not classified in any of the previous categories. Subsequent to initial recognition, interest calculated by the effective rate method is recognized in profit or loss as part of the net operating income. Changes for registration at fair value are recognized in the revaluation reserve in equity. The accumulated result in other comprehensive income is transferred to profit or loss when the asset is realized.

The main asset of the Company and its subsidiaries classified in this category is the right to compensation at the end of the concession. The option to designate this instrument as available-for-sale is due to its non-classification in the previous categories described. Since Management believes that the compensation will be made at least in accordance with the current tariff pricing model, this instrument cannot be registered as loans and receivables as the compensation will not be fixed or determinable, due to the uncertainty in relation to impairment for reasons other than deterioration of the credit. The main uncertainties relate to the risk of non-recognition of part of these assets by the regulatory authority and their replacement values at the end of the concession (Note 4).

- Financial liabilities:

Financial liabilities are initially recognized on the date that they are originated or on the trade date at which the Company or its subsidiaries become a party to the contractual provisions of the instrument. The Company and its subsidiaries have the following main financial liabilities:

i. Measured at fair value through profit or loss: these are financial liabilities that are: (i) held for short-term trading, (ii) designated at fair value in order to evaluate the effects of recognition of income and expenses to obtain more relevant and consistent accounting information, or (iii) derivatives. These liabilities are registered at fair value and for any change in the subsequent measurement of the fair value, set through profit or loss.

The Company and its subsidiaries classified the following financial liabilities in this category: (i) certain foreign currency debts (Note 17) and (ii) derivatives (Note 34.d).

ii. Not measured at fair value through profit or loss: these other financial liabilities that are not classified in any of the previous categories. They are measured initially at fair value less any attributable transaction cost and subsequently measured at recognized cost by the effective interest method.

The main financial liabilities classified in this category are: (i) suppliers (Note 16), (ii) loans and financing (Note 17), (iii) debt charges (Note 17); (iv) debenture charges (Note 18); (v) debentures (Note 18); (vi) charge for the use of public utilities (Note 23); and (vii) other accounts payable (Note 24).

The Company accounts for warranties when these are issued to non-controlled entities or when the warranty is granted higher than the Company's proportionate interest. Such warranties are initially measured at fair value, by (i) a liability equivalent to the receipts to be appropriated, which will subsequently be recognized as the Company is released from the obligations and (ii) an asset equivalent to the right to compensation by the guaranteed party, subsequently amortized by receipt of cash or on a straight-line basis to profit or loss.

Financial assets and liabilities are offset and the net amount presented when, and only when, there is a legal right to offset the amounts and the intent to settle on a net basis or to realize the asset and settle the liability simultaneously.

- Capital

Common shares are classified as equity. Additional costs directly attributable to and share options are recognized as a deduction from equity, net of any tax effects.

3.3 Lease agreements:

It should be established at the inception of an agreement whether such arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the lessor the right to control the use of the underlying asset.

Leases in which substantially all the risks and rewards are with the lessor are classified as operating leases. Payments/receipts made under operating leases are recognized as expense/revenue in profit or loss on a straight-line basis, over the term of the lease.

Leases which involve not only the right to use assets, but also substantially transfer the risks and rewards to the lessee, are classified as finance leases.

In finance leases in which the Company or its subsidiaries act as lessee, the assets are capitalized to property, plant and equipment at the inception of the agreement against a liability measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The property, plant and equipment is depreciated in accordance with the accounting policy applicable to that asset.

If the Company or its subsidiaries are the lessor in a finance lease, the investment is initially recognized at the construction/acquisition cost of the asset.

In both cases, the financial income/expense is recognized in profit or loss for the year over the term of the lease so as to produce a constant rate of interest on the remaining balance of the investment/liability.

3.4 Property, plant and equipment:

Items of property, plant and equipment are measured at acquisition, construction or formation cost less accumulated depreciation and, if applicable, accumulated impairment losses. Cost also includes any other costs attributable to bringing the assets to the place and in a condition to operate as intended by management, the cost of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs on qualifying assets.

The assets were measured at the transition date in accordance with the IFRS rules by segregation into two groups:

- Assets measured at deemed cost at the transition date: model adopted for assets built and put into long-term service when it is not possible to reconstruct the cost formation or where the cost of the survey is of no benefit in presentation of the financial statements. The cost of these items at the transition date was therefore determined in accordance with market prices (“deemed cost”) and the revalued amounts are presented for both cost and accumulated depreciation. The effects of the deemed cost increased property, plant and equipment against equity, net of related tax effects.

- Assets measured at historic cost: model adopted by the Company for recently built assets where the basis for cost formation can be easily confirmed and the values at historic cost approximate the respective market values. In such cases, the subsidiaries performed an analysis to ensure that the cost formation is in accordance with current accounting practices.

The replacement cost of items of property, plant and equipment is recognized if it is probable that it will involve economic rewards for the subsidiaries and if the cost can be reliably measured, and the value of the replaced item is written off. Maintenance costs are recognized in profit or loss as they are incurred.

Depreciation is calculated on a straight-line basis, at annual rates of 2% to 20%, taking into consideration the estimated useful life of the assets, as instructed and defined by the regulatory authority. In the case of generators subject to regulation by Decree 2003, of 1996, the assets are depreciated at the rates established by the regulatory authority, provided they do not exceed the term of the concession.

Gains and losses derived from disposal of an item of property, plant and equipment are determined by comparing the resources produced by disposal with carrying amount of the asset, and are recognized net together with other operating income/expense.

Assets and facilities used in the regulated activities are tied to these services and may not be removed, disposed of, assigned or pledged in mortgage without the prior and express authorization of ANEEL. ANEEL regulates the release of Public Electric Energy Utility concession assets, granting prior authorization for release of assets of no use to the concession, intended for disposal and determines that the proceeds of the disposal be deposited in a tied bank account for use in the concession.

3.5 Intangible assets:

Includes rights related to non-physical assets such as goodwill, concession exploration rights, software and rights-of-way.

Goodwill that arises the acquisition of subsidiaries is measured at the difference between the amount paid and/or payable for acquisition of a business and the net fair value of the assets and liabilities of the subsidiary acquired.

Goodwill is measured at cost less accumulated impairment losses. Goodwill and other intangible assets with indefinite useful lives are not subject to amortization and tested annually for impairment.

Negative goodwill are registered as gains in profit or loss at the time of the acquisition.

Goodwill is included in the carrying amount of the investment, and stated as intangible in the consolidated financial statements.

Intangible assets corresponding to the right to operate concessions can have three separate origins, based on the following arguments:

i. Acquisitions through business combinations: the portion of goodwill arising from business combinations that corresponded to the right to operate the concession is stated as an intangible asset. Such amounts are amortized based on the net income curves projected for the concessionaires for the remaining term of the concession.

ii. Investments in infrastructure (Application of IFRIC 12 – Concession agreements): Under the electric energy distribution concession agreements with the subsidiaries, the intangible asset registered corresponds to the concessionaires' right to collection uses for use of the concession infrastructure. Since the exploration term is defined in the agreement, intangible assets with defined useful lives are amortized over the term of the concession in proportion to a curve that reflects the consumption pattern in relation to the anticipated economic rewards. For further information see Note 3.1.

iii. Charge for the use of public utilities: certain generation concessions were granted against payment to the federal government for use of a public utility. This obligation was registered on the date of signing the respective agreements, at present value, against the intangible assets account. These amounts, capitalized by interest incurred on the obligation to the start-update, are amortized on a straight-line basis over the remaining term of the concession.

3.6 Impairment

- Financial assets:

A financial asset not measured at fair value through profit or loss is reassessed at each reporting date to determine whether there is objective evidence that it is impaired. Impairment can occur after the initial recognition of the asset and have a negative effect on the estimated future cash flows.

The Company and its subsidiaries consider evidence of impairment of receivables and held-to-maturity investment securities at both a specific assets and collective level for all significant securities. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together the securities with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether the assumptions and current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historic trends.

An impairment loss of a financial asset is recognized as follows:

• Amortized cost: as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event indicates the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

• Available-for-sale: by reclassification of the cumulative loss that has been recognized in the revaluation reserve in equity, to profit or loss. This reclassified loss is the difference between the acquisition cost, net of any principal repayment and amortization of the principal, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to effective interest rate are reflected as a component of financial income.

If an increase (gain) is identified in periods subsequent to recognition of the loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale financial asset is recognized in the revaluation reserve in equity.

- Non-financial assets:

Non-financial assets that have indefinite useful lives, such as goodwill, are tested annually to check that the asset's carrying amount does not exceed the recoverable value. Other assets subject to amortization are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may be impaired.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount, which is the greater of its value in use or its fair value less costs to sell.

The methods used to assess impairment include tests based on the asset's value in use. In such cases, the assets (e.g. goodwill) are segregated and grouped together at the lowest level that generates identifiable cash flows (the "cash generating unit", or CGU). If there is an indication of impairment, the loss is recognized in profit or loss. Except in the case of goodwill, where the loss cannot be reversed in the subsequent period, impairment losses are assessed annually for any possibility to reverse the impairment.

Goodwill included in the carrying amount of an investment in an associate, as it is not recognized individually, is tested with the investment, as if it were a single asset.

3.7 Provisions

A provision is recognized if, as a result of a past event, there is a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If applicable, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessment and the risks specific to the liability.

3.8 Employee benefits

The subsidiaries have post-employment benefits and pension plans, recognized by the accrual method in accordance with IAS 19 “Employee benefits”. Although the plans have particularities, they have the following characteristics:

i. Defined distribution plan: a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no liability for the actuarial deficits of this plan. The obligations are recognized as an expense in profit or loss in the periods during which the services are rendered.

ii. Defined benefit plan: The net obligation is calculated as the difference between the present value of the actuarial obligation based on assumptions, biometric studies and interest rates in line with market rates, and the fair value of the plan assets of the reporting date. The actuarial liability is calculated annually by independent actuaries using the projected unit credit method. The subsidiaries use the corridor method to avoid fluctuations in the macroeconomic conditions distorting the profit or loss for the period. The accumulated differences between the actuarial estimates and the actual results are therefore not recognized in the financial statements unless they are in excess of 10% of the greater of the plan liabilities and assets. Unrecognized gains and losses in excess of this limit are recognized in profit or loss for the year over the estimated remaining service time of the employees. If the plan records a surplus and it becomes necessary to recognize an asset, recognition is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of reimbursements or future reductions in contributions to the plan.

3.9 Dividends and Interest on shareholders’ equity

Under Brazilian law, the Company is required to distribute a mandatory minimum annual dividend of 25% of net income adjusted in accordance with the bylaws. To December 31, 2008, dividends in excess of the minimum of 25% had to be proposed and provision at each reporting date, subject to approval in an Annual General Meeting (AGM). According to IAS 10, , a provision may only be made for the minimum mandatory dividend, and dividends declared but not yet approved are only recognized as a liability in the financial statements after approval by the competent body. They will therefore be held in equity, in the “Additional dividend proposed” account, as they do not meet the criteria of present liability at the reporting date.

As established in the Company's bylaws and in accordance with current Corporate law, the Board of Directors is responsible for declaring interim dividends and interest on shareholders’ equity determined in a half-yearly balance sheet. Interim dividends declared at the base date of June 30 is only recognized as a liability in the Company's financial statement after the date of the Board's decision.

Under previous accounting practices, interest on shareholders’ equity was recorded in profit or loss and reversed for purposes of presentation of the statement of income for the year. In accordance with the new accounting practice, interest on shareholders’ equity is no longer shown in the statement of income for the year and the effects are only stated in changes in equity and in the effective income tax and social contribution rates.

3.10 Revenue recognition

Operating income in the course of ordinary activities of the subsidiaries is measured at the fair value of the consideration received or receivable. Operating revenue is recognized when persuasive evidence exists that the most significant risks and rewards have been transferred to the buyer, when it is probable that the financial and economic rewards will flow to the entity, that the associated costs can be reliably estimated, and the amount of the operating income can be reliably measured.

Revenue from distribution of electric energy is recognized when the energy is billed. Unbilled income related to the monthly billing cycle is appropriated based on the actual amount of energy provided in the month and the annualized loss rate. Historically, the difference between the unbilled revenue and the actual consumption, which is recognized in the subsequent month, has not been material. Revenue from energy generation sales is accounted for based on the assured energy and at tariffs specified in the terms of the contract or the current market price, as applicable. Energy commercialization revenue is accounted for based on bilateral contracts with market agents and duly registered with the Electric Energy Commercialization Chamber - CCEE. No single consumer represents 10% or more of the total billing.

Service revenue is recognized when the service is effectively provided, under a service agreement between the parties.

Revenue from construction contracts is recognized by the percentage of completion method (“fixed-price”), and losses are recognized in profit or loss as incurred.

3.11 Income tax and Social contribution

Income tax and Social contribution expense for the period is calculated and recognized in accordance with the legislation in force and comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to an item recognized directly in equity or in the revaluation reserve in equity, which is recognized net of tax effects.

Current tax is the expected tax payable or receivable/to be offset on the taxable income or loss for the year. Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the equivalent amounts used for tax purposes.

The Company and certain subsidiaries recorded in their financial statements the effects of tax loss carryforwards and temporary non-deductible differences, based on projections of future taxable profits, approved by the Boards of Directors and examined by the Fiscal Council. The subsidiaries also recognized tax credits on merged goodwill, which is amortized in proportion to the individual projected net incomes for the remaining term of each concession agreement.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred income tax and social contribution assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.12 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the Company by the weighted average number of common and preferred shares outstanding during the period. Diluted earnings per share is determined by the above-mentioned weighted average number of shares outstanding, adjusted for the effects of all dilutive potential convertible notes for the reporting periods, in accordance with IAS 33.

3.13 Regulatory assets and liabilities

In accordance with the preliminary interpretation of IASB/IFRIC, regulatory assets and liabilities cannot be recognized in the Company's financial statements as they do not meet the requirements for assets and liabilities described in the Framework for the Preparation and Presentation of Financial Statements. The rights or offsetting are therefore only reflected in the financial statements at the time that the requirements for the liabilities and assets are met.

3.14 New standards and interpretations not yet adopted

Certain standards, amendments to the IFRS standards and interpretations issued by the IASB not yet effective for the year ended December 31, 2010, are listed below:

• Limited exemption from Comparative IFRS 7 Disclosures for First-time Adopters.

• Improvements to IFRS 2010;

• IFRS 9 Financial Instruments;

• Prepayment of a minimum fund requirement (Amendment to IFRIC 14);

• Amendments to IAS 32 Classification of rights issues.

(4) DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

- Property, plant and equipment and intangible assets

The fair value of property, plant and equipment and intangible assets recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable and willing parties under normal market conditions. The fair value of items of property, plant and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

- Financial instruments

Financial instruments measured at fair values were recognized based on quoted prices in an active market, or assessed using pricing models, applied individually for each transaction, taking into consideration the future payment flows, based on the conditions contracted, discounted to present value at market interest rate curves, based on information obtained from the BM&F, BOVESPA and ANDIMA websites, when available. Accordingly, the market value of a security corresponds to its maturity value (redemption value) marked to present value by the discount factor (relating to the maturity date of the security) obtained from the market interest graph in Brazilian reais.

Financial assets classified as available-for-sale refer to the right to compensation to be paid by the Federal Government on reversal of the assets of the distribution concessionaires. The methodology adopted for marking these assets to market is based on the tariff review process for distributors. This review, conducted every four or five years according to each concessionaire, consists of revaluation at market price of the distribution infrastructure. This valuation basis is used for pricing the tariff, which is increased annually up to the next tariff review, based on the parameter of the main inflation indices.

Although the methodology and criteria for valuation of the compensation on reversal of the assets has not yet been defined by the Federal Government, company management believes that it will be based at least on the tariff pricing model. Accordingly, at the time of the tariff review, each concessionaire adjusts the position of the financial asset base for compensation at the amounts ratified by the regulatory authority and uses the General Market Price Index - IGP-M as best estimate for adjusting the original base to the fair value at subsequent dates, in conformity with the Tariff Review process.

(5) FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

As a result of the enactment of Laws 11.638/07 and 11.941/09, in 2008, the CPC issued and the CVM approved a series of accounting Pronouncements and Interpretations with the objective of bringing Brazilian accounting practices into line with the IFRS. These pronouncements have been fully applied, completing the first stage of the convergence.

In order to fully complete the process, further pronouncements were issued in the course of 2009 and 2010, so that the consolidated financial statements for the year ending December 31, 2010 would be in line with international standards.

These financial statements are the first to have been prepared in conformity with the IFRS. In order to make the accounting practices standardization process possilble, the Company applied IFRS 1, adopting January 1, 2009 as the transition date. Consequently, the 2009 financial statements are re-presented with the adjustments on adoption of the above-mentioned IFRS and IAS identified.

According to the pronouncements referred to above, there are mandatory retroactive application exceptions and optional exemptions.

Procedures adopted by the Company:

- Employee benefits: Recognition of the defined benefit type pension plans. In view of the impracticality of retroactive application, the Company took advantage of the exemption and all past gains and losses were recognized at January 1, 2009 against the accrued loss account.

- IFRIC 12 – Concession agreements: Retroactive reconciliation of the financial assets and intangible assets accounted for in accordance with IFRIC 12. Accordingly, the Company did not use the exemption allowed by the transition rules.

- Business combinations: In accordance with the exemption permitted by IFRS 1, the Company opted not to apply the requirements of IFRS 3 – Business combinations retroactively in the transition to the IFRS. Accordingly, only business combinations occurring after January 1, 2009 reflect the requirements of this pronouncement.

- Deemed cost: IFRS 1 allows the option to measure an item of property, plant and equipment at the deemed cost at the transition date. The Company opted to recognize the property, plant and equipment of the subsidiaries CPFL Sul Centrais and CPFL Geração at market value at the transition date.

- The estimates used in preparation of these financial statements at January 1, 2009 and December 31, 2009 are consistent with the estimates made on the same dates in accordance with the practices previously adopted in Brazil.

The impact of the transition to the international accounting practices on the balance sheet and equity at January 1, 2009 and December 31, 2009, and the profit or loss for the year 2009 are described below.

5.1 Reconciliation of the adjustments and reclassifications on adoption of the new accounting practices:

a) Opening balance sheet at January 1, 2009:

ASSETS	Reference	Previous	Reclassifications (see item 5.2)
CURRENT			
Cash and cash equivalents		737,847	-
Consumers, Concessionaires and Licensees	5.3.2	1,721,028	(82,462)
Dividend and Interest on Capital		-	-
Financial investments		38,249	-
Tax credits		174,294	-
Derivatives		36,520	-
Provision for doubtful accounts		(82,462)	82,462
Inventories		15,594	7,636
Leasing		-	1,133
Deferred tax credits		220,144	(220,144)
Prepaid expenses	5.3.2	101,882	(14,065)
Deferral of tariff costs	5.3.2	638,229	-
Other		110,793	5,296
		3,712,118	(220,144)
NONCURRENT			
Consumers, Concessionaires and Licensees	5.3.2	286,144	-
Associates, Subsidiaries and Parent Company		-	-
Escrow deposits		599,973	149,998
Financial investments		96,786	-
Tax credits		101,948	-
Derivatives		396,875	-
Deferred tax credits		1,132,736	220,144
Leasing		-	5,256
Financial asset of concession	5.3.3	-	-
Private pension fund		-	-
Other investments at cost		-	116,249
Prepaid expenses	5.3.2	99,210	(10,258)
Deferral of tariff costs	5.3.2	157,435	-
Other	5.3.8	221,330	5,002
Investments	5.3.8	103,598	(117,393)
Property, plant and equipment	5.3.3 / 5.3.4 / 5.3.6	6,614,347	-
Intangible assets	5.3.3 / 5.3.5	2,700,136	29,492
Deferred assets		20,536	(28,348)
TOTAL NONCURRENT ASSETS		**12,531,054**	**370,142**
TOTAL ASSETS		**16,243,172**	**149,998**

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES	**Reference**	**Previous**	**Reclassificatio (see item 5.2**
Suppliers		982,344	
Interest on debt		29,081	
Interest on debentures		102,112	
Loans and financing		523,167	
Debentures		580,076	
Private pension fund	5.3.7	44,088	
Regulatory charges		94,054	
Taxes and contributions		464,339	
Dividends and interest on equity	5.3.8	632,087	
Estimated personnel costs		46,244	
Provision for contingencies		15	(2
Derivatives		53,443	
Public utilities	5.3.5	-	
Deferred tax debts		-	
Deferral of tariff gains	5.3.2	165,871	
Other accounts payable	5.3.2	524,898	(124,86
TOTAL CURRENT LIABILITIES		**4,241,819**	**(124,88**
NONCURRENT LIABILITIES			
Suppliers		85,311	
Interest on debt		74,104	
Loans and financing		3,836,882	
Debentures		2,026,890	
Private pension fund	5.3.7	508,194	
Taxes and contributions		2,242	
Deferred tax debts		4,203	
Provision for contingencies		107,642	274,8
Derivatives		961	
Public utilities	5.3.5	-	
Deferral of tariff gains	5.3.2	40,779	
Other accounts payable	5.3.2 / 5.3.8	207,194	
TOTAL NONCURRENT LIABILITIES		**6,894,402**	**274,8**
SHAREHOLDERS' EQUITY			
Capital		4,741,175	
Capital reserve		16	
Revenue reserve		277,428	
Additional dividend proposed	5.3.8	-	
Revaluation reserve	5.3.8	-	
Accumulated profit (loss)		-	

Equity attributed to controlling shareholders	5,018,619	
Equity attributed to noncontrolling shareholders	88,332	
TOTAL SHAREHOLDERS' EQUITY	**5,106,951**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**16,243,172**	**149,9**

b) Balance sheet at December 31, 2009

ASSETS	Reference	Previous	Reclassifications (see item 5.2)	Consolidation (see item 5.3.1)	Adjustmer
CURRENT					
Cash and cash equivalents		1,473,175	-	14,068	
Consumers, Concessionaires and Licensees	5.3.2	1,840,107	(81,974)	6,250	(11,52
Dividend and Interest on Capital		-	-	-	
Financial investments		39,253	-	-	
Tax credits		190,983	-	1,295	
Derivatives		795	-	-	
Provision for doubtful accounts		(81,974)	81,974	-	
Inventories		17,360	-	-	
Leasing		-	2,949	-	
Deferred tax credits		162,779	(162,779)	-	
Prepaid expenses	5.3.2	124,086	(14,354)	28	(109,76
Deferral of tariff costs	5.3.2	332,813	-	-	(332,81
Other		145,055	11,405	100	
		4,244,432	(162,779)	21,741	(454,09
NONCURRENT					
Consumers, Concessionaires and Licensees	5.3.2	226,314	-	-	(1,42
Associates, Subsidiaries and Parent Company		-	-	-	
Escrow deposits		654,506	139,671	-	
Financial investments		79,835	-	-	
Tax credits		110,014	-	3,221	
Derivatives		7,881	-	-	
Deferred tax credits		1,117,736	162,779	-	6,2
Leasing		-	21,243	-	
Financial asset of concession	5.3.3	-	-	-	674,0
Private pension fund	5.3.7	-	3,054	-	6,6
Other investments at cost		-	116,477	-	
Prepaid expenses	5.3.2	64,201	(6,573)	-	(57,62
Deferral of tariff costs	5.3.2	42,813	-	-	(42,81
Other	5.3.8	160,760	(14,670)	12,826	78,1
Investments	5.3.8	104,801	(117,621)	-	12,8
Property, plant and equipment	5.3.3 / 5.3.4 / 5.3.6	7,487,216	-	399,445	(2,673,62
Intangible assets	5.3.3 / 5.3.5	2,554,400	22,218	347	3,486,1
Deferred assets		15,081	(21,074)	5,993	
TOTAL NONCURRENT ASSETS		**12,625,558**	**305,504**	**421,832**	**1,488,5**
TOTAL ASSETS		**16,869,990**	**142,725**	**443,573**	**1,034,4**

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LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES	**Reference**	**Previous**	**Reclassifications (see item 5.2)**	**Consolidation (see item 5.3.1)**
Suppliers		1,021,348	-	104
Interest on debt		26,543	-	1,119
Interest on debentures		101,284	-	-
Loans and financing		697,223	-	31,691
Debentures		499,025	-	-
Private pension fund		44,484	-	-
Regulatory charges		62,999	-	751
Taxes and contributions		489,976	-	8,634
Dividends and interest on equity	5.3.8	684,185	-	4,836
Estimated personnel costs		50,620	-	278
Derivatives	5.3.5	7,012	-	-
Public utilities		-	-	-
Deferred tax debts	5.3.2	2,258	(2,258)	-
Deferral of tariff gains	5.3.2	313,463	-	-
Other accounts payable		584,614	(122,792)	1,055
TOTAL CURRENT LIABILITIES		**4,585,034**	**(125,050)**	**48,468**
NONCURRENT LIABILITIES				
Suppliers		42,655	-	-
Interest on debt		62,427	-	-
Loans and financing		3,515,236	-	213,806
Debentures	5.3.7	2,751,169	-	-
Private pension fund		425,366	3,054	-
Taxes and contributions		1,639	-	-
Deferred tax debts		4,376	2,258	-
Provision for contingencies		38,181	262,463	-
Derivatives	5.3.5	5,694	-	-
Public utilities	5.3.2	-	-	-
Deferral of tariff gains	5.3.2 / 5.3.8	108,691	-	-
Other accounts payable		161,539	-	-
TOTAL NONCURRENT LIABILITIES		**7,116,973**	**267,775**	**213,806**
SHAREHOLDERS' EQUITY				
Capital		4,741,175	-	-
Capital reserve		16	-	-
Revenue reserve	5.3.8	341,751	-	-
Additional dividend proposed	5.3.8	-	-	-
Revaluation reserve		-	-	-
Accumulated profit (loss)		-	-	-
Equity attributed to controlling shareholders		5,082,942	-	-

Equity attributed to noncontrolling shareholders	85,041	-	181,301
TOTAL SHAREHOLDERS' EQUITY	**5,167,983**	**-**	**181,301**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**16,869,990**	**142,725**	**443,575**

c) Statement of income for the year– 2009

	Reference	Previous	Consolidati (see item 5.3.1)
NET OPERATING REVENUE	5.3.2 / 5.3.3 / 5.3.5 / 5.3.8	10,565,982	73,3
COST OF ELECTRIC ENERGY SERVICES			
Cost of electric energy	5.3.2	(6,531,022)	(5,04
Operating cost	5.3.2 / 5.3.3 / 5.3.4 / 5.3.5 / 5.3.6 / 5.3.7	(943,492)	(18,19
Cost of services to third parties	5.3.3	(5,387)	
OPERATING INCOME		**3,086,081**	**50,1**
Operating expense			
Cost of sales	5.3.2	(255,114)	
General and administrative expenses	5.3.2 / 5.3.3	(384,086)	(1,72
Other operating expenses	5.3.2 / 5.3.3 / 5.3.4	(245,562)	(25
		(884,762)	(1,97
INCOME FROM ELECTRIC ENERGY SERVICE		**2,201,319**	**48,1**
Financial income			
Income	5.3.2 / 5.3.8	376,996	2,8
Expense	5.3.3 / 5.3.5 / 5.3.8	(692,927)	(20,10
		(315,931)	(17,24
INCOME BEFORE TAXES		**1,885,388**	**30,8**
Social contribution		(155,459)	(2,78
Income tax		(428,847)	(7,73
		(584,306)	(10,52
Net income for the year		**1,301,082**	**20,3**
Net income attributed to controlling shareholders		1,286,470	
Net income attributed to noncontrolling shareholders		14,612	20,3

d) Reconciliation of assets, liabilities, equity and net income:

January 1, 2009	Assets	Liabilities	Capital and reserves	Additional dividend proposed	R De
Previous	16,243,172	11,136,221	5,018,619	-	
Reclassifications					
Escrow deposit	149,998	149,998	-		
Other	(6,104)	(6,104)			
Consolidation	454,847	289,074			
Adjustments					
Reversal of regulatory assets and liabilities	(1,022,524)	(331,569)			
Pension plan	-	294,939			
ICPC 01 - Concession agreements	200,186	-			
Property, plant and equipment - deemed cost	1,002,991	-			1,0
Write-off of discount	12,828	-			
Guarantees	45,860	63,692			
Public utility	395,247	424,115			
Other	372	(5)			
Dividend	-	(614,642)		606,105	
Tax effects	250,383	270,691			(3
Balance after application of new practices	17,727,256	11,676,410	5,018,619	606,105	6

					Shareholder		
					Revaluation reserve		
December 31, 2009	**Assets**	**Liabilities**	**Capital and reserves**	**Additional dividend proposed**	**Deemed cost**	**Financial instruments**	**Accu prof**
Previous	16,869,991	11,702,008	5,082,942				
Reclassifications							
Escrow deposit	139,671	139,671					
Pension plan	3,054	3,054					
Consolidation	443,576	262,275					
Adjustments							
Reversal of regulatory assets and liabilities	(555,966)	(548,095)					
Pension plan	6,671	294,863					(
ICPC 01 - Concession agreements	185,027	-				196,817	
Property, plant and equipment - deemed cost	963,440	-			963,440		
Write-off of discount	12,828	-					
Guarantees	50,052	71,151					
Public utility	392,217	421,534					
Depreciation generation assets	(27,288)	-					
Other	1,197	(3,336)				(348)	
Dividend	-	(664,522)		655,017			
Tax effects	6,289	275,377			(327,570)	(66,672)	
Balance after application of new practices	18,490,759	11,953,980	5,082,942	655,017	635,870	129,797	(

e) 2009 Statement of Cash Flow:

	Adjustment reference	**Previous**	**Consolidati**
Income including CSLL and IRPJ	5.3.2 / 5.3.3 / 5.3.4 / 5.3.5 / 5.3.6 / 5.3.7 / 5.3.8	1,870,776	25,4
Adjustments to income	5.3.2 / 5.3.4 / 5.3.7 / 5.3.8	1,181,792	35,4
Operating assets	5.2 / 5.3.2 / 5.3.7 (*)	364,677	3
Operating liabilities	5.3.2 / 5.3.7	(995,105)	(30,02
Cash from operations		2,422,140	31,1
Acquisitions of property, plant and equipment	5.3.3	(1,233,695)	(10,62
Additions of intangible assets	5.3.3	(93,317)	(3
Other	5.3.3 (*)	78,755	4,2
Cash from investments		(1,248,257)	(6,44
Cash from financing	(*)	(438,555)	(31,23
Increase (decrease) in cash and cash equivalents		735,328	(6,53

Opening cash and cash equivalents balance	737,847	20,6
Closing cash equivalents balance	**1,473,175**	**14,0**

(*) There were some other imaterial nature adjustments that were not included further details in our consolidated financial statements (such as leasing and imaterial effects of purchase accounting).

5.2 Reclassification of the amounts of the financial statements published previously:

Certain reclassifications were made in order to adjust presentation of the financial statements to the new accounting standard, with a view to facilitating understanding of the Company's operations. These reclassifications relate basically to (i) reclassification of balances of escrow deposits that were previously presented net of provisions for contingencies, (ii) transfer of the balance of tax credits or debits from current to non-current and consequent offset of the balances of assets and liabilities in compliance with the provisions of IAS 1 – Presentation of the financial statements and IAS 12 – Income taxes, and (iii) transfer of balances between accounts to open or group items that became or ceased relevant in presentation of the balance sheet, after adoption of new practices.

5.3 Nature of the adjustments on first application of the IFRS

5.3.1 Consolidation adjustments:

The concept of consolidation applied by the accounting practices applied previously differs from the concepts established by IAS 27 and 31, which are based on the control criterion. According to IAS 27, control is the ability to preside over the financial and operational policies of the entity so as to obtain the rewards of its activities. IAS 31 establishes that joint control exists when the strategic and operating decisions in relation to the activity require a unanimous consensus of the parties sharing the control, thereby permitting proportionate consolidation of the subsidiary's financial statements.

Application of these concepts for the investments held by the Company resulted in a change in the consolidation criterion for the subsidiary CERAN, which is now fully consolidated. The adjustment recognized in this lines refers to the amounts of the difference between 100% and the interest held in the subsidiary, which were added line by line for consolidation purposes.

5.3.2 Reversal of regulatory assets and liabilities

To December 31, 2008, the electric energy concessionaires had regulatory asset balances referring to pre-payments made by the concessionaire in relation to the increase in the electric energy acquisition cost and expenditure on system charges, among others, which were received by tariff increase granted by the regulatory authority in the following years. They also had regulatory liability balances in relation to the decrease in these non-manageable costs to be returned to the consumers by a subsequent reduction in the tariff.

In accordance with the new practices (Note 3.13), these regulatory assets and liabilities cannot be recognized, as they do not meet the criteria for definition of assets and liabilities as established in the Framework for the Preparation and Presentation of Financial Statements.

The adjustment made refers to the reversal of the balances of regulatory assets and liabilities of the distribution subsidiaries. Note 37 shows a breakdown of these balances for the reporting dates presented.

5.3.3 IFRIC 12 – Concession Agreements and adjustment for reconciliation of the intangible infrastructure asset

In accordance with the previous accounting practices, the whole concession infrastructure was accounted for as a fixed asset tied to the concession. IFRIC 12 changes the method for recognizing the concessions if certain conditions are met, such as: (i) control over the activities to be provided, to whom the services are provided and at what price, and (ii) the reversal of the assets to the Granting Authority at the end of the concession.

These definitions having been met, the infrastructure of the distribution concessionaires has been segregated and rollforwarded since the construction date, complying with the provisions of the IASs and IFRSs, so that the following was recognized in the financial statements (i) an intangible asset corresponding to the right to operate the concession by collecting from the users of the public utilities, and (ii) a financial asset corresponding to the unconditional contractual right to receive payment (compensation) by reversal of the assets at the end of the concession.

The financial concession asset was measured at fair value, based on the remuneration of the assets fixed by the regulatory body. The financial asset is classified as available-for-sale and is restated and amortized annually in accordance with the adjustment of its fair value, against the revaluation reserve in equity account.

The remaining amount was recognized in intangible assets and corresponds to the right to collect from consumers for the electricity energy distribution services, and amortized in accordance with the consumption pattern that reflects the estimated economic benefit to the end of the concession.

In accordance with IFRIC 12, the distribution subsidiaries applied the concepts retroactively and reconstructed the infrastructure accounting base so that the costs used in formation of the intangible and financial asset are fully aligned with the provisions of the IFRS.

The adjustments to net income and services cost relate to recognition of the revenue from construction work of the distribution assets carried out by the concessionaires. For further details, see Note 3.1.

The following tables show the reclassifications and adjustments made in the distribution companies to comply with IFRIC 12, at January 1, 2009 and December 31, 2009.

	January 1, 2009			
	Previous	Transfers between asset accounts	Adjustments to equity and income statement	New practices
Property, plant and equipment	3,308,975	(3,308,975)	-	-
Intangible assets	717,570	2,938,831	(11,912)	3,644,489
Financial assets	-	370,144	212,097	582,241

	December 31, 2009			
	Previous	Transfers between asset accounts	Adjustments to equity and income statement	New practices
Property, plant and equipment	3,579,720	(3,579,720)	-	-
Intangible assets	741,307	3,105,894	(15,177)	3,832,024
Financial assets	-	473,826	200,204	674,030

5.3.4 Recognition of property, plant at equipment at deemed cost

As previously mentioned, the Company opted to apply the exemption foreseen in IFRS 1 in respect of evaluation of property, plant and equipment, at the transition date, for the assets of the subsidiaries CPFL Sul Centrais and CPFL Geração, taking the fair value of the transition date as the deemed cost.

The adjustment of this line corresponds to the recognition of the added value attributed to the revalued assets, against equity, amounting to R$ 1,002,991 (R$ 661,974 net of tax effects, at January 1, 2009).

5.3.5 Charge for the use of public utilities

On signing their Concession Agreements, the subsidiary CERAN and the jointly-controlled ENERCAN, BAESA and Foz do Chapecó assumed obligations to the Federal Government in relation to the granting of the concession, as “Public Utilities”. The liabilities are restated annually by the variation in the General Market Price Index – IGP-M.

To December 31, 2008, the subsidiaries recognized the granting expenses in profit or loss in accordance with their maturities. Under the new practices, the Public Utilities liabilities, discounted to present value in accordance with the fundraising rates of each venture, have been recognized on the date of signing the contract, against an intangible asset related to the right to exploit the concession.

The adjustment at the transition date relates to recognition of the Public Utilities liability (less expenses recognized by the practices adopted previously), in the amount of R$ 424,115, against R$ 395,247 and R$

28,868 (R$19,053 net of tax effects) in relation to recognition of the intangible asset and accumulated loss for the period.

5.3.6 Depreciation over the concession term

The concession agreements of the subsidiary CERAN and the jointly-owned subsidiaries ENERCAN, BAESA and Foz do Chapecó are ruled by Decree 2003, of 1996. In view of all the legal disputes and potential conflicts between (i) the wording of the Concessions Law, (ii) interpretations of the decree itself, and (iii) the way in which the concession agreements were drawn up, the Company conservatively made the adjustment to the related depreciation rates so that the property, plant and equipment related to the basic project would be depreciated over the useful life of the asset, provided it is restricted to the term of the concession.

5.3.7 Pension plan

- Employee benefit (pension plan)

As previously mentioned, the Company opted to recognize all accumulated actuarial gains and losses at January 1, 2009. The adjustment of R$ 294,939 (R$ 194,660 net of tax effects) corresponds to recognition of the accumulated actuarial loss at the transition date, in accordance with IFRS 1, for all the defined benefit plans of the subsidiaries CPFL Paulista, CPFL Piratininga, CPFL Geração and RGE.

5.3.8 Other adjustments:

- Write-down of negative goodwill

In accordance with IFRS 3 “Business Combinations”, negative goodwill recognized in accordance with the previous accounting practices should be written down at the transition date for IFRS.

An adjustment of R$ 12,828 (R$ 8,466 net of tax effects) was made in the Investment in relation to the write-down against retained earnings in the opening equity at the transition date.

- Guarantees provided

The accounting practices adopted in Brazil to December 31, 2008 contained no specific pronouncement in respect of the requirements for accounting for guarantees, and issuing of guarantees was therefore not recognized in the financial statements.

As a result of adoption of the pronouncements on recognition, measurement, presentation and disclosure of financial instruments (IAS 39, IAS 32 and IFRS 7) from January 1, 2009, the Company now recognizes guarantees issued in excess of its participation in the joint ventures.

These guarantees are recognized initially at the fair value of the obligation on issue. The Company therefore recognized a liability in Other Payables corresponding to the fair value of the guarantee contracted on January 1, 2009 to a total amount of R$ 63,692, which will be amortized by a credit in finance income as the guarantee risk is discharged.

The balancing items of R$ 45,860 were recognized as Other assets. The amount corresponding to the Company's participation in each jointly-owned subsidiary and the amounts that will not be reimbursed by the other shareholders of the jointly-owned subsidiaries are recognized in profit or loss as finance expense to maturity. Any remaining amount is subject to reimbursement by the other shareholders of the jointly-owned subsidiaries. The net adjustment against retained earnings at January 1, 2009 was R$ 17,832 (R$11,769 net of tax effects).

- Dividend and Interest on shareholders’ equity

The practices adopted previously determined that retained earnings should be distributed at the end of the year. A provision was recognized for the amount corresponding to appropriation of dividends as proposed by management even if it was subject to approval by the AGM.

In accordance with current accounting practices, as mentioned in Note 3.9, provisions are only recognized for amounts in excess of the minimum mandatory dividend after approval in an AGM, at which point they meet the obligation criteria determined by IAS 37. The adjustment stated reflects a reversal of the provision for an additional dividend to be paid in excess of the mandatory dividend not yet approved in a meeting payable.

- Revaluation reserve

The adjustments in this group relate to (i) recognition of the value-added of the cost allocated to the property, plant and equipment of the generators and (ii) the balancing item of the restatement of the financial concession asset.

- Non-controlling interest

In accordance with the new accounting practices (IAS 1), since January 1, 2009, the Company has classified the participation of non-controlling shareholders as part of the consolidated results and of equity in the consolidated financial statements.

To December 31, 2008, this amount was stated in liabilities in the consolidated balance sheet and the adjustment in this line corresponded to reclassification of the liability to equity.

The amount previously stated in net income is now stated as net income attributable to the Company and the portion of the noncontrolling interests as net income attributable to noncontrolling interests.

Re-presentation of the quarterly financial statements

The reconciliation of the effects of adoption of the new accounting practices on net income and equity for the quarters ended March 31, 2009, June 30, 2009, September 30, 2009, March 31, 2010, June 30, 2010 and September 30, 2010 is presented below, in conformity with CVM Decision 656/2011:

	Changes
	1st Quarter 09 2nd Q
Previous net income	**282,703**
Adjustments	
Reversal of regulatory assets and liabilities	(11,811)
Pension plan	19
ICPC 01 - Concession agreements	(1,028)
Property, plant and equipment - deemed cost	(9,884)
Write-down of discount	-
Guarantees	(972)
Public utility	153
Depreciation rate	(6,822)
Other	709
Tax effects	10,797
Effects of adjustments on the Noncontrolling interests	844
Net parent company income after application of the new practices	264,708
Noncontrolling interests as a result of the change in consolidation practices	2,927
Effects of adjustments on the Noncontrolling interests	(845)
Previous Noncontrolling interests	2,086
Total net income after adoption of the new practices	**268,876**

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	1st Quarter 09 2nd C
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Adjustments	
Reversal of regulatory assets and liabilities	(11,811)
Pension plan	19
ICPC 01 - Concession agreements	(1,028)
Property, plant and equipment - deemed cost	(9,884)
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Public utility	153
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Effects of adjustments on Noncontrolling interests	(845)
Previous Noncontrolling interests	2,086
Total net income after application of the new practices	**268,877**

	Quarter ende	
	March 31, 2009	**June 30, 2009**
Previous equity	5,301,322	5,020,64
Adjustments		
Reversal of regulatory assets and liabilities	(702,768)	(485,332
Pension plan	(294,920)	(294,901
ICPC 01 - Concession agreements	193,965	191,20
Property, plant and equipment - deemed cost	993,107	983,22
Write-down of discount	12,828	12,82
Guarantees	(18,804)	(18,283
Public utility	(28,715)	(28,478
Depreciation rate	(6,822)	(13,644
Other	827	1,70
Dividend	614,647	576,62
Tax effects on the adjustments	(7,656)	(88,801
Effects of adjustments on the Noncontrolling interests	(3,186)	1,05
Parent company equity after application of the new practices	**6,053,825**	**5,857,83**
Effects of adjustments on Noncontrolling interests	3,186	(1,053
Noncontrolling interests as a result of the change in consolidation practices	168,700	175,61
Previous Noncontrolling interests	85,384	82,61
Total equity after adoption of the new practices	**6,311,095**	**6,115,00**
Equity of the controlling interests	6,053,825	5,857,83
Noncontrolling interests	257,270	257,17

(6) CASH AND CASH EQUIVALENTS

	December 31, 2010	December 31, 2009	January 1, 2009
Bank balances	361,746	313,104	123,760
Short-term financial investments	1,201,149	1,174,139	634,694
Total	**1,562,895**	**1,487,243**	**758,454**

Short-term financial investments are short-term transactions with institutions operating in the Brazilian financial market, with daily liquidity, low credit risk and average interest of 100% of the Interbank deposit rate (CDI).

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(7) CONSUMERS, CONCESSIONAIRES AND LICENSEES

In the consolidated financial statements, the balance derives mainly from the supply of electric energy. The following table shows the breakdown at December 31, 2010, 2009 and January 1, 2009:

	Amounts coming due	Past due until 90 days	> 90 days	December 31, 2010	Total December 31, 2009	Janu 1, 20
Current						
Consumer classes						
Residential	289,992	191,137	21,410	502,539	485,541	407
Industrial	119,408	75,898	37,637	232,943	264,798	249
Commercial	113,061	43,835	13,059	169,955	189,080	154
Rural	29,486	7,082	2,526	39,094	32,671	32
Public administration	26,663	5,049	902	32,614	60,943	29
Public lighting	24,372	2,166	15,211	41,749	60,557	81
Public utilities	34,814	4,743	498	40,055	35,380	31
Billed	**637,796**	**329,910**	**91,243**	**1,058,949**	**1,128,970**	**985**
Unbilled	465,077	-	-	465,077	388,162	355
Financing of Consumers' Debts	81,150	7,007	23,984	112,141	91,437	55
Free energy	3,727	-	-	3,727	3,506	
CCEE transactions	23,932	-	-	23,932	14,722	45
Concessionaires and Licensees	193,852	-	-	193,852	184,891	175
Provision for doubtful accounts	-	-	(80,691)	(80,691)	(81,974)	(82,
Other	35,485	2,542	1,078	39,104	23,144	67
Total	**1,441,019**	**339,459**	**35,614**	**1,816,091**	**1,752,858**	**1,603**
Non current						
Financing of Consumers' Debts	154,438	-	-	154,438	140,893	151
Free energy	-	-	-	-	38	
CCEE transactions	41,301	-	-	41,301	41,301	39
Concessionaires and Licensees	-	-	-	-	42,655	87
Total	**195,739**	**-**	**-**	**195,739**	**224,887**	**278**

Financing of Consumers' Debts - Refers to the negotiation of overdue receivables from consumers, principally public organizations. Payment of some of these credits is guaranteed by the debtors, in the case of public entities, by pledging the bank accounts through which their ICMS revenue is received. Allowances for doubtful accounts are based on best estimates of the subsidiaries' management for unsecured amounts and losses regarded as probable.

Electric Energy Trading Chamber (CCEE) transactions - The amounts refer to the sale of electric energy on the short-term market. The noncurrent amount receivable mainly comprises: (i) legal adjustments, established as a result of suits brought by agents in the sector; (ii) lawsuits challenging the CCEE accounting for the period from September 2000 to December 2002; and (iii) provisional accounting entries established by the CCEE. The subsidiaries consider that there is no significant risk on the realization of these assets and consequently no provision was posted in the accounts.

Concessionaires and licensees - Refers to accounts receivable in respect of the supply of electric energy to other Concessionaires and Licensees, mainly by the subsidiaries CPFL Geração and CPFL Brasil, and to transactions relating to the partial spin-off of Bandeirante Energia S.A. by the subsidiary CPFL Piratininga. The amounts are set off against accounts payable, through a settlement of accounts.

In 2008, amounts receivable of R$ 127,965 from AES Tietê S/A ("AES Tietê") were also recognized by the subsidiaries CPFL Paulista and CPFL Leste Paulista, for use of the distribution system, and the respective pass-through (recognizing of the same amount as accounts payable) to CTEEP – Companhia de Transmissão de Energia Elétrica Paulista in respect of the charge for use of the Border Transmission Systems.

Under an agreement made between the parties involved, through the intermediary of ANEEL, the amounts are being paid both by the generator and by the subsidiaries to CTEEP, in 36 monthly installments as from January 2009, restated at the SELIC rate. The balance of the operation at December 31, 2010 was R$ 42,655, classified in current assets.

Allowance for doubtful accounts

Changes in the allowance for doubtful accounts are shown below:

At January 1, 2009	**(82,462)**
Provision recognized	(88,298)
Recovery of revenue	52,048
Write-off of accounts receivable provisioned	36,738
At December 31, 2009	**(81,974)**
Provision recognized	(108,663)
Recovery of revenue	56,995
Write-off of accounts receivable provisioned	52,951
At December 31, 2010	**(80,691)**

(8) FINANCIAL INVESTMENTS

In 2005, through a Private Credit Agreement, the Company acquired the credit arising from the Purchase and Sale of Electric Energy Agreement between Companhia Energética de São Paulo (“CESP”) (seller) and CPFL Brasil (purchaser), referring to the supply of energy for a period of 8 years. The amounts handed over by the Company to CESP will be settled by CPFL Brasil using the funds derived from the acquisition of energy produced by that company.

(9) RECOVERABLE TAXES

	December 31, 2010	December 31, 2009	January 1, 2009
Current			
Prepayments of social contribution - CSLL	1,046	8,189	24,135
Prepayments of income tax - IRPJ	2,298	19,549	5,531
Income tax and social contribution to be offset	11,560	15,424	14,361
Withholding tax - IRRF	38,927	42,959	69,681
IRRF on interest on equity	34,088	33,095	25
ICMS to be offset	71,833	48,271	40,421
Social integration program - PIS	3,852	4,545	3,390
Contribution for Social Security financing- COFINS	13,401	12,028	11,177
National Social Security Institute - INSS	2,192	1,115	961
Other	13,828	7,103	6,285
Total	**193,025**	**192,278**	**175,967**
Noncurrent			
Social contribution to be offset - CSLL	32,389	29,999	27,315
Income tax to be offset - IRPJ	1,002	1,001	3,400
Social integration program - PIS	2,787	2,787	2,787
ICMS to be offset	101,381	74,212	70,161
Other	1,410	5,236	1,504
Total	**138,969**	**113,235**	**105,167**

Social contribution to be offset – Balance refers to the final favorable decision in a lawsuit filed by the subsidiary CPFL Paulista. The subsidiary CPFL Paulista is awaiting the outcome of the administrative procedures for ratification of the credit with the Federal Revenue Office, in order to offset the credit.

ICMS to be offset - mainly refers to the credit recorded on acquisition of a permanent asset.

(10) DEFERRED TAXES

10.1- Breakdown of tax credits and debits:

	December 31, 2010	December 31, 2009	January 1, 2009
Social contribution credit			
Tax loss carryforwards	51,805	52,174	38,707
Tax benefit of merged goodwill	172,255	191,184	199,103
Temporarily non-deductible differences	(12,418)	(3,941)	58,777
Subtotal	**211,642**	**239,417**	**296,587**
Income tax credit			
Tax losses	143,867	132,471	93,782
Tax benefit of merged goodwill	583,723	641,757	672,155
Temporarily non-deductible differences	(33,619)	(11,081)	178,885
Subtotal	**693,971**	**763,147**	**944,822**
PIS and COFINS credit			
Temporary non-deductible differences	78	2,231	77,880
Total	**905,691**	**1,004,795**	**1,319,289**
Total tax credit	**1,183,458**	**1,286,805**	**1,594,131**
Total tax debit	**(277,767)**	**(282,010)**	**(274,842)**

10.2 - Tax Benefit of Merged Intangible asset:

The tax benefit on merged goodwill refers to the tax credit calculated on the merged goodwill on acquisition and is recorded in accordance with CVM Instructions nº 319/99 and nº 349/01. The benefit is realized in proportion to amortization of the merged definite life intangible asset that gave rise to it, in accordance with the projected net income of the subsidiaries during the remaining term of the concession, as shown in Note 15.

	December 31, 2010		December 31, 2009		January 1, 2009	
	CSLL	IRPJ	CSLL	IRPJ	CSLL	IRPJ
CPFL Paulista	94,584	262,733	103,736	288,152	113,571	315,477
CPFL Piratininga	21,274	73,002	23,207	79,630	25,285	86,760
RGE	41,117	169,806	44,378	183,269	47,447	195,943
CPFL Santa Cruz	4,705	14,794	5,862	18,435	7,126	22,405
CPFL Leste Paulista	2,622	7,986	3,451	9,586	1,714	4,761
CPFL Sul Paulista	3,767	11,758	5,020	13,943	1,678	4,662
CPFL Jaguari	2,305	7,001	3,027	8,411	1,603	4,452
CPFL Mococa	1,456	4,527	1,966	5,461	679	1,887
CPFL Geração	-	30,877	-	33,379	-	35,808
CPFL Serviços	425	1,239	537	1,491	-	-
Total	**172,255**	**583,723**	**191,184**	**641,757**	**199,103**	**672,155**

CSLL and IRPJ are federal income taxes.

10.3 - Accumulated balances on temporary nondeductible differences:

	December 31, 2010		
	CSLL	**IRPJ**	**PIS/C**
Temporary non-deductible differences:			
Provision for contingencies	18,396	50,984	
Tariff review - remuneration base	-	-	
Private pension fund	3,051	9,473	
Allowance for doubtful accounts	7,426	21,026	
Free energy provision	3,730	10,362	
Research and Development and Energy Efficiency Programs	15,079	41,883	
Profit-sharing	2,338	7,160	
Depreciation rate difference - Revaluation	9,306	25,846	
Financial instruments (IFRS / CPC)	623	1,595	
Recognition of the concession - adjustment of intangible assets (IFRS / CPC)	(6,276)	(17,433)	
Reversal of regulatory assets and liabilities (IFRS / CPC)	(1,076)	(3,030)	(
Actuarial losses on the transition of accounting practices (IFRS/CPC)	27,035	75,098	
Other adjustments changes in practices	63	174	
Other	12,390	33,540	
Temporarily non-deductible differences - comprehensive income:			
Recognition of the concession - financial adjustment (IFRS / CPC)	(25,337)	(70,388)	
Property, plant and equipment - deemed cost adjustments (IFRS/CPC)	(79,166)	(219,909)	
Total	**(12,418)**	**(33,619)**	

10.4 Expected recovery estimates

2011	193,580
2012	93,750
2013	85,683
2014	62,181
2015	58,847
2016 to 2018	130,816
2019 to 2021	87,942
2022 to 2024	48,438
2025 to 2027	124,183
2028 to 2030	20,271
Total	**905,691**

10.5 - Reconciliation of the amounts of income tax and social contribution reported in the income statements for 2010 and 2009:

	2010		2009	
	CSLL	**IRPJ**	**CSLL**	**IRPJ**
Income before taxes	**2,385,372**	**2,385,372**	**2,472,977**	**2,472,977**
Adjustments to reflect effective rate:				
- Amortization of intangible asset acquired	115,782	146,194	121,319	149,623
- Realization CMC	11,589	-	13,549	
- Tax incentives - PIIT	(6,058)	(6,050)	(483)	(483
- Effect of presumed profit system	(17,622)	(20,448)	(34,090)	(39,790
- Other permanent additions/(eliminations), net	16,838	(35,338)	2,256	(20,876
- Elimination Law 11.941/09 art. 4			(32,143)	(32,143
Calculation base	**2,505,901**	**2,469,730**	**2,543,385**	**2,529,308**
Statutory rate	9%	25%	9%	25%
Tax credit result	**(225,531)**	**(617,433)**	**(228,905)**	**(632,327**
- Tax credit allocated	4,296	13,333	20,557	56,566
Total	**(221,235)**	**(604,100)**	**(208,348)**	**(575,761**
Current	**(200,878)**	**(554,443)**	**(138,771)**	**(366,432**
Deferred	**(20,357)**	**(49,657)**	**(69,577)**	**(209,329**

Amortization of Intangible asset acquired – business combinations - Refers to the non-deductible portion of amortization of intangible assets derived from the acquisition of investees.

Realization of Complimentary Restatement CMC - Refers to the depreciation of the portion of incremental cost of the complementary restatement introduced by Law 8.200/91, which is not deductible for purposes of determination of social contribution.

Tax Credit Allocated – Credit recorded by the Company on tax loss carryforwards in the light of a revision of projections, which resulted in a margin recorded to complete the accounting entries.

Elimination under Law n° 11.941/09 – Refers to the reductions in interest, fines and legal charges on liabilities, as a result of adhering to REFIS IV, in accordance with the sole paragraph of article 4 of Law nº 11.941/09.

10.6 Unrecognized tax credits

The subsidiary Sul Geradora has income tax and social contribution assets on tax loss carryforwards of R$ 72,492 that were not recognized as it could not be reliable estimated whether future taxable profit will be available against which they can be utilized. There is also no prescriptive period for use of the tax loss carryforwards.

(11) LEASES

The subsidiary CPFL Brasil provides services and leases equipment relating to own power production, in which it is the lessor, and the main risks and rewards of ownership of the assets are transferred to the lessees.

Investments in these finance lease projects are recognized at the present value of the minimum payments receivable which are treated as amortization of the investment and financial income is recognized in profit and loss for the year over the term of the contracts.

The investments produced financial income for the year of R$ 5,363 (R$ 2,276 in 2009).

	December 31, 2010	December 31, 2009	January 1, 2009
Present value of the minimum payments receivable	102,769	104,835	21,339
Unrealized financial income	(71,701)	(80,643)	(14,950)
Gross investment	31,068	24,192	6,389
Current	4,754	2,949	1,133
Noncurrent	26,314	21,243	5,256

	Within 1 year	1 to 5 years	Over 5 years
Present value of the minimum payments receivable	13,591	48,495	40,683

(12) FINANCIAL ASSET OF CONCESSION

At January 1, 2009	**582,241**
Additions	104,587
Marked to market	(10,830)
Disposal	(1,969)
At December 31, 2009	**674,029**
Additions	179,501
Marked to market	82,637
Disposal	(1,521)
At December 31, 2010	**934,646**

The balance refers to the fair value of the financial asset in relation to the right established in the concession agreements of the energy distributors to receive payment on reversal of the assets at the end of the concession.

Under the current tariff model, interest on the asset is recognized in profit or loss on billing of the consumers and realized on receipt of the electric energy bills. The difference in relation to the adjustment to market value is recognized against the revaluation reserve in equity.

(13) OTHER CREDITS

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	Current			Noncurrent	
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009
Receivables from CESP	-	8,923	24,021	-	-
Receivables from BAESA's shareholders	17,128	15,503	14,147	-	15,503
Advances - Fundação CESP	7,995	6,299	5,700	-	-
Advances to suppliers	16,659	6,134	-	-	-
Pledges, funds and tied deposits	2,108	1,804	513	89,051	99,762
Fund tied to foreign currency loans	-	-	-	21,221	19,148
Orders in progress	13,988	4,484	16,214	-	-
Services rendered to third parties	73,163	48,845	18,600	-	-
Reimbursement RGR	5,683	5,504	5,173	1,909	1,611
Advance energy purchase agreements	15,817	13,989	12,061	65,786	61,847
Prepaid expenses	29,565	14,351	9,050	2,724	6,573
Collection agreements	26,573	4,263	-	-	-
Other	44,733	26,461	12,918	41,415	32,585
Total	**253,412**	**156,560**	**118,397**	**222,106**	**237,029**

Receivables - BAESA Shareholders - From November 1, 2005 to April 30, 2008, differences in the prices used in billing energy sold to the shareholders, different payment terms and other factors resulted in variations in contributions from the shareholders towards the results of the indirect subsidiary BAESA. To settle this question, BAESA's shareholders agreed in 2007 that the excess contributions made by the subsidiary CPFL Geração should be restated in accordance with the CDI rate and offset over 36 months from January, 2009.

Advances - Fundação CESP – Refers to advances to employee for welfare programs and operational maintenance of the entity.

Pledges, Funds and Tied Deposits: collateral offered to guarantee CCEE operations and guarantees granted to jointly-owned subsidiaries.

Fund Tied to Foreign Currency Loans: These are guarantees offered when negotiating or renegotiating loans.

Services Rendered to Third Parties: Refers to accounts receivable for services provided to consumers in relation to electric energy distribution.

Refund of RGR: Refers to amounts to be offset in relation to the difference between the RGR - Global Reversal Reserve approved by ANEEL and the amount actually incurred, based on property, plant and equipment in use.

Advance Energy Purchase Agreements: Refers to prepayments of energy purchases by the subsidiaries, which will be liquidated on delivery of the energy to be supplied.

Collection agreements - Refers to agreements between the distributors and city halls and companies for collection through the electric energy bills and subsequent pass-through of amounts related to public letting, newspapers, healthcare, residential insurance, etc. From April 2010, as a result of introduction of the new billing system - CCS, the subsidiaries change the accounting method (from collection-based to billing-based recognition), affecting accounting for both receivables and payables (Note 24).

(14) PROPERTY, PLANT AND EQUIPMENT

	Land	Reservoirs, dams and water mains	Buildings, construction and improvements	Machinery and equipment	Vehicles
At January 1, 2009	**51,125**	**976,545**	**1,272,879**	**1,674,210**	**2,402**
Historic cost	51,125	1,186,753	1,499,868	2,267,321	3,878
Accumulated depreciation/amortization	-	(210,208)	(226,989)	(593,111)	(1,476)
Additions	1,906	4,910	6,481	3,566	1,082
Disposals	-	-	-	(420)	(114)
Transfers	1,510	1,220	30,990	27,972	82
Depreciation	(1,195)	(33,077)	(45,262)	(71,605)	(1,414)
At December 31, 2009	**53,346**	**949,598**	**1,265,088**	**1,633,723**	**2,038**
Historic cost	54,541	1,192,883	1,537,339	2,298,439	4,927
Accumulated depreciation/amortization	(1,195)	(243,285)	(272,251)	(664,715)	(2,889)
Additions	-	3,851	3,471	(13,181)	1,457
Disposals	(48)	-	-	(15,508)	(355)
Transfers	128,287	617,391	132,256	376,536	847
Depreciation	(1,195)	(37,613)	(49,329)	(72,696)	(784)
At December 31, 2010	**180,390**	**1,533,227**	**1,351,486**	**1,908,875**	**3,203**
Historic cost	182,780	1,814,125	1,673,066	2,646,286	6,877
Accumulated depreciation	(2,390)	(280,898)	(321,580)	(737,411)	(3,674)
Average depreciation rate	-	**2.36%**	**3.86%**	**3.11%**	**20.00%**

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As mentioned in item 3.4, assets not acquired recently were measured at deemed cost at the transition date, while the assets of recently-built plants are recognized at cost, which in Management's opinion, approximates market value. Property, plant and equipment were valuated to their market values based on an appraisal carried out by an independent engineering company specializing in equity valuation. Added value of R$ 1,002,991 was determined at January 1, 2009 and recognized in the revaluation reserve in equity. The amortization of the value-added with an impact on the profit or loss for the years ended December 31, 2010 and 2009, determined based on the remaining useful life of the assets, was R$ 39,605 and R$ 39,552.

Construction in progress - the balance mainly refers to work in progress of the operating subsidiaries and/or those under development, particularly the EPASA and Foz do Chapecó generation projects, with total property, plant and equipment of R$ 630,616 and R$ 295,673 (R$ 321,614 and R$ 150,793 in proportion to the participation of the subsidiary CPFL Geração).

In conformity with IAS 23, the interest on the loans taken out by the projects to finance the construction is capitalized during the construction phase. During 2010, R$ 84,839 was capitalized in the consolidated financial statements (R$ 56,106 in 2009). For further details of construction assets and fund raising costs, see notes 1, 17 and 18.

Impairment testing: The Company evaluated in respect of all the reporting periods for indications of devaluation of its assets that might involve the need for impairment tests. The evaluation was based on external and internal information sources, taking into account variations in interest rates, changes in market conditions and other factors.

The result of the assessment indicated no signs of impairment of these assets in any of the reporting periods and therefore no impairment losses were recognized.

(15) INTANGIBLE ASSETS

	December 31, 2010			December 31, 2009	Janua 20
	Historic cost	**Accumulated amortization**	**Net value**	**Net value**	**Net**
Goodwill	6,055	-	6,055	4,048	
Intangible assets - Concession rights:					
Acquired in business combinations	3,734,995	(1,692,863)	2,042,132	2,185,780	2,38
Distribution infrastructure - operational	8,222,686	(4,886,917)	3,335,769	2,879,341	2,80
Distribution infrastructure - in progress	694,343	-	694,343	521,147	38
Public utility	407,288	(9,305)	397,983	392,221	39
Other intangible assets	162,943	(54,348)	108,595	80,564	8
Total intangible assets	**13,228,310**	**(6,643,433)**	**6,584,877**	**6,063,101**	**6,05**
Historic cost			13,228,310	12,209,040	11,74

Accumulated amortization	(6,643,433)	(6,145,939)	(5,69
	6,584,877	**6,063,101**	**6,05**

15.1 Intangible asset acquired in business combinations

The following table shows the breakdown of the intangible asset of the right to exploit the concession acquired in business combinations:

	December 31, 2010			December 31, 2009	January 1, 2009	Annual amortizatio rate		
	Historic cost	Accumulated amortization	Net value	Net value	Net value	2010	2009	200
Intangible asset - acquired in business combinations								
Intangible asset acquired, not merged								
Parent Company								
CPFL Paulista	304,861	(100,817)	204,044	223,937	245,322	5.90%	5.93%	6.23
CPFL Piratininga	39,065	(12,461)	26,604	29,019	31,619	6.19%	6.19%	6.70
CPFL Geração	54,555	(17,822)	36,733	39,898	43,150	5.80%	5.83%	6.21
RGE	3,150	(590)	2,560	2,765	2,959	6.53%	6.53%	6.07
CPFL Santa Cruz	9	(1)	8	9	24	8.81%	-	-
CPFL Leste Paulista	3,333	(446)	2,887	-	-	8.37%	-	-
CPFL Sul Paulista	7,288	(932)	6,356	-	-	7.99%	-	-
CPFL Jaguari	5,213	(710)	4,503	-	-	8.51%	-	-
CPFL Mococa	9,110	(1,268)	7,842	-	-	8.70%	-	-
CPFL Jaguari Geração	7,896	(474)	7,422	-	-	3.75%	-	-
Other	-	-	-	-	-	-	-	-
	434,480	(135,521)	298,959	295,628	323,074			
Subsidiaries								
CPFL Jaguariúna	-	-	-	-	120,815	-	-	11.8
ENERCAN	10,233	(2,316)	7,917	8,626	9,319	6.93%	6.93%	4.83
Barra Grande	3,081	(1,010)	2,071	2,252	2,432	5.93%	5.93%	6.65
Chapecoense	7,376	-	7,376	7,376	7,319	-	-	-
EPASA	498	-	498	498	-	-	-	-
Parque eólico Santa Clara	31,735	-	31,735	31,735	-	-	-	-
Parque eólico Campo do Ventos	5,576	-	5,576	-	-	-	-	-
Other	14,498	(11,063)	3,435	3,628	7,022	6.22%	6.22%	4,99 11,6
	72,997	(14,389)	58,608	54,115	146,907			
Subtotal	**507,477**	**(149,910)**	**357,567**	**349,743**	**469,981**			

Intangible asset acquired and merged – Deductible								
Subsidiaries								
RGE	1,120,266	(739,555)	380,711	399,666	419,982	3.76%	3.76%	4.5
CPFL Geração	426,450	(219,960)	206,490	223,226	239,464	6.22%	6.22%	5.7
Subtotal	**1,546,716**	**(959,515)**	**587,201**	**622,892**	**659,446**			
Intangible asset acquired and merged – Reassessed								
Parent company								
CPFL Paulista	1,074,026	(415,524)	658,502	722,207	790,690	5.90%	5.93%	6.2
CPFL Piratininga	115,762	(36,927)	78,835	85,995	93,696	6.19%	6.19%	6.7
RGE	310,128	(66,832)	243,296	262,839	281,236	6.33%	6.33%	5.8
CPFL Santa Cruz	61,685	(28,907)	32,778	40,843	49,641	13.07%	13.07%	15.1
CPFL Leste Paulista	27,034	(8,526)	18,508	22,693	-	15.48%	15.48%	-
CPFL Sul Paulista	38,168	(11,856)	26,312	32,090	-	15.14%	15.14%	-
CPFL Jaguari	23,600	(7,300)	16,300	20,018	-	15.76%	15.76%	-
CPFL Mococa	15,124	(4,950)	10,174	12,588	-	15.96%	15.96%	-
CPFL Jaguari Geração	15,275	(2,616)	12,659	13,872	-	7.94%	7.94%	-
	1,680,802	**(583,438)**	**1,097,364**	**1,213,145**	**1,215,263**			
Subsidiaries								
CPFL Leste Paulista	-	-	-	-	12,570	-	-	8.6
CPFL Sul Paulista	-	-	-	-	12,308	-	-	8.5
CPFL Jaguari	-	-	-	-	11,754	-	-	8.5
CPFL Mococa	-	-	-	-	4,982	-	-	8.4
	-	**-**	**-**	**-**	**41,614**			
Subtotal	**1,680,802**	**(583,438)**	**1,097,364**	**1,213,145**	**1,256,877**			
Total	**3,734,995**	**(1,692,863)**	**2,042,132**	**2,185,780**	**2,386,304**			

The intangible asset acquired in business combinations comprises:

- Intangible asset acquired, not merged

Refers mainly to the remaining goodwill on acquisition of the shares held by the noncontrolling shareholders.

- Intangible asset acquired and merged - Deductible

Goodwill on the acquisition of the subsidiaries that was merged with the respective net equities, without application of CVM Instructions nº 319/99 and nº 349/01, that is, without segregation of the amount of the tax benefit.

- Intangible asset acquired and merged – Reassessed

In order to comply with ANEEL instructions and avoid the goodwill amortization resulting from the merger of a parent company causing a negative impact on dividends paid to the shareholders, the subsidiaries applied the concepts of CVM Instructions nº 319/99 and nº 349/01 on the acquisition goodwill. A reserve was therefore recorded to adjust the goodwill, set against the equity reserves of the subsidiaries, so that the effect on the equity reflects the tax benefit of the merged goodwill. These changes affected the Company's investment in the subsidiaries, and in order to adjust this, non-deductible goodwill was recorded for tax.

15.2 Changes in intangible assets:

The changes in intangible assets for the years ended December 31, 2010 and 2009 are as follows:

				Concession right			
	Goodwill	**Acquired in business combinations**	**Public utility**	**Distribution infrastructure - operational**	**Distribution infrastructure - in progress**	**Other intangible assets**	**T**
Intangible asset at January 1, 2009	**-**	**2,386,304**	**395,247**	**2,802,271**	**387,645**	**80,677**	**6,0**
Additions	4,048	32,290	646	1,001	666,192	12,748	
Amortization	-	(186,899)	(3,672)	(344,193)	-	(13,363)	(5
Transfer - intangible assets	-	-	-	428,103	(428,103)	-	
Transfer - financial asset	-	-	-	-	(104,587)	-	(1
Transfer - other assets	-	(45,915)	-	(7,841)	-	502	(
Intangible asset at December 31, 2009	**4,048**	**2,185,780**	**392,221**	**2,879,341**	**521,147**	**80,564**	**6,0**
Additions	2,007	38,286	11,395	5,133	1,159,601	41,146	1,
Amortization	-	(182,615)	(5,633)	(351,690)	-	(12,878)	(5
	-	-	-	806,904	(806,904)	-	

Transfer - intangible assets							
Transfer - financial asset	-	-	-	-	(179,501)	-	(1
Transfer - other assets	-	681	-	(3,919)	-	(237)	
Intangible asset at December 31, 2010	**6,055**	**2,042,132**	**397,983**	**3,335,769**	**694,343**	**108,595**	**6,5**

In conformity with IAS 23, the interest on the loans taken out by the subsidiaries is capitalized to qualifying intangible assets. During 2010, R$ 48,099 was capitalized in the consolidated financial statements (R$ 28,825 in 2009) at a rate of 7.9% p.a. (6.3% p.a. in 2009).

15.3 Impairment test

For all the reporting periods, the Company assessed possible indications of devaluation of its assets that might involve the need for further impairment tests. The evaluation was based on external and internal information sources, taking into account variations in interest rates, changes in market conditions and other factors.

In analysis of impairment of intangible assets with an indefinite useful life (including goodwill), the Company used the value in use method to assess the recoverable value of each CGU. The cash flows were prepared in accordance with management's assessment of future trends in the electricity sector, based on external sources and historical data.

The result of the assessment indicated no signs of impairment of these assets in any of the reporting periods and there is no impairment loss to be recognized.

(16) SUPPLIERS

Current	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
System Service Charges	57,092	34,556	54,607
Energy purchased	584,114	658,068	645,718
Electricity Network Usage Charges	135,404	121,801	128,907
Materials and Services	199,129	143,180	116,228
Free Energy	70,262	61,341	28,731
Other	1,391	2,506	11,713
Total	**1,047,392**	**1,021,452**	**985,904**
Noncurrent			
Electricity Network Usage Charges	-	42,655	85,311
Total	**-**	**42,655**	**85,311**

The noncurrent liability refers to charges related to the Use of the Distribution System and the changes are due mainly to the pass-through to CTEEP, as mentioned in Note 7.

(17) INTEREST ON DEBTS, LOANS AND FINANCING

	December 31, 2010				**Dece**	
	Interest - Current and Noncurrent	**Principal**		**Total**	**Interest - Current and Noncurrent**	**Curr**
		Current	**Noncurrent**			
Measured at cost						
Brazilian currency						
BNDES - Power increases	55	5,040	8,498	13,593	86	7,
BNDES - Investment	8,494	329,994	3,016,363	3,354,851	11,204	362,
BNDES - Other	1,028	72,123	146,414	219,565	49	
Furnas Centrais Elétricas S.A.	-	-	-	-	379	46,
Financial Institutions	50,277	144,624	1,255,312	1,450,213	10,408	194,
Other	578	23,336	34,488	58,402	554	22,
Subtotal	**60,432**	**575,117**	**4,461,075**	**5,096,624**	**22,680**	**633,**

Foreign currency						
BID	-	-	-	-	260	3,
Financial Institutions	432	3,750	40,750	44,932	541	3,
Subtotal	**432**	**3,750**	**40,750**	**44,932**	**801**	**7,**
Total at Cost	**60,864**	**578,867**	**4,501,825**	**5,141,556**	**23,481**	**641,**
<u>Measured at fair value</u>						
Foreign currency						
Financial Institutions	8,799	-	416,028	424,827	66,608	87,
Total	**8,799**	**-**	**416,028**	**424,827**	**66,608**	**87,**
Total	**69,663**	**578,867**	**4,917,853**	**5,566,383**	**90,089**	**728,**

Measured at cost	December 31, 2010	December 31, 2009	January 1, 2009	Annual interest
Brazilian currency				
BNDES - Power increases				
CPFL Geração	13,593	20,847	30,635	TJLP + 3.1% to 4.3%
CPFL Geração	-	98	469	UMBND + 4.0%
BNDES/BNB - Investment				
CPFL Paulista - FINEM II	-	63,655	127,157	TJLP + 5.4%
CPFL Paulista - FINEM III	80,711	107,614	134,356	TJLP + 3.3%
CPFL Paulista - FINEM IV	256,572	237,325	100,498	TJLP + 3.28% to 3.4%
CPFL Paulista - FINEM V	98,051	-	-	TJLP + 2.12% to 3.3%
CPFL Paulista - FINEM V	35,135	-	-	Fixed rate 5.5% to 8.0
CPFL Paulista - FINAME	36,067	-	-	Fixed rate 4.5%
CPFL Piratininga - FINEM I	-	23,702	47,349	TJLP + 5.4%
CPFL Piratininga - FINEM II	47,945	63,927	79,813	TJLP + 3.3%
CPFL Piratininga - FINEM III	106,944	104,990	54,768	TJLP + 3.28% to 3.4%
CPFL Piratininga - FINEM IV	55,099	-	-	TJLP + 2.12% to 3.3%
CPFL Piratininga - FINEM IV	13,081	-	-	Fixed rate 5.5% to 8.0
CPFL Piratininga - FINAME	22,905	-	-	Fixed rate 4.5%
RGE - FINEM III	44,858	67,285	89,606	TJLP + 5.0%
RGE - FINEM IV	163,321	173,424	96,481	TJLP + 3.28 to 3.4%
RGE - FINEM V	59,967	-	-	TJLP + 2.12 to 3.3% a.
RGE - FINEM V	9,710	-	-	5.5% a.a. Fixed rate
RGE - FINAME	4,857	-	-	Fixed rate 4.5%
CPFL Santa Cruz	10,483	2,255	2,275	TJLP + 2.90%
CPFL Mococa	5,475	3,018	3,014	TJLP + 2.9%
CPFL Jaguari	4,825	2,498	2,495	TJLP + 2.9%
CPFL Leste Paulista	3,261	2,024	2,004	TJLP + 2.9%

CPFL Sul Paulista	4,735	3,350	2,004	TJLP + 2.9%
CPFL Geração	74,531	-	-	TJLP + 1.72%
BAESA	120,347	136,045	151,561	TJLP + 3.125% to 4.125%
BAESA	24,244	28,058	42,015	UMBND + 3.125% (1)
ENERCAN	273,992	307,203	340,007	TJLP + 4%
ENERCAN	15,932	18,557	27,663	UMBND + 4%
CERAN	382,730	417,440	445,414	TJLP + 5%
CERAN	53,845	60,981	87,085	UMBND + 5% (1)
CERAN	174,721	189,283	195,425	TJLP + 3.69% (Averag of percentage)
Foz do Chapecó	996,013	792,209	535,829	TJLP + 2.49% to 2.95%
CPFL Bioenergia - FINEM	39,512	15,248	-	TJLP + 1.9%
CPFL Bioenergia - FINAME	39,369	30,257	-	Fixed rate 4.5%
EPASA - BNB	95,613	-	-	Fixed rate 10%
BNDES - Other				
CPFL Brasil - Purchase of assets	6,785	6,338	3,580	TJLP + from 1.94% to 2.5%
CPFL Piratininga - Working capital	105,652	-	-	TJLP + 5.0% (2)
CPFL Geração - FINEM - Working capital	53,232	-	-	TJLP + 4.95%
CPFL Geração - FINAME - Working capital	53,896	-	-	TJLP + 4.95% (3)
Furnas Centrais Elétricas S.A.				
CPFL Geração	-	46,407	141,657	IGP-M + 10%
Financial Institutions				
CPFL Paulista				
Banco do Brasil - Law 8727	34,874	39,314	47,548	IGP-M + 7.42%
Banco do Brasil	104,890	-	-	107% of CDI
Banco do Brasil-Rural Credit (*)	199,622	-	-	98.50% of CDI
CPFL Piratininga				
Banco Alfa	-	50,017	-	105.1% of CDI
Banco do Brasil-Rural Credit (*)	18,360	-	-	98.5% of CDI
RGE				
Banco do Brasil-Rural Credit (*)	236,830	-	-	98.5% of CDI
CPFL Brasil				
FINEP	3,682	-	-	Fixed rate 5%
CPFL Santa Cruz				
HSBC	45,206	40,747	36,677	CDI + 1.10%
Banco do Brasil-Rural Credit (*)	16,337	-	-	98.5% of CDI
CPFL Sul Paulista				

Banco do Brasil-Rural Credit (*)	10,109	-	-	98.5% of CDI
CPFL Leste Paulista				
Banco do Brasil-Rural Credit (*)	16,798	-	-	98.5% of CDI
CPFL Mococa				
Banco do Brasil-Rural Credit (*)	8,476	-	-	98.5% of CDI
CPFL Jaguari				
Banco do Brasil-Rural Credit (*)	1,786	-	-	98.5% of CDI
CPFL Geração				
Banco Itaú BBA	103,371	102,750	101,650	106.0% of CDI
Banco do Brasil	627,432	-	-	107.0% of CDI
Banco Alfa	-	99,485	-	105.1% of CDI
CERAN				
Banco Bradesco	-	36,915	81,311	CDI + 2%
Banco Bradesco	22,440	-	-	CDI + 1.75%

Other				
Eletrobrás				
CPFL Paulista	10,358	8,648	8,887	RGR + 6.0% to 9.0%
CPFL Piratininga	925	1,415	1,903	RGR + 6%
RGE	18,097	12,095	11,309	RGR + 6%
CPFL Santa Cruz	3,947	4,660	5,509	RGR + 6%
CPFL Leste Paulista	1,096	1,011	1,136	RGR + 6%
CPFL Sul Paulista	1,837	1,779	1,694	RGR + 6%
CPFL Jaguari	109	31	35	RGR + 6%
CPFL Mococa	415	285	321	RGR + 6%
Other	21,618	23,497	35,055	
Subtotal Brazilian Currency - Cost	**5,096,624**	**3,346,687**	**3,076,195**	
Foreign Currency				
BID - Enercan	-	55,291	78,903	US$ + Libor + 3.5%
Financial Institutions				
CPFL Paulista (5)				
Debt Conversion Bond	2,982	5,207	9,807	US$ + Libor 6 mon
New Money Bond	-	-	370	US$ + Libor 6 mon
FLIRB	-	-	375	US$ + Libor 6 mon

C-Bond	6,298	8,462	13,881	US$ + 8%
Discount Bond	14,570	15,264	20,533	US$ + Libor 6 mon
PAR-Bond	21,082	22,031	29,569	US$ + 6%
Subtotal Foreign Currency - Cost	**44,932**	**106,255**	**153,438**	
Total Measured at cost	**5,141,556**	**3,452,942**	**3,229,633**	
Foreign Currency				
Measured at fair value				
Financial Institutions				
CPFL Paulista				
Banco do Brasil	-	101,233	131,435	Yen + 5.7778%
Banco ABN AMRO Real	424,827	385,969	490,276	Yen +1.49% (4)
CPFL Piratininga				
Banco BNP Paribas	-	-	60,548	US$ + 4.10% .
RGE				
Banco do Brasil	-	-	46,687	103.5% CDI
CPFL Geração				
Banco do Brasil	-	101,332	131,564	Yen + 5.8% .
Banco do Brasil	-	506,569	656,323	Yen + 2.5% to 5.8%
Total Foreign Currency - fair value	**424,827**	**1,095,103**	**1,516,833**	
Total - Consolidated	**5,566,383**	**4,548,045**	**4,746,466**	

The subsdiaries hold swaps converting the operating cost of currency variation to interest tax variati
corresponding to :

(1) 160.5% of the CDI (3) 106.0% of the CDI
(2) 106.0% to 106.5% of the CDI (4) 104.98% of the CDI
(5) As certain assets are dollar indexed, a partial swap of R$ 21,221 was contracted, converting the c
variation to 105.95% of the CDI.

(*) Effective rate: 98.5% CDI + 2.88% p.a. (CPFL Paulista and CPFL Piratininga) and 98.5% CDI + 2.5%

In conformity with IAS 39 and 32 (Financial Instruments), the Company and its subsidiaries classified their debts, as segregated in the tables above, as (i) financial liabilities not measured at fair value (or measured at cost), and (ii) financial liabilities measured at fair value through profit or loss.

The objective of classification of financial liabilities measured at fair value is to compare the effects of recognition of income and expense derived from marking hedge derivatives to market, tied to the debts, in order to obtain more relevan and consistent accounting information. At December 31, 2010, the total balance of the debt measured at fair value was R$ 424,827 (R$ 1,095,103 at December 31, 2009), and the amount related to the cost was R$ 429,792 (R$ 1,100,120 at December 31, 2009).

The changes in the fair values of these debts are recognized in the financial income (expense) of the Company and its subsidiaries. The gains of R$ 4,965 (gain of R$ 5,017 in 2009) obtained by marking the debts to market are offset by the effects of R$ 7,607 (R$ 12,428 in 2009) obtained by marking to market the derivative financial instruments contracted as a hedge against exchange variations (Note 34), resulting in a net accumulated loss of R$ 2,642 (R$ 7,411 in 2009).

Main fund-raising in the period:

Brazilian currency

BNDES – Investment:

- FINEM IV (CPFL Paulista) - The subsidiary obtained financing of R$ 345,990 from the BNDES in 2008, part of a FINEM credit line, to be invested in expanding and upgrading the Electricity System. The amount of R$ 72,761 was released during 2010 and the outstanding balance of R$ 37,101 was not utilized by the subsidiary.

- FINEM V (CPFL Paulista) – The subsidiary received approval for financing of R$ 291,043 from the BNDES in 2010, part of a FINEM credit line, to be invested in implementation of the investment plan for the second half-year of 2010 and for 2011. The subsidiary received the amount of R$ 133,072 during the year and the outstanding balance of R$ 157,971 is scheduled for release by the end of 2011.

- FINEM IV (CPFL Piratininga) – The subsidiary received approval for financing from the BNDES in 2010, of R$ 165,621 part of a FINEM credit line, to be used for the implementation of the investment plan for the second half-year of 2010 and for 2011. The subsidiary received the amount of R$ 68,120 during the year, and the outstanding balance of R$ 97,501 is scheduled for release by the end of 2011. The interest will be paid quarterly during the grace period and monthly during the amortization term.

- FINEM V (RGE) – The subsidiary received approval for financing of R$ 167,861 from the BNDES in 2010, part of a FINEM credit line, to be invested in implementation of the investment plan for the second half-year of 2010 and for 2011. The amount of R$ 69,616 was received during the year and the outstanding balance of R$ 98,245 is scheduled for release by the end of 2011.

- FINAME (CPFL Paulista) – The subsidiary received approval for financing from the BNDES in 2009, of R$ 92,183 part of a FINAME credit line, to be invested in acquisition of equipment for the Electricity System in 2010 and 2011. The subsidiary received the amount of R$ 36,014 in 2010, and the outstanding balance of R$ 56,169 is scheduled for release by the end of 2011. The interest will be paid quarterly, and amortized monthly from January 15, 2012.

- FINAME (CPFL Piratininga) – The subsidiary received approval for financing of R$ 48,116 from the BNDES in 2009, part of a FINAME credit line, to be invested in to acquire equipment for the Electricity System in 2010 and 2011. The amount of R$ 22,860 was received in 2010 and the outstanding balance of R$ 25,257 is scheduled for release by the end of 2011. The interest will be paid quarterly, and amortized monthly from January 15, 2012. There are no restrictive covenants.

- FINEM/FINAME (Bioenergia) – the indirect subsidiary received approval for financing of a total amount of R$ 75,297 from the BNDES in 2009, comprised of R$ 37,491 from FINEM and R$ 37,806 from FINAME, to be invested in construction of the Thermoelectric Plant. The outstanding balance of R$ 29,805 was released in 2010, comprising R$ 22,250 from FINEM and R$ 7,555 from FINAME. The interest is capitalized during the grace period and will be paid monthly from June 2011, together with the installment of the principal.

- Investment (CPFL Geração) – The subsidiary obtained approval for FINEM financing of R$ 574,098 from the BNDES in 2010, to be invested in the subsidiaries Santa Clara I to VI and Eurus VI for construction and installation of the wind power complex, with a total installed capacity of 188 MW, in the municipality of

Parazinho, State of Rio Grande do Norte. The amount of R$ 75,538 was released in 2010.

- Investment (Foz do Chapecó) – The subsidiary obtained financing of R$ 1,633.155 from the BNDES, in 2007, (R$ 832,909 in proportion to the participation of the subsidiary CPFL Geração), to be invested in financing the construction work on the Foz do Chapecó Hydroelectric Power Plant. The amount of R$ 249,841 was released in 2010 (R$ 127,419 in proportion to the participation of the subsidiary CPFL Geração) to complete construction of the hydropower plant. The interest and principal will be paid monthly from October 2011.

- BNB – Investment (EPASA) – In December 2009, the indirect subsidiary contracted a loan of R$ 214,278 (R$ 109,282 in proportion to the Company's participation) from Banco Nordeste do Brasil – BNB, to be invested in the construction of the Termoparaíba and Termonordeste thermoelectric power plants. The amount of R$ 190,439 was released in 2010 (R$ 97,124 in proportion to the Company’s participation) and release of the outstanding balance is conditional upon physical and financial verification of the funds obtained. The interest will be paid quarterly to December 2012 and monthly from January 2013. There are no restrictive covenants for this financing agreement.

BNDES – Other:

- Working capital (CPFL Piratininga) - The subsidiary obtained financing of R$ 100,000 from the BNDES in 2010, in two installments of R$ 50,000, part of a BNDES pass-through credit line with Banco Bradesco, to reinforce the cash position. The interest will be capitalized monthly during the grace period, to February 15, 2011 and October 17, 2011, and will be paid monthly, together with the installments of the principal, in 24 installments from February 15, 2011 and October 17, 2011, respectively. There are no restrictive covenants.

- Working capital (CPFL Geração) - The subsidiary obtained financing of R$ 100,000 from the BNDES in 2010, in two installments of R$ 50,000, part of a BNDES pass-through credit line with the Banco do Brasil, to reinforce its cash position. The interest will be capitalized monthly during the grace period, to February 15, 2011 and July 17, 2011 and will be paid monthly, together with the installments of the principal, in 24 installments from February 15, 2011 and July 17, 2011, respectively. There are no restrictive covenants.

Financial institutions:

- Banco do Brasil – Crédito Rural (CPFL Paulista, CPFL Piratininga, RGE, CPFL Santa Cruz, CPFL Leste Paulista, CPFL Mococa, CPFL Jaguari and CPFL Sul Paulista) - these subsidiaries obtained approval for rural credit financing, of which a total amount of R$ 499,800 was released (R$ 435,849 net of costs), to cover working capital. The interest will be capitalized monthly and amortized together with the installments of the principal.

- CPFL Paulista and CPFL Geração – in 2010, the subsidiaries CPFL Paulista and CPFL Geração renewed debts to the Banco do Brasil. The objective of the renewals was to extend the maturities of the loans, and also resulted in changes in the rates, which are now tied to the CDI. The interest will be paid half-yearly from October 2010.

The maturities of the principal long-term balances of loans and financing, taking into consideration only the amounts recorded at cost, are scheduled as follows:

Maturity	
2012	1,166,436
2013	649,914
2014	463,383
2015	1,044,681
2016	246,573
After 2016	1,351,831
Subtotal	**4,922,818**
Marked to Market	(4,965)
Total	**4,917,853**

The main financial rates used for restatement of Loans and Financing and the breakdown of the indebtedness in local and foreign currency, taking into consideration the effects of translation of the derivative instruments, are shown below:

Index	Accumulated variation - % December 31, 2010	December 31, 2009	January 1, 2009	% of debt December 31, 2010	December 31, 2009	January 1, 2009
IGP-M	11.32	(1.71)	9.81	0.77	2.12	4.24
UMBND	0.72	(25.66)	33.86	1.69	3.29	5.62
TJLP	6.00	6.13	6.25	58.23	58.76	49.74
CDI	9.71	9.88	12.38	33.80	34.01	38.93
SELIC	9.91	12.48	-	-	-	-
Other	-	-	-	5.53	1.82	1.47
				100	**100**	**100**

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RESTRICTIVE COVENANTS

BNDES:

Financing from the BNDES restricts the subsidiaries CPFL Paulista, CPFL Piratininga and RGE to: (i) not paying dividends and interest on shareholders' equity totaling more than the minimum mandatory dividend laid down by law without prior agreement of the BNDES, and the lead bank in the operation; (ii) full compliance with the restrictive conditions established in the agreement; and (iii) maintaining certain financial ratios within pre-established parameters, as follows:

CPFL Paulista

- Net indebtedness divided by EBITDA – maximum of 3.0;
- Net indebtedness divided by the sum of net indebtedness and net equity – maximum of 0.90.

CPFL Piratininga

- Net indebtedness divided by EBITDA – maximum of 2.5;
- Net indebtedness divided by the sum of net indebtedness and net equity – maximum of 0.80.

RGE

- Net indebtedness divided by EBITDA – maximum of 2.5;
- Net indebtedness divided by the sum of net indebtedness and net equity – maximum of 0.5.

CPFL Geração

The loans from the BNDES raised by the subsidiary CERAN and the jointly-owned subsidiaries ENERCAN, BAESA and Foz do Chapecó establish restrictions on the payment of dividends to the subsidiary CPFL Geração higher than the minimum mandatory dividend of 25% without the prior agreement of the BNDES.

The loan agreement for CPFL Bioenergia's loan from BNDES, stipulates that the subsidiary may not pay out dividends for the years of 2009 to 2012, and may only do so from 2013 onwards if all the following conditions are met:

i) Full compliance with its contractual obligations;

ii) Minimum debt coverage ratio of 1.0 ; and

iii) Maximum overall Indebtedness ratio of 0.8

Banco do Brasil – Crédito Rural

- Net indebtedness divided by EBITDA – maximum of 3.0.

Other loan and financing agreements of the direct and indirect subsidiaries are subject to early settlement in the event of changes in the Company's structure or in the corporate structure of the subsidiaries that result in the loss of the share control or of control over management of the Company by the Company's current shareholders.

Furthermore, failure to comply with the obligations or restrictions mentioned could result in default in relation to other contractual obligations (cross default).

The Management of the Company and its subsidiaries monitor these ratios systematically and constantly to ensure that the contractual conditions are complied with. In the opinion of the management, these restrictive covenants and clauses are being adequately complied with.

(18) DEBENTURES

	December 31, 2010				December 31, 20		
	Interest	**Current**	**Noncurrent**	**Total**	**Interest**	**Current**	**Noncurre**
Parent Company							
3rd Issue							
Single series	15,529	-	450,000	465,529	12,788	-	450,0
CPFL Paulista							
2nd Issue							
1st Series	-	-	-	-	-	-	
2nd Series	-	-	-	-	-	-	
3rd Issue							
1st Series	5,925	213,333	426,667	645,925	4,618	-	640,0
4th Issue							
Single series	6,322	109,601	-	115,923	8,285	64,303	109,6
	12,248	**322,934**	**426,667**	**761,849**	**12,903**	**64,303**	**749,6**
CPFL Piratininga							
1st Issue							
1st Series	10,733	200,000	-	210,733	17,690	200,000	200,0
2nd Issue							
Single series	-	-	-	-	2,189	-	100,0
3rd Issue							
Single series	7,013	-	258,868	265,881	-	-	
4th Issue							
Single series	1,845	-	278,043	279,888	-	-	
	19,591	**200,000**	**536,911**	**756,502**	**19,879**	**200,000**	**300,0**
RGE							
2nd Issue							
1st Series	2,019	28,370	-	30,389	1,630	-	26,20
2nd Series	-	-	-	-	-	-	
3rd Issue							
1st Series	939	33,333	66,667	100,939	741	-	100,0
2nd Series	7,721	46,667	93,333	147,721	6,437	-	140,0
3rd Series	1,824	13,333	26,667	41,824	1,491	-	40,0
4th Series	1,335	16,667	33,333	51,335	1,103	-	50,0
5th Series	1,335	16,667	33,333	51,335	1,103	-	50,0
4th Issue							
Single series	10,633	184,623	-	195,256	8,758	-	183,8
	25,806	**339,660**	**253,333**	**618,799**	**21,263**	**-**	**590,0**

CPFL Leste Paulista							
1st Issue							
Single series	1,400	23,965	-	25,365	1,153	-	23,8
CPFL Sul Paulista							
1st Issue							
Single series	926	15,979	-	16,905	762	-	15,9
CPFL Jaguari							
1st Issue							
Single series	583	9,983	-	10,566	480	-	9,9
CPFL Brasil							
1st Issue							
Single series	9,545	164,728	-	174,273	7,862	-	164,2
CPFL Geração							
2nd Issue							
Single series	24,327	424,266	-	448,593	20,039	-	423,2
3rd Issue							
Single series	7,121	-	263,137	270,258	-	-	
EPASA							
1st Issue							
Single series	-	-	-	-	3,504	228,473	
2nd Issue							
Single series	-	-	204,406	204,406	-	-	
BAESA							
1st Series	357	3,165	15,030	18,552	308	3,164	18,1
2nd Series	294	2,569	12,207	15,070	343	3,085	6,0
Enercan							
1st Series	339	2,711	50,623	53,673	-	-	
	990	**8,445**	**77,860**	**87,295**	**651**	**6,249**	**24,2**
	118,066	**1,509,960**	**2,212,314**	**3,840,340**	**101,284**	**499,025**	**2,751,1**

The Company and its subsdiaries hold swap converting the local cost of currency variation to interes
(1) 104.4% of CDI
(2) 105.07% of CDI

Interest

Interest on the debentures will be paid half yearly, except for: (i) 1st series of the jointly-owned subsidiary BAESA, which will be paid quarterly; (ii) 1st issue of the subsidiary CPFL Piratininga and 1st series of the 2nd issue of the subsidiary RGE, which will be paid annually and (iii) 2nd issue of the jointly-owned subsidiary EPASA which will be paid monthly (2012).

The maturities of the long-term balance of debentures are scheduled as follow:

Maturity	
2012	553,552
2013	777,436
2014	159,393
2015	681,398
2016	7,834
After 2016	32,701
Total	**2,212,314**

RESTRICTIVE COVENANTS

The debentures are subject to certain restrictive covenants and include clauses that require the Company and its subsidiaries to maintain certain financial ratios within pre-established parameters. The main ratios are as follows:

CPFL Energia

- Net indebtedness divided by EBITDA – maximum of 3.75;
- EBITDA divided by Financial Income (Expense) – minimum of 2.25;

CPFL Paulista

- Net indebtedness divided by EBITDA – maximum of 3.0;
- EBITDA divided by Financial Income (Expense) – minimum of 2.25;

CPFL Piratininga

- Net indebtedness divided by EBITDA – maximum of 3.0;

- EBITDA divided by Financial Income (Expense) – minimum of 2.25;

RGE

- Net indebtedness divided by EBITDA – maximum of 3.0;
- EBITDA divided by Financial Income (Expense) – minimum of 2.0;

CPFL Geração

- Net indebtedness divided by EBITDA – maximum of 3.5;
- EBITDA divided by Financial Income (Expense) – minimum of 2.0;

CPFL Brasil

- Net indebtedness divided by EBITDA – maximum of 3.0;
- EBITDA divided by Financial Income (Expense) – minimum of 2.25;

CPFL Jaguari

- Net indebtedness divided by EBITDA – maximum of 3.0;
- EBITDA divided by Financial Income (Expense) – minimum of 2.25;

CPFL Leste Paulista

- Net indebtedness divided by EBITDA – maximum of 3.0;
- EBITDA divided by Financial Income (Expense) – minimum of 2.0;

CPFL Sul Paulista

- Net indebtedness divided by EBITDA – maximum of 3.0;
- EBITDA divided by Financial Income (Expense) – minimum of 2.25;

BAESA

- Total indebtedness– restricted to 75% of their total assets.

Certain debentures of subsidiaries and jointly-owned subsidiaries are subject to early settlement in the event of changes in the Company's structure or in the corporate structure of the subsidiaries that result in the loss of the share control or of control over management of the Company by the Company's current shareholders.

Failure to comply with the restrictions mentioned could result in default in relation to other contractual obligations (cross default).

In the opinion of the management of the Company and its subsidiaries and jointly-owned subsidiaries, these restrictive covenants and clauses are being adequately complied with.

(19) PRIVATE PENSION FUND

The subsidiaries CPFL Paulista, CPFL Piratininga and CPFL Geração, through Fundação CESP, the subsidiary RGE, through Fundação CEEE de Seguridade Social – ELETROCEEE and Bradesco Vida e Previdência, the subsidiary CPFL Santa Cruz through BB Previdência – Fundo de Pensão Banco do Brasil and the subsidiary CPFL Jaguariúna through IHPREV Fundo de Pensão, sponsor supplementary retirement and pension plans for their employees.

19.1 – Characteristics

- CPFL Paulista

The plan currently in force for the employees of the subsidiary CPFL Paulista is a Mixed Benefit Plan, with the following characteristics:

a) Defined Benefit Plan (“BD”) – in force until October 31, 1997 – a defined benefit plan, which grants a Proportional Supplementary Defined Benefit (BSPS), in the form of a lifetime income convertible into a pension, to participants enrolled prior to October 31, 1997, the amount being defined in proportion to the accumulated past service time up to that date, based on compliance with the regulatory requirements for granting. The total responsibility for coverage of actuarial deficits of this plan falls to the subsidiary.

b) Mixed model, as from November 1, 1997, which covers:

• benefits for risk (disability and death), under a defined benefit plan, in which the subsidiary assumes responsibility for Plan’s actuarial deficit, and

• scheduled retirement, under a defined contribution plan, consisting of a benefit plan, which is a defined contribution plan up to the granting of the income, and does not generate any actuarial liability for the subsidiary CPFL Paulista. The benefit plan only becomes a defined benefit plan, consequently generating actuarial responsibility for the subsidiary, after the granting of a lifetime income, convertible or not into a pension.

As a result of modification of the Retirement Plan in October 1997, a liability was recognized as payable by the subsidiary CPFL Paulista in relation to the plan deficit calculated by the external actuaries of Fundação CESP. The liability, to be settled in 260 installments plus interest of 6% p.a. and restatement at the IGP-DI rate (FGV), is amortized on a monthly basis. Under the Contractual Amendment signed with Fundação CESP on January 17, 2008, the payment terms were amended to 238 monthly installments and 19 annual installments, as of the base date of December 31, 2007, with final maturity on October 31, 2027. The balance of the obligation at December 31, 2010 is R$ 479,877 (R$ 508,706 in 2009). The contract amount differs from the carrying amount recorded by the subsidiary, which is in conformity with IAS 19.

Managers may opt for a Free Benefit Generator Plan – PGBL (defined contribution), operated by either Banco do Brasil or Bradesco.

- CPFL Piratininga

As a result of the spin-off of Bandeirante Energia S.A. (the subsidiary's predecessor), the subsidiary CPFL Piratininga assumed the responsibility for the actuarial liabilities for its retired and discharged employees up to the date of the spin-off, as well as the responsibilities relating to the active employees transferred to CPFL Piratininga.

On April 2, 1998, the Supplementary Welfare Office – "SPC", approved the restructuring of the retirement plan previously maintained by Bandeirante, creating a "Proportional Supplementary Defined Benefit Plan – BSPS", and a "Mixed Benefit Plan", with the following characteristics:

a) Defined Benefit Plan ("BD") - in force until March 31, 1998 – a defined-benefit plan, which concedes a Proportional Supplementary Defined Benefit (BSPS), in the form of a lifetime income convertible into a pension to participants registered up to March 31, 1998, to an amount calculated in proportion to the accumulated past service time up to that date, based on compliance with the regulatory requirements for granting. In the event of death while working or the onset of a disability, the benefits incorporate the entire past service time. CPFL Piratininga has full responsibility for covering the actuarial deficits of this Plan.

b) Defined Benefit Plan - in force after March 31, 1998 – defined-benefit type plan, which concedes a lifetime income convertible into a pension based on the past service time accumulated after March 31, 1998, based on 70% of the average actual monthly salary for the last 36 months of active service. In the event of death while working or the onset of a disability, the benefits incorporate the entire past service time (including the accumulated time up to March 31, 1998). The responsibility for covering the actuarial deficits of this Plan is equally divided between CPFL Piratininga and the participants.

c) Defined Contribution Plan – implemented together with the Defined Benefit plan effective after March 31, 1998. This is a defined-benefit type pension plan up to the granting of the income, and generates no actuarial liability for CPFL Piratininga. The pension plan only becomes a Defined Benefit type plan after the concession of the lifetime income, convertible (or not) into a pension, and accordingly starts to generate actuarial liabilities for the subsidiary.

In September 1997, through a contractual instrument of adjustment of reserves to be amortized, Eletropaulo Metropolitana El. São Paulo S.A. (the predecessor of Bandeirante) recognized an obligation to pay referring to the plan deficit determined at the time by the external actuaries of the Fundação CESP, to be liquidated in 260 installments, amortized monthly, plus interest of 6% p.a. and restatement at the IGP-DI rate (FGV). Under the Contractual Amendment, signed with Fundação CESP on January 17, 2008, the payment terms were amended to 221 monthly payments and 18 annual installments, as of December 31, 2007, with final maturity on May 31, 2026. The balance of the obligation at December 31, 2010 is R$ 133,170 (R$ 150,444 in 2009). The contract amount differs from the carrying amount recorded by the subsidiary, which is in conformity with IAS 19.

Managers may opt for a Free Benefit Generator Plan – PGBL (defined contribution), operated by either Banco do Brasil or Bradesco.

- RGE

A defined benefit type plan, with a benefit level equal to 100% of the adjusted average of the most recent salaries, less the presumed Social Security benefit, with a Segregated Net Asset administered by ELETROCEEE. Only those whose work contracts were transferred from CEEE to RGE are entitled to this benefit. A private pension plan was set up in January 2006 with Bradesco Vida e Previdência for employees admitted from 1997.

- CPFL Santa Cruz

The benefits plan of the subsidiary CPFL Santa Cruz, administered by BB Previdência - Fundo de Pensão do Banco do Brasil, is a defined contribution plan.

- CPFL Jaguariúna

In December 2005, the companies joined the CMSPREV private pension plan, administered by IHPREV Pension Fund. The plan is structured as a defined contribution plan.

- CPFL Geração

The employees of the subsidiary CPFL Geração belong to the same pension plan as CPFL Paulista.

With the modification of the Retirement Plan, at that point maintained by CPFL Paulista, in October 1997, a liability was recognized as payable by the subsidiary CPFL Geração, in relation to the plan deficit calculated by the external actuaries of Fundação CESP, to be amortized in 260 monthly installments, plus interest of 6% p.a. and restatement at the IGP-DI rate (FGV). Under the Contractual Amendment, signed with Fundação CESP on January 17, 2008, the payment terms were amended to 238 monthly installments and 19 annual installments, as of December 31, 2007, with final maturity on October 31, 2027. The balance of the obligation at December 31, 2010 is R$ 17,689 (R$ 18,354 in 2009). The contract amount differs from the carrying amount recorded by the subsidiary, which is in conformity with IAS 19.

19.2 – Changes in the defined benefit plans

			December 31
	CPFL Paulista	**CPFL Piratininga**	**CPFL Geração**
Present value of actuarial liabilities	3,088,723	784,933	67,543
Fair value of plan's assets	(2,987,448)	(785,231)	(70,177)
Present value of liabilities (fair value of assets), net	**101,275**	**(298)**	**(2,634)**
Adjustments due to deferments allowed			
Unrecognized actuarial gains	368,348	111,872	14,086
Net actuarial Liabilities (assets) recognized on balance sheet	**469,623**	**111,574**	**11,452**

			December 31
	CPFL Paulista	**CPFL Piratininga**	**CPFL Geração**
Present value of actuarial liabilities	2,962,118	760,719	64,198
Fair value of plan assets	(2,611,813)	(676,790)	(54,969)

Present value of liabilities (fair value of assets), net	**350,305**	**83,929**	**9,229**
Adjustments due to deferments allowed			
Unrecognized actuarial gains	241,407	58,035	4,545
Net actuarial liabilities (assets) recognized in balance sheet	**591,712**	**141,964**	**13,774**

			January 1,
	CPFL Paulista	**CPFL Piratininga**	**CPFL Geração**
Present value of actuarial liabilities	3,067,116	774,598	66,094
Fair value of plan assets	(2,413,252)	(618,671)	(51,207) (
Present value of liabilities (fair value of assets), net	**653,864**	**155,927**	**14,887**
Adjustments due to deferments allowed			
Unrecognized actuarial gains	-	-	-
Net actuarial liabilities (assets) recognized in balance sheet	**653,864**	**155,927**	**14,887**

The changes in present value of the actuarial obligations and the fair values of the plan assets are as follows:

	CPFL Paulista	CPFL Piratininga	CPFL Geração	RGE
Present value of actuarial liabilities at January 1, 2009	**3,067,116**	**774,598**	**66,094**	**174,721**
Gross current service cost	1,413	4,172	165	152
Interest on actuarial obligation	303,015	76,981	6,532	17,626
Participants' contributions transferred during the year	68	1,249	2	1,104
Actuarial (Gain)/loss	(195,082)	(51,310)	(4,138)	(3,456
Benefits paid during the year	(214,412)	(44,971)	(4,457)	(7,532
Present value of actuarial liabilities at December 31, 2009	**2,962,118**	**760,719**	**64,198**	**182,615**
Gross current service cost	1,061	3,550	142	202
Interest on actuarial obligation	292,456	75,535	6,345	18,349
Participants' contributions transferred during the year	190	1,156	1	1,597
Actuarial (Gain)/loss	64,883	(9,660)	1,794	12,346
Benefits paid during the year	(231,985)	(46,367)	(4,937)	(7,350
Present value of actuarial liabilities at December 31, 2010	**3,088,723**	**784,933**	**67,543**	**207,759**

	CPFL Paulista	CPFL Piratininga	CPFL Geração	R
Present value of actuarial assets at January 1, 2009	**(2,413,252)**	**(618,671)**	**(51,207)**	**(18**
Expected return during the year	(304,351)	(77,554)	(6,468)	(1
Participants' contributions transferred during the year	(68)	(1,249)	(2)	(
Sponsors' contributions	(62,229)	(17,562)	(1,342)	(
Actuarial (gain)/loss	(46,325)	(6,725)	(407)	(1
Benefits paid during the year	214,412	44,971	4,457	
Current value of actuarial assets at December 31, 2009	**(2,611,813)**	**(676,790)**	**(54,969)**	**(21**
Expected return during the year	(364,286)	(93,152)	(7,679)	(2
Participants' contributions transferred during the year	(190)	(1,156)	(1)	(
Sponsors' contributions	(51,320)	(16,323)	(1,129)	(
Actuarial (gain)/loss	(191,824)	(44,177)	(11,336)	(
Benefits paid during the year	231,985	46,367	4,937	
Current value of actuarial assets at December 31, 2010	**(2,987,448)**	**(785,231)**	**(70,177)**	**(24**

19.3 Changes in the assets and liabilities recognized:

The changes in net liabilities are as follows:

	December 31, 2010			
	CPFL Paulista	**CPFL Piratininga**	**CPFL Geração**	**Total liability**
Actuarial liabilities /(assets) at the beginning of the year	591,712	141,964	13,774	747,450
Expense (Income) recognized in income statement	(70,769)	(14,068)	(1,192)	(86,029)
Sponsors' contributions transferred during the year	(51,320)	(16,322)	(1,130)	(68,772)
Actuarial liabilities /(assets) at the end of the year	**469,623**	**111,574**	**11,452**	**592,649**
Other contributions	13,875	375	177	14,427
Subtotal	**483,498**	**111,949**	**11,629**	**607,076**
Other contributions RGE	-	-	-	3,905
Total liabilities	**483,498**	**111,949**	**11,629**	**610,981**
Current				**40,103**
Noncurrent				**570,878**

	December 31, 2009			
	CPFL Paulista	**CPFL Piratininga**	**CPFL Geração**	**Total liability**
Actuarial liabilities /(assets) at the beginning of the year	653,864	155,927	14,887	824,678
Expense (Income) recognized in income statement	77	3,599	229	3,905
Sponsors' contributions transferred during the year	(62,229)	(17,562)	(1,342)	(81,133)
Actuarial liabilities /(assets) at the end of the year	**591,712**	**141,964**	**13,774**	**747,450**
Other contributions	13,342	243	281	13,866
Subtotal	**605,054**	**142,207**	**14,055**	**761,316**
Other contributions RGE	-	-	-	6,454
Total liabilities	**605,054**	**142,207**	**14,055**	**767,770**
Current				**44,484**
Noncurrent				**723,286**

19.4 Recognition of income and expense of private pension fund:

The external actuary’s estimate of the expense and/or revenue to be recognized in 2011 and the income recognized in 2010 is as follows:

	2011 Estimated			
	CPFL Paulista	**CPFL Piratininga**	**CPFL Geração**	**Consolidated**
Cost of service	1,043	3,781	136	4,960
Interest on actuarial obligations	304,730	77,929	6,673	389,332

Expected return on plan assets	(369,344)	(97,889)	(8,706)	(475,939)
Amortization of unrecognized actuarial gains	(4,730)	(2,448)	(585)	(7,763)
Total income	**(68,301)**	**(18,627)**	**(2,482)**	**(89,410)**

		2010 Realize	
	CPFL Paulista	**CPFL Piratininga**	**CPFL Geração**
Cost of service	1,061	3,550	142
Interest on actuarial obligations	292,456	75,534	6,345
Expected return on plan assets	(364,286)	(93,152)	(7,679)
Recognition of the asset (limited to paragraph 58-b of CPC 33)	-	-	-
Total Expense (Income)	**(70,769)**	**(14,068)**	**(1,192)**

		2009 Realize	
	CPFL Paulista	**CPFL Piratininga**	**CPFL Geração**
Cost of service	1,413	4,172	165
Interest on actuarial obligations	303,015	76,981	6,532
Expected return on plan assets	(304,351)	(77,554)	(6,468)
Recognition of the asset (limited to paragraph 58-b of CPC 33)	-	-	-
Total Expense (Income)	**77**	**3,599**	**229**

Since the changes in the RGE plan indicate the need to recognize an asset, and the amount to be recognized is restricted to the present value of the economic rewards available at the time, recognition in 2011 will require analysis of the possibility of recovery of the asset at the end of the year.

The principal assumptions taken into consideration in the actuarial calculations at the balance sheet date were:

	CPFL Paulista, CPFL Piratininga and CPFL Geração			
	December 31, 2010	**December 31, 2009**	**January 1, 2009**	**Decen 2**
Nominal discount rate for actuarial liabilities:	10.24% p.a.	10.24% p.a.	10.24% p.a.	10.2
Nominal Return Rate on Assets:	(*)	(**)	(***)	10.2
Estimated Rate of nominal salary increase:	6.08% p.a.	6.08% p.a.	6.08% p.a.	6.08
Estimated Rate of nominal benefits increase:	0.0% p.a.	0.0% p.a.	0.0% p.a.	0.0
Estimated long-term inflation rate (basis for establishing nominal rates above)	4.0% p.a.	4.0% p.a.	4.0% p.a.	4.0
General biometric mortality table:	AT-83	AT-83	AT-83	A
Biometric table for the onset of disability:	MERCER TABLE	MERCER TABLE	MERCER TABLE	MERCI
Expected turnover rate:	0.30 / (Service time + 1)	0.30 / (Service time + 1)	0.30 / (Service time + 1)	0.30 / tim
Likelihood of reaching retirement age:	100% when a beneficiary of the Plan first becomes eligible	100% when a beneficiary of the Plan first becomes eligible		100% bene the P bec el

(*) CPFL Paulista and CPFL Geração 12.73% p.a. and CPFL Piratininga 12.71% p.a.

(**) CPFL Paulista and CPFL Geração 14.36% p.a. and CPFL Piratininga 14.05% p.a.

(***) CPFL Paulista and CPFL Geração 13.05% p.a, CPFL Piratininga 12.84% p.a

(20) REGULATORY CHARGES

	December 31, 2010	**December 31, 2009**	**January 1, 2009**
Fee for the Use of Water Resources	4,452	4,080	3,636
Global Reverse Fund - RGR	16,483	9,876	7,451
ANEEL Inspection Fee	2,283	1,945	2,012
Fuel Consumption Account - CCC	58,289	9,392	48,194

Energy Development Account - CDE	42,035	38,457	33,237
Total	**123,542**	**63,750**	**94,530**

(21) TAXES AND CONTRIBUTIONS

	Current			Noncurrent		
	December 31, 2010	**December 31, 2009**	**January 1, 2009**	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
ICMS (State VAT)	247,890	315,906	276,112	-	-	-
PIS (Tax on Revenue)	13,565	11,762	9,022	-	-	-
COFINS (Tax on Revenue)	63,668	54,978	41,591	959	1,639	2,243
IRPJ (Corporate Income Tax)	85,999	69,480	94,944	-	-	-
CSLL (Social Contribution Tax)	22,086	18,583	13,475	-	-	-
Other	22,035	27,901	21,528	-	-	-
Total	**455,243**	**498,610**	**456,672**	**959**	**1,639**	**2,243**

(22) PROVISION FOR CONTINGENCIES

	December 31, 2010		December 31, 2	
	Reserve for contingencies	Escrow Deposits	Reserve for contingencies	E De
Labor				
Various	39,151	147,062	42,752	1
Civil				
General Damages	11,126	75,003	9,897	
Tariff Increase	10,814	9,200	12,249	
Energy Purchased	-	-	-	
Other	10,678	16,698	11,967	
	32,618	100,901	34,113	
Tax				
FINSOCIAL	18,714	53,322	18,601	
Increase in basis - PIS and COFINS	866	721	866	
Interest on Shareholders' Equity - PIS and COFINS	10,666	10,666	9,800	
PIS and COFINS - Non-Cumulative Method	87,672	-	122,792	
Income Tax	73,401	539,601	63,914	4
Other	28,178	38,411	7,806	
	219,497	642,721	223,779	5
Total	**291,266**	**890,684**	**300,644**	**7**

The changes in the provisions for contingencies and escrow deposits are shown below:

	December 31, 2009	Addition	Reversal	Payment	Monetary Restatement	December 31, 2010
Labor	42,752	28,769	(2,866)	(29,504)	-	39,151
Civil	34,113	9,402	(5,512)	(5,678)	293	32,618
Tax	223,779	31,393	(40,098)	(22)	4,445	219,497
Reserve for Contingencies	**300,644**	**69,564**	**(48,476)**	**(35,204)**	**4,738**	**291,266**
Escrow Deposits	**794,177**	**80,226**	**(13,737)**	**(14,380)**	**44,398**	**890,684**

	January 1, 2009	Addition	Reversal	Payment	Monetary Restatement	December 31, 2009

Labor	55,106	1,016	(3,688)	(9,682)	-	42,752
Civil	46,679	10,603	(667)	(22,502)	-	34,113
Tax	280,742	13,444	(1,481)	(72,844)	3,918	223,779
Reserve for Contingencies	**382,527**	**25,063**	**(5,836)**	**(105,028)**	**3,918**	**300,644**
Escrow Deposits	**749,974**	**64,268**	**(17,164)**	**(48,052)**	**45,151**	**794,177**

The provisions for contingencies were based on appraisal of the risks of losing litigation to which the Company and its subsidiaries are parties, where a loss is more likely than not in the opinion of the legal advisers and the management of the Company and its subsidiaries.

The principal pending issues relating to litigation, legal cases and tax assessments are summarized below:

a) **Labor:** The main labor suits relate to claims filed by former employees or unions for additional salary payments (overtime, salary parity, severance payments and other claims).

b) **Civil:**

Bodily injury - mainly refer to claims for indemnities relating to accidents in the subsidiaries' electrical grids, damage to consumers, vehicle accidents, etc.

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Tariff increase: Corresponds to various claims by industrial consumers as a result of increases imposed by DNAEE Ordinances 38 and 45, dated February 27 and March 4, 1986, when the “Plano Cruzado” economic plan price freeze was in effect.

c) **Tax**

FINSOCIAL - relates to legal challenges of the rate increase and collection of FINSOCIAL during the period June 1989 to October 1991.

PIS and COFINS - JCP - in 2009, the Company dropped its suit disputing PIS and COFINS charged on Interest on shareholders’ equity received, and paid the amounts in question, taking advantage of the benefit granted in Law n° 11,941/09 (REFIS IV), that is, a reduction in the fine, interest and legal charges. The Company is awaiting finalization of the legal procedures in order to offset the escrow deposits of the amounts.

PIS and COFINS – Non-cumulative method – refers to the tax disputes in relation to the non-cumulative levying of PIS and COFINS on certain sector charges. In 2010, the subsidiaries reversed the contingency of R$ 39,502 against the “General and administrative expenses – Legal, court fees and indemnities” account and the restatement of the amount of R$ 4,136 against the “Financial expense - Restatement and exchange variations” account.

Income tax - The provision of R$ 53,356 (R$ 44,531 in 2009) recognized by the subsidiary CPFL Piratininga, refers to the lawsuit in relation to the tax deductibility of CSLL in determination of IRPJ.

Other - tax - Refers to other suits in progress at the judicial and administrative levels resulting from of the subsidiaries' operations, in relation to INSS, FGTS and SAT tax issues.

d) **Possible losses** - the Company and its subsidiaries are parties to other suits in which management, supported by its legal advisers, believes that the chances of a successful outcome are possible, due to a solid defensive position in these cases. It is not yet possible to predict the outcome of the courts’ decisions or any other decisions in similar proceedings considered probable or remote. Consequently, no provision has been established for these. The claims relating to possible losses, at December 31, 2010, were as follows: (i) R$ 341,608 labor (R$ 294,825 in 2009); (ii) R$ 604,603 civil cases related mainly to bodily injury, environmental impact and tariff increases (R$ 472,710 in 2009); and (iii) R$ 823,872 in tax claims, principally Income tax, ICMS, FINSOCIAL and PIS and COFINS (R$ 625,369 in 2009).

Based on the opinion of their legal advisers, Management of the Company and its subsidiaries consider that there are no significant contingent risks that are not covered by adequate provisions in the Financial Statements, or that might result in a significant impact on future earnings.

Escrow deposits - The deposit of R$ 483,355 (R$ 450,319 in 2009) by CPFL Paulista refers to the dispute on the deductibility for income tax purposes of expense recognized in 1997 in respect of settlement in respect of the welfare deficit of the employees’ pension plan in relation to Fundação CESP, due to the renegotiation and renewal of debt in that year. On consulting the Brazilian Federal Revenue Office, the subsidiary obtained a favorable reply in Note MF/SRF/COSIT/GAB nº 157, of April 9, 1998, and took advantage of the tax deductibility of the expense, thereby generating a tax loss for that year. In March

2000, the subsidiary was assessed by the tax inspectors in relation to use of the tax loss carryforwards in 1997 and 1998. In 2007, as a result of the legal decision demanding the deposit as a condition for continuing the discussions, the subsidiary made an escrow deposit. The deductibility resulted in other assessments and in order to be able to continue the discussions, the subsidiary offered collateral in the form of bank guarantees amounting to R$ 325,292. Based on the updated position of the legal counsel in charge of the case, the risk of loss continues to be classified as remote.

(23) CHARGES FOR THE USE OF PUBLIC UTILITIES

Companies	December 31, 2010	December 31, 2009	January 1, 2009	Number of remaining installments	Interest rates
CERAN	71,987	65,904	67,546	304	IGP-M + 9.6% p.a.
ENERCAN	9,884	9,434	9,693	294	IGP-M + 8% p.a.
BAESA	52,865	50,402	51,729	306	IGP-M + 8% p.a.
Foz do Chapecó	312,182	295,794	295,147	313	IGP-M / IPC-A + 5.3% p.a.
TOTAL	446,918	421,534	424,115		
Current	17,287	15,697	15,228		
Noncurrent	429,631	405,837	408,887		

(24) OTHER ACCOUNTS PAYABLE

	Current			Noncurr	
	December 31, 2010	**December 31, 2009**	**January 1, 2009**	**December 31, 2010**	**Decem 31, 20**
Consumers and Concessionaires	63,584	50,250	50,545	-	
Energy Efficiency Program - PEE	63,698	55,889	36,979	32,039	56,
Research & Development - P&D	110,418	100,544	37,767	29,682	12,
National Scientific and Technological Development Fund - FNDCT	3,076	4,705	28,230	-	
Energy Research Company - EPE	1,206	2,008	13,593	-	
Fund for Reversal	-	-	-	17,751	17,
Advances	14,517	9,652	6,962	8,680	55,
Provision for environmental expenditure	11,685	2,483	6,330	2,455	2,
Payroll	6,724	8,085	8,533	-	
Profit sharing	37,970	32,490	25,870	-	
TAC ANEEL fine (DEC/FEC and voltage level)	-	10,877	-	-	
Collections agreement	51,271	27,138	14,584	-	
Guarantees	-	-	-	45,831	71,
Other	46,712	34,740	50,295	4,692	9,
Total	**410,861**	**338,861**	**279,688**	**141,130**	**226,**

Consumers and concessionaires: refers to liabilities in connection with bills paid twice and adjustments to billing to be offset or returned to consumers as well the participation of consumers in the "Programa de Universalização" program. Liabilities to concessionaires refer principally to transactions relating to the partial spin-off of Bandeirante by the subsidiary CPFL Piratininga.

Research and Development and Energy Efficiency Programs: the subsidiaries recognized liabilities relating to amounts already billed in tariffs (1% of the Net Operating Income), but not yet invested in the Research and Development and Energy Efficiency Programs. These amounts are subject to monthly restatement, at the SELIC rates, to realization.

Advances: the noncurrent amount refers to the contribution ("AFAC") made exclusively by EPASA's shareholders. In the future, the subsidiary CPFL Geração will contribute the funds relating to its participation. In 2009 the balance represented the contributions made by shareholders of Chapecoense.

ANEEL TAC Fine (DEC and FEC): fine imposed on the subsidiary RGE, in relation to meeting DEC (Equivalent Duration of Interruptions per Client) and FEC (Equivalent Frequency of Interruptions per Consumer) indexes.

Profit-sharing: in conformity with a collective labor agreement, the Company and its subsidiaries introduced an employee profit-sharing program, based on achievement of operating and financial targets established in advance.

(25) SHAREHOLDER'S EQUITY

The shareholders' participations in the Company's equity as of December 31, 2010 and 2009 are shown below:

	Number of shares					
	December 31, 2010		December 31, 2009		January 1, 2009	
Shareholders	**Common Shares**	**Interest %**	**Common Shares**	**Interest %**	**Common Shares**	**Interest %**
VBC Energia S.A.	122,948,720	25.55	122,948,720	25.62	133,653,591	27.85
BB Carteira Livre I FIA	149,233,727	31.02	149,233,727	31.10	149,233,727	31.10
Bonaire Participações S.A.	60,713,511	12.62	60,713,511	12.65	60,713,511	12.65
BNDES Participações S.A.	40,526,739	8.42	40,526,739	8.44	29,821,870	6.21
Brumado Holdings S.A.	17,251,048	3.59	17,251,048	3.59	28,420,052	5.92
Board Members	112	-	112	-	3,112	-
Executive Officers	2,824	-	6,450	-	31,152	0.01
Other Shareholders	90,460,449	18.80	89,230,631	18.60	78,033,923	16.26
Total	**481,137,130**	**100.00**	**479,910,938**	**100.00**	**479,910,938**	**100.00**

25.1 - Capital increase

The Annual and Extraordinary General Meetings of CPFL Energia held on April 26, 2010 approved the merger of all the shares held by the minority shareholders of the subsidiaries CPFL Leste Paulista, CPFL Jaguari, CPFL Sul Paulista, CPFL Mococa, Jaguari Geração, CPFL Serviços and CPFL Santa Cruz with the equity of CPFL Energia and conversion of these companies into wholly-owned subsidiaries. Accordingly, the capital of CPFL Energia increased by R$ 52,249, from R$ 4,741,175 to R$ 4,793,424 with the issue of 1,226,192 new common shares.

25.2 - Capital Reserve

Refers to profits on the sale of treasury shares, resulting from shareholders exercising their right to withdraw at the time of the incorporation of the shares of minority shareholders in November 2005.

25.3 - Profit Reserve

Comprises the balance of the Statutory Reserve of R$ 418,665.

25.4 - Dividends

In July 2010, the Company's Board of Directors approved the distribution of net income of R$ 774,429 as at June 30, 2010, as interim dividends, corresponding to R$ 1.609579599 per share.

During the year, the Company paid R$ 1,423,550 in respect of the dividends declared at December 31, 2009 and June 30, 2010.

25.5 - Allocation of Net Income for the Year

The Company's by-laws assure shareholders of a minimum dividend of 25% of net income, adjusted in accordance with the law.

For this year, Company management is proposing distribution of the remaining balance of the net income, by declaration of R$ 486,040 in the form of dividends, corresponding to R$ 1.010190770 per share, as shown below:

Net income - Parent company	**1,538,281**
Prescribed Dividend	6,406
Constitution of Legal Reserve	(76,914)
Realization of comprehensive income	26,974
Net loss on first time adoption of IFRS	(234,278)
Net Income Base for Allocation	1,260,469
Interim Dividend	(774,429)
Proposed Dividend	**486,040**

(26) EARNINGS PER SHARE

Basic earnings per share

Calculation of the basic earnings per share at December 31, 2010 was based on the profit of R$ 1,538,281 attributable to CPFL Energia (R$ 1,657,297 at December 31, 2009) and the average weighted number of common shares outstanding during the year ended December 31, 2010, as shown below:

	December 31, 2010	**Decembe 200**
Net income attributable to CPFL Energia	**1,538,281**	**1,6**
Weighted average number of common shares		
Shares issued on January 1	479,910,938	479,9
Shares issued on April 26, 2010	1,226,192	
Weighted average number of common shares as of December 31	**480,747,436**	**479,9**
Earnings per share - attributable to CPFL Energia	**3.20**	

Diluted earnings per share

In 2010 and 2009, the Company held no notes convertible into shares to be taken into account in calculating the earnings per share.

(27) OPERATING REVENUE

	Number of Consumers (*)		GWh (*)		R$ Thousand	
Revenue from Eletric Energy Operations	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Consumer class						
Residential	5,880,204	5,695,689	12,983	12,346	5,416,581	5,098,424
Industrial	78,261	77,166	15,413	14,970	4,123,723	4,127,319
Commercial	490,554	496,377	7,695	7,297	2,795,127	2,700,025
Rural	237,903	238,566	2,100	2,257	434,519	438,666
Public Administration	45,386	44,051	1,112	1,074	384,742	376,735
Public Lighting	8,096	7,933	1,444	1,408	303,862	293,463
Public Services	7,239	6,738	1,742	1,664	470,323	462,431
Billed	6,747,643	6,566,520	42,489	41,016	13,928,877	13,497,063
Own Consumption	783	768	33	33		
Unbilled (Net)					1,304	43,217
Emergency Charges - ECE/EAEE					7	(5)
Reclassification to Network Usage Charge - TUSD - Captive Consumers					(5,843,561)	(6,025,716)
Electricity sales to final consumers			**42,522**	**41,049**	**8,086,627**	**7,514,559**
Furnas Centrais Elétricas S.A.			3,026	3,026	347,472	353,554
Other Concessionaires and Licensees			7,217	7,016	731,493	854,852
Current Electric Energy			2,495	2,883	117,156	90,732
				12,925	**1,196,121**	**1,299,138**

Electricity sales to wholesaler	**12,738**		
Revenue due to Network Usage Charge - TUSD - Captive Consumers		5,843,561	6,025,716
Revenue due to Network Usage Charge - TUSD - Free Consumers		1,127,795	789,357
Revenue from construction of concession infrastructure		1,043,678	615,557
Low Income Consumer´s Subsidy		31,245	31,970
Other Revenue and Income		227,651	215,013
Other operating revenues		**8,273,930**	**7,677,613**
Total gross revenues		**17,556,678**	**16,491,310**
Deductions from operating revenues			
ICMS		(2,728,416)	(2,613,276)
PIS		(265,444)	(263,951)
COFINS		(1,224,934)	(1,216,563)
ISS		(3,847)	(3,617)
Global Reversal Reserve - RGR		(53,985)	(61,407)
Fuel Consumption Account - CCC		(593,630)	(386,949)
Energy Development Account - CDE		(470,981)	(449,417)
Research and Development and Energy Efficiency Programs		(134,772)	(102,175)
PROINFA		(56,933)	(35,954)
Other		(7)	5
		(5,532,949)	(5,133,304)
Net revenue			**11,358,006**

12,023,729

(*) Information not examined by the independent auditors.

The details of the tariff adjustments for the distributors are as follows:

		2010		2009	
Company	**Month**	**Total adjustment**	**Effect perceived by consumers (*)**	**Total adjustment**	**Effect perceived by consumers (*)**
CPFL Paulista	April	2.70%	-5.69%	21.22%	21.56%
CPFL Piratininga	October	10.11%	5.66%	5.98%	-2.12%
RGE	June/April	12.37%	3.96%	18.95%	3.43%
CPFL Santa Cruz	February	10.09%	-2.53%	24.09%	11.85%
CPFL Leste Paulista	February	-13.21%	-8.47%	12.94%	10.61%
CPFL Jaguari	February	5.16%	3.67%	11.36%	9.40%
CPFL Sul Paulista	February	5.66%	4.94%	11.64%	10.23%
CPFL Mococa	February	3.98%	3.24%	11.18%	5.59%

(*) Represents the average effect perceived by consumers, as a result of the elimination from the tariff base of financial components added in the annual adjustment for the previous year

(28) COST OF ELECTRIC ENERGY

	Consolidated			
Cost of Electric Energy	**GWh (*)**		**R$ thousand**	
Electricity Purchased for Resale	**2010**	**2009**	**2010**	**2009**
Energy Purchased in Restricted Framework - ACR				
Tractebel Energia S.A.	7,482	6,827	1,108,578	973,
Itaipu Binacional	10,835	11,084	1,010,132	1,157,
Petróleo Brasileiro S.A. Petrobrás	1,717	1,721	207,011	210,
CESP - Cia Energética de São Paulo	1,759	1,808	175,467	171,
Furnas Centrais Elétricas S.A.	1,673	1,649	156,197	147,
CEMIG - Cia Energética de Minas Gerais	1,036	1,357	131,451	222,
CHESF - Cia Hidro Elétrica do São Francisco	1,343	1,318	119,594	113,
Termorio S.A.	454	248	119,028	75,
Copel Geração e Transmissão S.A.	694	713	69,817	69,
Tractebel Energia Comercializadora Ltda.	397	136	43,500	14,
Câmara de Comercialização de Energia Elétrica - CCEE	3,373	3,101	198,789	57,
PROINFA	1,133	958	182,674	169,
Other	4,726	5,574	593,054	663,
	36,622	**36,494**	**4,115,292**	**4,045,**
Energy Purchased in the Free Market - ACL	15,762	16,180	1,443,246	1,455,
	52,384	**52,674**	**5,558,538**	**5,501,**
Credit of PIS and COFINS			(508,463)	(521,3
Subtotal			**5,050,075**	**4,979,**
Electricity Network Usage Charge				
Basic Network Charges			899,112	901,
Transmission from Itaipu			88,568	84,
Connection Charges			68,985	59,
Charges of Use of the Distribution System			30,217	25,
System Service Charges - ESS			174,230	80,
Reserve Energy charges - EER			32,281	3,
			1,293,393	**1,154,**
Credit of PIS and COFINS			(120,978)	(120,1
Subtotal			**1,172,415**	**1,034,**
Total			**6,222,490**	**6,014,**

(*) Information not examined by the independent auditors.

(29) OPERATING COSTS AND EXPENSES

	Operating costs		Services Rendered to Third Parties		
	2010	**2009**	**2010**	**2009**	**20**
Personnel	351,447	332,033	279	640	8
Employee Pension Plans	(80,629)	(3,066)	-	-	
Materials	62,175	58,787	2,368	1,246	
Outside Services	199,065	160,887	2,358	1,742	8
Depreciation and Amortization	475,647	451,712	-	-	
Costs related to infrastructure construction	-	-	1,043,678	615,557	
Other:					
Collection charges	-	-	-	-	5
Allowance for doubtful accounts	-	-	-	-	5
Leases and Rentals	15,068	15,633	-	-	
Publicity and Advertising	-	-	-	-	
Legal, Judicial and Indemnities	-	-	-	-	
Donations, Contributions and Subsidies	-	-	-	-	
Inspection fee	-	-	-	-	
Loss (gain) on the write-off of noncurrent assets	-	-	-	-	
Free energy adjustment	-	-	-	-	
Intangible of concession amortization	-	-	-	-	
Other:	44,720	37,952	2,297	1,759	1
Total	**1,067,493**	**1,053,938**	**1,050,980**	**620,944**	**30**

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(30) FINANCIAL INCOME AND EXPENSES

	2010	2009
Financial Income		
Income from Financial Investments	156,420	94,356
Arrears of interest and fines	136,181	124,713
Restatement of tax credits	7,789	3,860
Restatement of Escrow Deposits	44,366	45,154
Monetary and Exchange Variations	42,548	22,171
Discount on purchase of ICMS credit	7,806	7,803
Interest - Extraordinary Tariff Adjustment	191	147
Interest on intercompany loans	5,894	2,460
PIS and COFINS of Interest on Shareholders' Equity	(18,253)	(18,476)
Guarantees	45,256	6,034
Other	54,917	63,138
Total	**483,115**	**351,360**
Financial Expense		
Debt Charges	(740,973)	(619,582)
Monetary and Exchange Variations	(90,381)	(37,107)
(-) Capitalized borrowing costs	132,938	84,931
Public utilities	(31,578)	(8,651)
Guarantees	(37,835)	(9,301)
Other	(69,229)	(71,356)
Total	**(837,058)**	**(661,066)**
Net financial income (expense)	**(353,943)**	**(309,706)**

(31) SEGMENT INFORMATION

The Company’s operating segments are separated by business segment (electric energy distribution, generation and commercialization), based on the internal financial information and management structure.

Profit or loss, assets and liabilities per segment include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis, if applicable. Prices charged between the segments are based on similar market transactions. Note 1 shows the subsidiaries in accordance with their areas of operation and provides further information about each subsidiary and its business area.

The segregated information by segment of activity is shown below, in accordance with the criteria established by Company management:

	Distribution	Generation	Commercializat
2010			
Net revenue	10,471,192	538,217	1,012
(-) Intersegment revenues	13,904	650,571	766
Income from electric energy service	1,852,867	616,416	302
Financial income	316,020	53,725	22
Financial expense	(394,999)	(323,441)	(22
Income before taxes	1,773,749	345,914	302
Income tax and social contribution	(604,865)	(88,731)	(95
Net Income	1,168,884	257,183	206
Total Assets (**)	11,689,503	7,568,600	349
Capital Expenditures and other intangible assets	1,127,637	645,040	27
Depreciation and Amortization	352,806	188,981	4
2009			
Net revenue	9,764,670	453,711	1,139
(-) Intersegment revenues	14,127	611,335	644
Income from electric energy service	1,860,801	649,561	292
Financial income	262,914	30,884	20
Financial expense	(361,852)	(222,990)	(9
Income before taxes	1,761,863	457,455	302
Income tax and social contribution	(602,761)	(125,711)	(93
Net Income	1,159,102	331,744	209
Total Assets (**)	10,696,228	6,761,330	422
Capital Expenditures and other intangible assets	667,614	550,565	9
Depreciation and Amortization	344,499	175,825	3

(*) Other - Refers basically to the CPFL Energia figures after eliminations of balances with related par

(**) The goodwill created in an acquisition and recorded in CPFL Energia was allocated to the respecti

(32) TRANSACTIONS WITH RELATED PARTIES

The Company is controlled by the following Companies:

- VBC Energia S.A.

Controlled by the Camargo Corrêa group, with operations in a number of segments, such as construction, cement, footwear, textiles, aluminum and highway concessions, among others.

- Bonaire Participações S.A.

Controlled by Energia São Paulo Fundo de Investimento em Participações, which in turn is controlled by the following pension funds: (a) Fundação CESP, (b) Fundação SISTEL de Seguridade Social, (c) Fundação Petrobras de Seguridade Social - PETROS, and (d) Fundação SABESP de Seguridade Social - SABESPREV.

- Fundo BB Carteira Livre I - Fundo de Investimento em Ações (“Fund")

Fund controlled by PREVI - Caixa de Previdência dos Funcionários do Banco do Brasil.

The direct and indirect participations in operating subsidiaries are described in Note 1.

Controlling shareholders, subsidiaries and associated companies, jointly controlled corporations and entities under common control and that in some way exercise significant influence over the Company are regarded as related parties. Balances and transactions involving related parties are shown in tables 32.1 and 32.2.

32.1) Transactions between related parties involving controlling shareholders, entities under common control or with significant influence:

	ASSETS		
	December 31, 2010	**December 31, 2009**	**Janu 1, 20**
Bank deposits and short-term investments			
Banco do Brasil S.A.	141,372	179,781	67,
Banco Nossa Caixa S.A.	-	196	
Loans and Financing, Debentures and Derivatives contracts (*)			
Banco do Brasil S.A.	-	10,352	266,
Other financial transactions			
Banco do Brasil S.A.	-	-	
Banco Nossa Caixa S.A.	-	-	
Energy sales in the free market			
Camargo Corrêa Cimentos S.A.	656	-	
Tavex Brasil S.A.	-	-	
Energy purchases in the free market			
NC Energia S.A.	42	2,238	2,
Vale S.A	-	-	
Vale Energia S.A.	-	-	
Cia Energetica de Pernambuco - Celpe	52	-	
Companhia de Eletricidade do Estado da Bahia - Coelba	342	-	
Materials and Service Provision			
Brasil Telecom S.A.	-	-	
Camargo Corrêa Cimentos S.A.	-	-	
Camargo Corrêa Geração de Energia S.A.	-	5	
Banco do Brasil S.A.	-	-	
Other revenue			
Brasil Telecom S.A.	2,671	890	
Property, plant and equipment acquisition			
Construções e Comércio Camargo Correa S.A.	55,986	36,536	145,

(*) Cost value, both for loans and for derivatives

32.2) Transactions between related parties involving subsidiaries and jointly-owned subsidiaries:

Companies	ASSETS December 31, 2010	December 31, 2009	January 1, 2009	LIABI December 31, 2010	Dec 31,
Intercompany allocation of expense					
Companhia Paulista de Força e Luz	-	-	1	-	
Companhia Piratininga de Força e Luz	-	-	-	-	
CPFL Comercialização Brasil S.A	-	-	-	-	
CPFL Geração de Energia S.A.	-	-	-	-	
Leasing and rental					
Companhia Paulista de Força e Luz	-	-	-	-	
Intercompany loans					
Centrais Elétricas da Paraiba S.A.		-		-	
CPFL Atende Centro de Cont. e Aten. Ltda	12,384	6,238	1,045	-	
CPFL Bioenergia S.A.	-	14,422	-	-	
CPFL Serv. Equip. Ind. e Com. S.A.	2,491	1,430	-	-	
Companhia Luz e Força de Mococa	-	3,012	-	-	
Dividend / Interest on shareholders' equity					
Companhia Luz e Força de Mococa	3,648	500	-	-	
Companhia Luz e Força Santa Cruz	12,000	7,000	10,000	-	
Companhia Leste Paulista de Energia	-	4,957	-	-	
Companhia Paulista de Força e Luz	237,000	-	-	-	
Companhia Piratininga de Força e Luz	-	138,829	-	-	
Companhia Sul Paulista de Energia	-	5,836	-	-	
CPFL Comercialização Brasil S.A	75,000	-	-	-	
CPFL Geração de Energia S.A.	85,000	-	148,203	-	
CPFL Serv. Equip. Ind. e Com. S.A.	-	3,648	-	-	
Rio Grande Energia S.A.	-	41,002	-	-	
Advance to future capital increase					
CPFL Jaguariúna S.A.	445	140		-	
Perácio Participações S.A.	-	-	409,310		
Other					
Perácio Participações S.A.	-	-	4,233	-	

32.3) The main transactions are described below:

a) **Bank deposits and short-term investments –** refer mainly to bank deposits and short-term financial investments, as mentioned in Note 6.

b) **Loans and Financing, Debentures and Derivatives** – relate to funds raised in accordance with Notes 17 and 18, contracted under the normal market conditions at the time.

c) **Other Financial Transactions** – the amounts in relation to Banco do Brasil are bank costs and collection expenses. The balance recorded in liabilities comprises basically the rights over the payroll processing of certain subsidiaries, negotiated with Banco do Brasil, which are appropriated as an income in the statement of operations over the term of the contract. The Company also has an Exclusive Investment Fund managed by BB DTVM, which charges management fees under normal market conditions for such management.

d) **Property, plant and equipment, Materials and Service Provision** – refers to the acquisition of equipment, cables and other materials for use in distribution and generation, and contracting of services such as construction and information technology consultancy. These operations were contracted under normal market conditions.

e) **Energy sales to the free market** – refers basically to energy sales to free consumers, through short or long-term contracts made under conditions regarded by the Company as being market conditions at the time of the negotiation, in accordance with internal policies established in advance by Company management.

f) **Energy purchased in the free market** – refers basically to energy purchased by the trading companies in accordance with short or long-term agreements made under conditions regarded by the Company as being market conditions at the time of the negotiation, in accordance with policies established in advance by Company management.

g) **Other revenue** – refers basically to revenue from rental of use of the distribution system for telephony services.

The subsidiaries that are public distribution service concessionaires charge tariffs for the use of the distribution system (TUSD) and sell energy to related parties in their respective concession areas (captive consumers). The amounts charged are established in accordance with prices regulated by the regulatory agency. These distributors also purchase energy from related parties, mainly involving long-term agreements, in conformity with the rules established by the sector (principally by auction); these prices are also regulated and approved by ANEEL.

Additionally, certain subsidiaries have supplementary retirement plan maintained with Fundação CESP and offered to the employees of the subsidiaries, as mentioned in Note 19.

To ensure that commercial transactions with related parties are conducted under normal market conditions, the Company set up a Related Parties Committee, comprising representatives of the controlling shareholders, responsible for analyzing the main transactions with related parties.

The Company guarantees certain loans raised by its subsidiaries, as mentioned in Notes 17 and 18.

The total remuneration of key management personnel in 2010, in accordance with CVM Decision nº 560/2008, was R$ 18,260. This amount comprises R$ 16,152 in respect of short-term benefits, R$ 624 for post-employment benefits and R$ 1,484 for other long-term benefits, and refers to the amount recorded by the accrual method.

(33) INSURANCE

The insurance cover maintained by the subsidiaries is based on specialized advice and takes into account the nature and degree of risk. The amounts are considered sufficient to cover any significant losses on assets and/or responsibilities. The principal insurance policies in the financial statements are:

DESCRIPTION	TYPE OF COVER	2010	2009	2008
Property, Plant and Equipment	Fire, Lightning, Explosion, Machinery breakdown, Electrical Damage and Engeneering Risk	4,605,688	3,935,861	3,984,443
Transport	National Transport	197,712	101,000	75,600
Stored Materials	Fire, Lightning, Explosion and Robbery	18,729	30,423	27,830
Automobiles	Comprehensive Cover	3,531	2,138	6,886

Civil Liability	Electric Energy Distributors	20,134	19,996	19,999
Personnel	Group Life and Personal Accidents	68,532	76,617	125,544
Other	Operational risks and other	31,598	125,048	529,740
Total		**4,945,924**	**4,291,083**	**4,770,042**

Information not examined by the independent auditors.

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(34) FINANCIAL INSTRUMENTS

The main financial instruments, classified in accordance with the group’s accounting practices, are:

a) Financial assets

a.1) Measured at amortized cost

Loans and receivables	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Consumers, Concessionaires and Licensees	2,011,830	1,977,745	1,881,485
Leases	31,068	24,192	6,389
Other			
Receivables from BAESA's shareholders	17,128	31,006	42,443
Pledges, Funds and Tied Deposits	91,159	101,566	133,419
Fund Tied to Foreign Currency Loans	21,221	19,148	30,023
Services Rendered to Third Parties	73,163	48,845	18,642
Reimbursement RGR	7,592	7,115	5,939
Collection Agreements	26,573	4,263	-
	2,279,734	2,213,880	2,118,340

Held to maturity	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Financial investments	81,749	101,432	125,366
Receivables - CESP	-	8,923	35,985
	81,749	110,355	161,351

a.2) Measured at fair value

Measured at fair value through profit or loss	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Cash and cash equivalent	1,562,895	1,487,243	758,454
Derivatives	326	8,676	433,395
Financial investments	33,606	17,656	9,669
	1,596,827	1,513,575	1,201,518

Available for sale	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Financial asset of concession	934,646	674,029	582,241

b) Financial liabilities

b.1) Measured at amortized cost

	December 31, 2010	**December 31, 2009**	**January 1, 2009**
Suppliers	(1,047,392)	(1,064,107)	(1,071,215)
Loans and financing - Principal and interest	(5,141,556)	(3,452,942)	(3,229,633)
Debentures - Principal and interest	(3,840,340)	(3,351,478)	(2,709,079)
Regulatory Charges	(123,542)	(63,750)	(94,530)
Other			
Consumers, Concessionaires and Licensees	(63,584)	(50,250)	(50,545)
National Scientific and Technological Development Fund - FNDCT	(3,076)	(4,705)	(28,458)
Energy Research Company - EPE	(1,206)	(2,008)	(13,707)
Collection Agreements	(51,271)	(27,137)	(14,584)
Reversal Fund	(17,751)	(17,751)	(17,751)
	(10,289,718)	(8,034,128)	(7,229,502)

b.2) Measured at fair value through profit or loss

Measured at fair value through profit or loss	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Held for trade			
Derivatives	(11,864)	(12,706)	(54,404)
Initial recognition (1)			
Loans and financing - certain debts	(424,827)	(1,095,103)	(1,516,833)
	(436,691)	(1,107,809)	(1,571,237)

(1) Due to the initial recognition at fair value of the above financial liability, the consolidated result was a loss of R$ 52 in 2010 (R$ 56,609 in 2009).

c) Valuation of financial instruments

IFRS 7 requires classification at three levels of hierarchy for measurement of the fair value of financial instruments, based on observable and unobservable information in relation to valuation of a financial instrument at the measurement date.

IFRS 7 also defines observable information as market data obtained from independent sources and unobservable information that reflects market assumptions.

The three levels of fair value are:

· Level 1: quoted prices in an active market for identical instruments;

· Level 2: observable information other than quoted prices in an active market that are observable for the asset or liability, directly (i.e. as prices) or indirectly (i.e. derived from prices);

· Level 3: inputs for the instruments that are not based on observable market data (unobservable inputs).

The classification in accordance with the fair value hierarchy of the Company's financial instruments, measured at fair value, is as follows:

	December 31, 2010			**December 31, 2009**			
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**	**L**
Cash and cash equivalents	1,562,895	-	-	1,487,243	-	-	
Derivatives	-	(11,538)	-	-	(4,030)	-	
Loans and financing	-	(424,827)	-	-	(1,095,103)	-	
Financial investments	33,606	-	-	17,656	-	-	
Financial asset of concession	-	-	934,646	-	-	674,029	
	1,596,501	(436,365)	934,646	1,504,899	(1,099,133)	674,029	

Since the distribution subsidiaries have classified their financial concession assets as available-for-sale, as mentioned in Note 3.2, the relevant factors for measurement at fair value are not publicly observable. The fair value hierarchy classification is therefore level 3. The changes between years and the respective gains (losses) in the equity valuation reserve are disclosed in Note 12.

The comparative information on marking to market the other financial instruments measured at amortized cost is described below:

It is assumed that financial instruments such as accounts receivable from consumers, concessionaires and licensees and accounts payable to suppliers are already close to the respective market values.

At December 31, 2010 and 2009, the market values of the financial instruments obtained by the methodology described in Note 4, are as follows:

	December 31, 2010		**December 31, 2009**	
	Accounting balance	**Fair value**	**Accounting balance**	**Fair value**
Loans and financing (note 18)	(5,141,556)	(4,870,909)	(3,452,942)	(3,194,735)
Debentures (note 19)	(3,840,340)	(3,891,397)	(3,351,478)	(3,392,071)
Total	**(8,981,896)**	**(8,762,306)**	**(6,804,420)**	**(6,586,806)**

In the case of specific electricity sector operations, where there are no similar transactions in the market and with low liquidity, mainly related to the regulatory aspects and credits receivable from CESP, the subsidiaries assumed that the market value is represented by the respective carrying amount. This is due to the uncertainties reflected in the variables which have to be taken into consideration in creating a pricing model.

The Company recognized in "Investments at cost" in the consolidated financial statements the 5.93% interest held by the indirect subsidiary Paulista Lajeado Energia S.A. in the total capital of Investco S/A, in the form of 28,154 common shares and 18,508 preferred shares. As the shares of that company are not quoted on the stock exchange and the main objective of it operations is to generate electric energy for commercialization by the shareholders who hold the concession, the Company opted to recognize the investment at cost.

d) Derivatives

The Company and its subsidiaries have a policy of using derivatives as a hedge against the risks of variations in exchange and interest rates, without any speculative purposes. The Company and its subsidiaries have an exchange hedge compatible with the net exposure to exchange risks, including all the assets and liabilities tied to exchange variation.

The hedge instruments contracted by the Company and its subsidiaries are currency or interest rate swaps with no leverage component, margin call requirements or daily or periodical adjustments. As terms of the majority of the derivatives contracted by the subsidiary CPFL Paulista are fully aligned with the debts protected, and in order to obtain more relevant and consistent accounting information through the recognition of income and expenses, certain debts were designated at fair value, for accounting purposes. Other debts with different terms from the derivatives contracted as a hedge continue to be recorded at amortized cost. Furthermore, the Company and its subsidiaries do not adopt hedge accounting for derivative operations.

At December 31, 2010, the Company and its subsidiaries had the following swap operations:

Company / strategy / counterparts	Market values (book values)		Market values, net	Values at cost, net	Gain (Loss) on marking to market	Currency / index
	Asset	**(Liability)**				
Derivatives for protection of debts designated at fair value						
Exchange variation hedge						
CPFL Paulista						
ABN	-	(7,421)	(7,421)	186	(7,607)	yen
Subtotal	**-**	**(7,421)**	**(7,421)**	**186**	**(7,607)**	
Derivatives for protection of debts not designated at fair value						
Exchange variation hedge						
CPFL Paulista						
Itau BBA	-	(606)	(606)	(606)	-	dollar
CPFL Geração						
Itaú BBA	-	(2,760)	(2,760)	(2,618)	(142)	dollar
Hedge interest rate variation (1)						
CPFL Energia						
Citibank	-	(583)	(583)	7	(590)	CDI + spread
RGE						
Santander	289	-	289	95	194	CDI + spread
Citibank	37	(2)	35	8	27	CDI + spread
Hedge interest rate variation (2)						
CPFL Piratininga						

HSBC	-	(114)	(114)	6	(120)	TJLP
Santander	-	(137)	(137)	(3)	(134)	TJLP
CPFL Geração						
HSBC	-	(241)	(241)	(9)	(245)	TJLP
Subtotal	**326**	**(4,443)**	**(4,117)**	**(3,120)**	**(1,010)**	
Total	**326**	**(11,864)**	**(11,538)**	**(2,934)**	**(8,617)**	
Circulante	244	(3,981)				
Não circulante	82	(7,883)				
Total	**326**	**(11,864)**				

* For further details of terms and information about debts and debentures, see Notes 18 and 19

(1) The interest rate hedge swaps have half-yearly validity, so the notional value reduces in accordan

(2) The interest rate hedge swaps have monthly validity, so the notional value reduces in accordance

The subsidiary CPFL Paulista opted to mark to market the debt with fully tied hedge instruments, resulting in a gain of R$ 4,965 at December 31, 2010 (Note 17). The gain minimized the loss on derivatives stated previously.

The Company and its subsidiaries have recorded gains and losses on their derivatives. However, as these derivatives are used as a hedge, these gains and losses minimized the impact of variations in exchange and interest rates on the protected indebtedness. For the years 2010 and 2009, the derivatives resulted in the following impacts on the consolidated result:

Company	Hedged risk / Operation	Account	2
CPFL Energia	Interest rate variation	Financial expense - Swap transactions	
CPFL Energia	Marking to market	Financial expense - Adjustment to fair value	
CPFL Paulista	Exchange variation	Financial expense - Swap transactions	
CPFL Paulista	Marking to market	Financial expense - Adjustment to fair value	
CPFL Piratininga	Interest rate variation	Financial expense - Swap transactions	
CPFL Piratininga	Marking to market	Financial expense - Adjustment to fair value	
CPFL Geração	Exchange variation	Financial expense - Swap transactions	(1
CPFL Geração	Interest rate variation	Financial expense - Swap transactions	
CPFL Geração	Marking to market	Financial expense - Adjustment to fair value	
RGE	Exchange variation	Financial expense - Other financial exp	
RGE	Interest rate variation	Financial expense - Other financial exp	
RGE	Marking to market	Financial expense - Derivative adjustment to fair value	
			(1

e) Sensitivity Analysis

In compliance with CVM Instruction n° 475/08, the Company and its subsidiaries performed sensitivity analyses of the main risks to which their financial instruments (including derivatives) are exposed, mainly comprising variations in exchange and interest rates, as shown below:

e.1) Exchange variation

If the level of exchange exposure at December 31, 2010 is maintained, the simulation of the consolidated effects by type of financial instrument for three different scenarios would be:

Instruments	Exposure	Risk	Exchange depreciation of 8.9%*	Exchange depreciation of 25%**	Exchan depreciaof 50%
Financial asset instruments	21,221	apprec. dollar	1,879	5,305	10
Financial liability instruments	(138,953)	apprec. dollar	(12,301)	(34,741)	(69,
Derivatives - Plain Vanilla Swap	83,328	apprec. dollar	7,377	20,834	41
	(34,404)		**(3,045)**	**(8,602)**	**(17,**
Financial liability instruments	(424,827)	apprec. yen	(37,608)	(106,207)	(212,
Derivatives - Plain Vanilla Swap	424,827	apprec. yen	37,608	106,207	212
	-		**-**	**-**	
	(34,404)		**(3,045)**	**(8,602)**	**(17,**

* In accordance with exchange graphs contained in information provided by the BM&F

**In compliance with CVM Instruction 475/08

e.2) Variation in interest rates

If (i) the scenario of exposure of the financial instruments indexed to variable interest rates at December 31, 2010 were to be maintained, and (ii) the respective accumulated annual indexes as of that date were to remain stable (CDI 9.71% p.a.; IGP-M 11.32% p.a.; TJLP 6.0% p.a.), the effects on the consolidated financial statements for the next company year would be a net financial expense R$ 526,941. In the event of fluctuations in the indexes in accordance with the three scenarios described, the effect on the net financial expense would as follows:

Instruments	Exposure	Risk	Scenario I*	Raising index by 25%**	Raising index by 50%**
Financial asset instruments	1,718,110	CDI variation	38,482	41,708	83,414
Financial liability instruments	(5,242,137)	CDI variation	(116,323)	(127,253)	(254,505)
Derivatives - Plain Vanilla Swap	(628,272)	CDI variation	(14,325)	(15,251)	(30,502)
	(4,152,299)		**(92,166)**	**(100,796)**	**(201,593)**
Financial assets instruments	81,749	IGP-M variation	(4,831)	2,313	4,627
Financial liability instruments	(65,263)	IGP-M variation	3,857	(1,847)	(3,694)
	16,486		**(974)**	**466**	**933**
Financial liability instruments	(3,238,304)	TJLP variation	5,099	(48,574)	(97,150)
Derivatives - Plain Vanilla Swap	108,579	TJLP variation	(173)	1,629	3,257
	(3,129,725)		**4,926**	**(46,945)**	**(93,893)**
Total increase	**(7,265,538)**		**(88,214)**	**(147,275)**	**(294,553)**

* The CDI, IGP-M and TJLP indexes considered of 11.99%, 5.41% and 5.84%, respectively, were obtained from information available in the market
**In compliance with CVM Instruction 475/08

(35) RISK MANAGEMENT

The business of the Company and its subsidiaries comprises principally generation, commercialization and distribution of electric energy. As public service concessionaires, the operations and/or tariffs of its principal subsidiaries are regulated by ANEEL.

Risk management structure:

The Board of Directors is responsible for allocating priorities in respect of the risks to be monitored by the Company, confirming the tolerance levels approved by the Executive Board and being aware of the corporate risk management model adopted by the Company. The Executive Board is responsible for developing and implementing action and risk monitoring plans. The Risk Management and Internal Controls Department and the Corporate Risk Management Committee were set up to assist it in this process. Since its creation, the Risk Management and Internal Controls Department has drawn up the Corporate Risk Management Policy, approved by the Executive Board and the Board of Directors, set up the Corporative Risk Management Committee, comprising directors appointed to represent each Management Unit, and the internal rules, and is implementing the Corporate Risk Management model for the Group with regard to Strategy (guidelines, risk map and treatment), Processes (planning, execution, monitoring and reports), Systems, Organization and Governance.

The risk management policies are established to identify, analyze and treats the risks faced by the Company and its subsidiaries, and includes reviewing the model adopted wherever necessary to reflect changes in market conditions and in the Group's activities, with a view to developing an environment of disciplined and constructive control.

The Group's Board of Directors is assisted in its supervisory role by the Internal Audit department. The Internal audit department conducts both the regular reviews and the ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors and the Fiscal Council.

The main market risk factors affecting the businesses are as follows:

Exchange rate risk: This risk derives from the possibility of the subsidiaries incurring losses and cash constraints on account of fluctuations in exchange rates, increasing the balances of foreign currency denominated liabilities. The exposure in relation to raising funds in foreign currency is largely covered by contracting swap operations, which allow the Company and its subsidiaries to exchange the original risks of the operation for the cost of the variation in the CDI. The operations of the Company’s subsidiaries are also exposed to exchange variations on the purchase of electric energy from Itaipu. The compensation mechanism - CVA protects the companies against possible losses. However, the compensation only comes into effect through consumption and the consequent billing of energy after the next tariff adjustment in which such losses have been considered. The quantification of this risk is measured in Note 34 (e.1).

Interest Rate Risk: This risk derives from the possibility of the Company and its subsidiaries incurring losses due to fluctuations in interest rates that increase financial expenses on loans, financing and debentures. The subsidiaries have tried to increase the proportion of pre-indexed loans or loans tied to indexes with lower rates and little fluctuation in the short and long term. The quantification of this risk is measured in Note 34 (e.2).

Credit Risk: This risk arises from the possibility of the subsidiaries incurring losses resulting from difficulties in receiving amounts billed to customers. This risk is evaluated by the subsidiaries as low, as it is spread over the number of customers and in view of the collection policy and cancellation of supply to defaulting consumers.

Risk of Energy Shortages: The energy sold by the subsidiaries is basically generated by hydropower plants. A prolonged period of low rainfall, together with an unforeseen increase in demand, could result in a reduction in the volume of water in the power plants' reservoirs, compromising the recovery of their volume, and resulting in losses due to the increase in the cost of purchasing energy or a reduction in revenue due to the introduction of another rationing program, as in 2001. According to the Annual Energy Operation Plan – PEN of July 2010, drawn up by the Operador Nacional do Electricity System, National Electricity System Operator, the risk of any energy deficit is very low for 2011, and the likelihood of another energy rationing program is remote.

Risk of Acceleration of Debts: The subsidiaries have loan agreements, financing and debentures with restrictive clauses (covenants) normally applicable to these kinds of operation, related to compliance with economic and financial ratios, cash generation, etc. These covenants are monitored appropriately and do not restrict the capacity to operate normally.

Regulatory risk: The electric energy supplied tariffs charged to captive consumers by the distribution subsidiaries are fixed by ANEEL, at intervals established in the Concession Agreements entered into with the Federal Government and in conformity with the periodic tariff review methodology established for the tariff cycle. Once the methodology has been ratified, ANEEL establishes tariffs to be charged by the distributed to the end consumers. In accordance with Law 8.987/1995, the tariffs fixed should insure the economic and financial balance of the concession contract at the time of the tariff review, however, the risk of application of the tariffs falls to the electric energy distributors.

Risk Management for Financial instruments: The Company and its subsidiaries maintain operating and financial policies and strategies to protect the liquidity, safety and profitability of their assets. They accordingly control and follow-up procedures are in place on the transactions and balances of financial instruments, for the purpose of monitoring the risks and current rates in relation to market conditions.

Risk management controls: In order to manage the risks inherent to the financial instruments and to monitor the procedures established by management, the Company and its subsidiaries use the MAPS software system to calculate the Mark to Market, Stress Testing and Duration of the instruments, and assess the risks to which the Company and its subsidiaries are exposed. Historically, the financial instruments contracted by the Company and its subsidiaries supported by these tools have produced adequate risk mitigation results. It must be stressed that the Company and its subsidiaries have a formal policy of contracting derivatives, always with the appropriate levels of approval, only in the event of exposure that management regards as a risk. The Company and its subsidiaries do not enter into transactions involving exotic or speculative derivatives. Furthermore, the Company and its subsidiaries meet the requirements of the Sarbanes-Oxley Law, and accordingly have internal control policies that aim for a strict control environment to minimize the exposure to risks.

(36) COMMITTMENTS

The Company’s commitments in relation to long-term energy purchase agreements and plant construction projects are as follows:

Commitments as of December 31, 2010	Duration	2011	2012	2013	2014
Energy purchase contracts (except Itaipu)	2 to 20 years	6,096,973	6,348,357	6,185,466	5,885,869
Itaipu	20 years	1,056,770	1,126,101	1,111,831	1,085,482
Power plant construction projects (a)	2 to 31 years	493,531	232,616	31,559	30,759

TOTAL	7,647,275	7,707,074	7,328,855	7,002,111

(a) Power plant construction projects include commitments made by the Company corresponding t
construction, concession acquisition and bank guarantees relating to the jointly-controlled under dev

(37) REGULATORY ASSETS AND LIABILITIES

The Company accounts for the following assets and liabilities for regulatory purposes, which are not recognized in the consolidated financial statements, as mentioned in Note 3.13.

	December 31, 2010	December 31, 2009	January 1, 2009
Assets			
Consumers, Concessionaires and Licensees			
Extraordinary tariff adjustment	-	-	328
Free energy	-	-	5,985
Discounts TUSD (*) and Irrigation	54,407	12,753	35,976
Other financial components	-	199	7,058
	54,407	**12,952**	**49,347**
Deferred Costs Variations			
Parcel "A"	332	1,290	236,307
CVA (**)	333,620	374,336	559,357
	333,952	**375,626**	**795,664**
Prepaid Expenses			
Overcontracting	23,860	100,326	99,313
Low income consumers' subsidy - Losses	34,994	55,506	68,842
Neutrality of the sector charges	4,078	-	-
Other financial components	49,235	11,556	9,358
	126,058	**167,388**	**177,513**
Liabilities			
Deferred Gains Variations			
Parcel "A"	(11,472)	(44,419)	(15,360)
CVA	(364,363)	(377,735)	(191,289)
	(375,835)	**(422,154)**	**(206,649)**
Other Accounts Payable			
Tariff review	-	(89,261)	(34,692)
Discounts TUSD and Irrigation	(1,923)	(991)	(797)
Tariff adjustment	(3,556)	-	-
Overcontracting	(61,391)	(17,541)	(51,634)
Low income consumers' subsidy - Gains	(6,280)	(6,011)	(13,154)

Neutrality of the sector charges	(63,905)	-	-
Other financial components	(26,111)	(12,137)	(24,642)
	(163,166)	**(125,941)**	**(124,919)**
Total net	**(24,584)**	**7,871**	**690,956**

(*) Network Usage Charge - TUSD

(**) Deferred Tariff Costs and Gains Variations from Parcel "A" itens - ("CVA")

The main characteristics of the regulatory assets and liabilities are:

a) TUSD Discounts and Irrigation

The distribution subsidiaries recognize regulatory assets and liabilities in relation to the special discounts applied on the TUSD to the free consumers, in respect of electric energy supplied from alternative sources and on the tariffs for energy supplied for irrigation and aquaculture.

b) Parcel “A”

Corresponds to the variation in the non-manageable costs representing Parcel "A" of the concession agreements between January 1 and October 25, 2001, during the rationing period.

c) CVA

Refers to the mechanism for offsetting the variations in unmanageable costs incurred by the electric energy distribution concessionaires. These variations are calculated in accordance with the difference between the expenses effectively incurred and the expenses estimated at the time of establishing the tariffs in the annual tariff adjustments. The amounts taken into consideration in the CVA are restated at the SELIC rate.

d) Overcontracting

Electric energy distribution concessionaires are obliged to guarantee 100% of their energy and power market through contracts approved, registered and ratified by ANEEL, and are also assured that costs or income derived from overcontracting will be passed on to the tariffs, restricted to 3% of the energy load requirement.

e) Subsidy - Low Income

Refers to the subsidies granted to consumers entitled to the Social Electric Energy Tariff (Low Income) if they are enrolled in the Sole Register for Federal Government Social (Cadastro Único para Programas Sociais do Governo Federal – CadÚnico), irrespective of their energy consumption if they are enrolled in the Sole Register for Federal Government Social (Cadastro Único para Programas Sociais do Governo Federal – CadÚnico), irrespective of their energy consumption.

f) Neutrality of the Sector Charges

Refers to the neutrality of the sector charges in the tariff, calculating the monthly differences between the amounts billed and the amounts considered in the tariff.

g) Tariff Adjustment and Tariff Review

Financial components were accepted in the Company’s tariff adjustment, so as to adjust previous tariff reviews or adjustments.

h) Other Financial Components

Mainly refers to CCEAR exposure, financial guarantees, subsidies to cooperatives and licensees and TUSD G financial adjustment.

(38) RELEVANT FACTS AND SUBSEQUENT EVENTS

38.1 February tariff adjustments

In Ratification Resolutions dated February 1, 2011, ANEEL fixed the tariff adjustments for the subsidiaries CPFL Santa Cruz, CPFL Jaguari, CPFL Mococa, CPFL Leste Paulista and CPFL Sul Paulista. The details of the adjustments are as follows.

	CPFL Santa Cruz	CPFL Jaguari	CPFL Mococa	CPFL Leste Paulista	CPFL Sul Paulista
Average adjustment	23.61%	5.47%	9.50%	7.76%	8.02%
Economic adjustment	8.01%	5.22%	6.84%	6.42%	6.57%
Financial Components	15.61%	0.25%	2.66%	1.34%	1.45%
Effect perceived by consumers	15.38%	6.62%	9.77%	16.44%	7.11%
Ratification Resolution - ANEEL	1.108/11	1.106/11	1.109/11	1.107/11	1.111/11

38.2 Acquisition of Jantus

In this quarter, CPFL Energia, through its subsidiary CPFL Comercialização Brasil S.A. acquired all the shares of Jantus, a company that controls SIIF Énergies do Brasil Ltda. and SIIF Desenvolvimento de Projetos de Energia Eólica Ltda., this transaction is subject to accomplish certain conditions stipulated in the Sale and Purchase Agreement, including authorizations from all regulatory agencies concerned. Together they hold (i) four wind farms in operation (Formosa, Icaraizinho, Paracuru SIIF Cinco) in the state of Ceara with an installed capacity of 210 MW and energy sale agreements for 20 years with Eletrobras, (ii) a wind farm project located in the State of Rio de Janeiro with an installed capacity of 135 MW potential and also long-term sale power agreement with Eletrobrás, and iii) a portfolio of wind projects with total installed capacity of 732 MW in the Ceara and Piaui, of which 412 MW are already certified and eligible to participate in the upcoming auctions of energy.

The acquisition price of Jantus that includes wind farms in operation and the portfolio of projects was R$ 950 million, and a net debt of R$ 544.2 million will be assumed.

38.3 Association of CPFL Energia with ERSA

On April 19, 2011, CPFL Energia signed an agreement with the shareholders of ERSA Energias Renováveis S.A. (ERSA), whereby intend to merge assets and projects relating to renewable energy sources held by the subsidiaries CPFL Geração and CPFL Brasil, which includes wind farms, biomass and small hydroelectric power plants.

After a series of predicted restructurings, CPFL Geração and CPFL Brasil will join the control of ERSA, as majority shareholder, holding together, 63.6% of total voting capital of ERSA, while the current shareholders of ERSA will hold 36.4%. When the merger transaction described above is completed, ERSA will have its corporate name changed to CPFL Energias Renováveis S.A. (CPFL Renováveis).

The exchange ratio between the shares of ERSA and Nova CPFL shares for purposes of the merger, is based on the economic value of ERSA and economic value of assets owned by CPFL Geração and CPFL Brasil that will be contributed to Nova CPFL, and will be confirmed by appraisal reports prepared by specialized firms, in compliance with applicable law. In the context of the association, the assets involved were valued at R$ 4.5 billion.

This association is subject to certain conditions set by the Joint Venture Agreement, including authorizations to regulatory agencies and corporate reorganizations of companies controlled by CPFL Energia, as well as to be in compliance with terms and conditions regarding the acquisition of Jantus, a company that controls SIIF Énergies do Brazil Ltda. and SIIF Desenvolvimento de Projetos de Energia Eólica Ltda.

38.4 Dividend payment

The general shareholders' meeting held on April 28, 2011 approved the destination of the net income for the fiscal year ended on December 31, 2010, through (i) constitution of capital reserve in the amount of R$76,914; (ii) declaration of R$ 774,429 paid as interim dividend on September 30, 2010, and (iii) approval of R$486,040 related to additional dividend proposed. On April 29 we paid the additional dividend proposed.

38.5 CPFL Paulista 2011 Tariff adjustment

Through Resolution No. 1130 of April 5, 2011, the rates of the subsidiary CPFL Paulista were, on average, adjusted from April 8 in 7.38% (seven point thirty-eight percent). This is composed by 6.11% (six point eleven percent) for the economic annual tariff adjustment, and 1.26% (one point twenty six percent) is related to the regulatory adjustment, corresponding to an average increase of 7.23% (twenty-seven point three percent) to captive consumers.

38.6 Issuance of debentures

On May 23, 2011, our Board of Directors approved the issuance of debentures by certain of our subsidiaries in the total amount of R$2,778 million. Of this amount, R$484 million will be issued be issued by CPFL Paulista, R$680 million by CPFL Geração, R$160 million by CPFL Piratininga, R$ 70 million by RGE and R$65 million by CPFL Santa Cruz. These amounts will be used as working capital and to refinance part of these companies' debt. CPFL Brasil will issue R$1,320 million to finance new investments.

(39) ADDITIONAL INFORMATION

CONSOLIDATED STATEMENTS OF ADDED VALUE
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(In thousands of Brazilian reais – R$)

	2010	2009
1- Revenues	**18,421,036**	**16,963,483**
1.1 Operating revenues	16,513,001	15,875,755
1.2 Revenue from infrastructure construction	1,043,678	615,557
1.3 Revenues related to the construction of own assets	916,026	508,421
1.4 Provision for losses on the realization of regulatory assets	(51,669)	(36,250)
2 - (-) Inputs	**(9,535,417)**	**(8,461,851)**
2.1 Electricity Purchased for Resale	(6,914,197)	(6,695,256)
2.2 Material	(1,095,907)	(590,704)
2.3 Outsourced Services	(1,185,662)	(825,670)
2.4 Other	(339,651)	(350,221)
3 - Gross Added Value (1 + 2)	**8,885,619**	**8,501,632**
4 – Retentions	**(720,528)**	**(697,869)**
4.1 Depreciation and Amortization	(537,913)	(510,970)
4.2 Amortization of intangible assets	(182,615)	(186,899)
5 - Net Added Value Generated (3 + 4)	**8,165,091**	**7,803,763**
6 - Added Value Received in Transfer	**521,084**	**378,423**
6.1 Financial Income	521,084	378,423
6.2 Equity in Subsidiaries	-	-
7 - Added Value to be Distributed (5 + 6)	**8,686,175**	**8,182,186**
8 - Distribution of Added Value		
8.1 Personnel and Charges	**498,110**	**533,508**
8.1.1 Direct Remuneration	379,198	357,309
8.1.2 Benefits	89,235	147,277
8.1.3 Government severance indemnity fund for employees - F.G.T.S.	29,677	28,922
8.2 Taxes, Fees and Contributions	**5,681,647**	**5,251,649**
8.2.1 Federal	2,940,759	2,628,151
8.2.2 State	2,731,991	2,615,272
8.2.3 Municipal	8,897	8,226
8.3 Interest and Rentals	**946,381**	**708,161**

8.3.1 Interest	931,649	698,622
8.3.2 Rental	14,732	9,539
8.4 Interest on capital	**1,560,037**	**1,688,868**
8.4.1 Dividends (including additional proposed)	1,260,244	1,228,914
8.4.2 Retained profits	299,793	459,9541
	8,686,175	**8.182,186**

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant, CPFL Energia S.A., hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused this Amendment No. 1 to the annual report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Campinas, state of São Paulo, Brazil, on December 12, 2011.

CPFL ENERGIA S.A.

By: /s/Wilson Ferreira Junior
Name: Wilson Ferreira Junior
Title: Chief Executive Officer
(principal executive officer)

By: /s/Lorival Nogueira Luz Júnior
Name: Lorival Nogueira Luz Júnior
Title: Chief Financial Officer
(principal financial officer)

Exhibit Index

Exhibit Number	Description
12.1	Section 302 Certification of the Chief Executive Officer.
12.2	Section 302 Certification of the Chief Financial Officer.
13.1	Section 906 Certification of the Chief Executive Officer.
13.2	Section 906 Certification of the Chief Financial Officer.